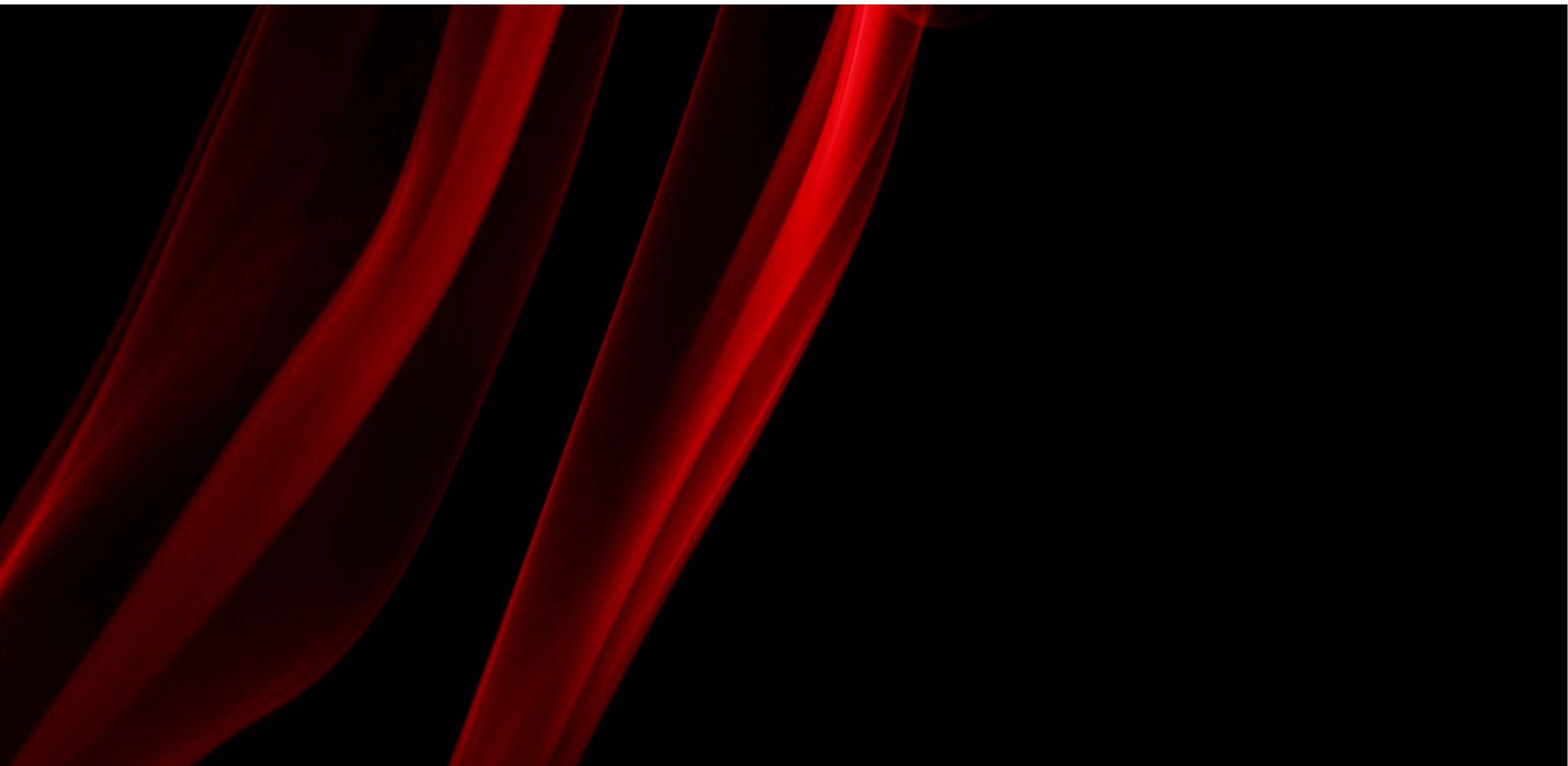
Uscom

2010

ANNUAL REPORT

Contents

Uscom



REVIEW OF OPERATIONS

Dear Fellow Shareholders

It is with pleasure that we present your Company's annual report for the year ending 30 June 2010.

At the 2009 AGM we described the objectives for 2010 and are pleased to update investors of Uscom Ltd results for the 2010 Financial Year:

Whilst 2010 had its challenges and was disappointing so far as revenue is concerned, the Company believes that considerable progress was made in developing the sales process resulting in:

(1) Advancement of a significant number of sales opportunities through what is proving to be a 12 to 18 month sales cycle from first visit to order.

(2) Generation of significant interest by potential hospital customers as evidenced by the building of a large sales "funnel" in the US market.

(3) The streamlining of the sales process for global sales staff.

With the effect of the global financial crisis and the US hospital reforms also working through the economy, we are seeing early signs in the US that sales performance may be improving in the new financial year. Nevertheless, the Company is actively taking the steps necessary to improve its performance going forward.

Global overview: Results for this year have been dominated by the impact of the global financial crisis and the US healthcare reforms. In December 2008 Uscom signed an exclusive distribution partnership with Spacelabs Healthcare for sales in the in hospital sector in the US, Canada, Latin American, European, Middle Eastern and Australian markets; coinciding with the first year of the global financial crisis. Additionally and concurrently the US capital asset market has been impacted by the most significant structural changes brought about by the US Federal Government in a century and designed specifically to contain medical expenditure; changes that have particularly impacted the adoption of new technology. Much of this year has been directed at supporting the Spacelabs Healthcare marketing partnership, and while customer interest has been overwhelming, conversion to sales and revenue in this market has been arduous. Where spending by hospitals has been approved, it has been focused on replacement technologies rather than new technologies. The result has been that global medical device markets have been significantly depressed, particularly in the US, our primary market focus.

As part of an ongoing review of operations, we have redoubled our efforts to access the global markets bringing on experienced US based executives to develop new distribution and marketing partnerships to diminish Uscom's reliance on 1. exclusive and expansive distribution relationships and 2. the in hospital market segment. This is currently evolving. The review is conceived to address the uncertain nature of target markets, particularly in the US, mixed sales and distribution performance, and to deal with the expected expiry of the Spacelabs exclusive distribution agreement for the in hospital sector on the 13th December 2010. As part of the review a more regional approach to distribution will be investigated, and new market sector partners will be identified to seek to accelerate penetration of new markets via co-development of novel Uscom technology and products, and, with 10 unexploited USCOM applications, there remains significant latent opportunity in these other market segments. It is envisaged that these partnerships may involve development and co-development of new products to diversify the Company's product base, and capital investments.

Pacific Medical Systems remains our distribution partner in China and South Asia. Uscom has actively supported this partnership with educational and marketing visits. An increasing interest in new technology in this market has assured us of an increase in regional research and publications, and the future for these emerging and wealthy markets remains particularly positive.

Adoption: At the end of 2010 Financial Year Uscom has in excess of 400 USCOM 1A units in the sales, clinical and research domains worldwide.

Operations: Global revenue decreased by 47% from $1,921,452 in 2009 to $1,019,005 in 2010, while costs decreased 9% from $3,132,691 to $2,939,217, resulting in a loss for the year of $2,128,206. At June 30th, 2010 Uscom held $1,376,000 cash.

Capital: The share price started the year at 77c and finished at 35c, after low volume selling into an illiquid market in the second half of the year. The volume weighted average share price for the year was 65c, and in October we raised $1.12m through a well supported Share Purchase Plan.

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Science: This year saw the publication of 10 peer reviewed academic papers and 12 articles, abstracts and poster presentations supporting the use of USCOM in clinical practice, bringing the total number to 173 USCOM publications. Importantly, this year saw the publication of two cornerstone papers endorsing USCOM use in the guidance of fluid management, one of the most common and most problematic critical care interventions. One was in ICU patients and the other in septic patients, a common and dangerous disease related to complicated infections. Both papers found USCOM doubled the effectiveness of fluid management compared to current invasive methods.

Technology: The USCOM Product continues to be improved through a process of on going research and development. This year new features were added in preparation for US release later this year and include new clinical parameters, unique to USCOM, reflecting cardiac Inotropy and Oxygen Delivery; these measures are conceived to simplify and improve clinical management. In addition the Technology Group is developing new technologies to support and develop Uscom's strategic path. This strategic path includes new products for sale by current and potential new partners, and products for new emerging target markets. Uscom maintains high standards of quality and efficient regulatory approval processes. During the year the Technology Group ensured very successful audits by external accrediting bodies under increasing demands by international standards and directives. The team also successfully obtained approval for product marketing in Canada.

Intellectual Property: Uscom continues to develop and manage its portfolio of valuable intellectual property. Uscom is focused on non-invasive cardiovascular measurement and has protected rights to commercialisation of a number of new and useful concepts in this area, and the development of new ideas is on going.

Product Marketing: Uscom continued to have a high profile at clinical meetings around the world with Uscom sharing exhibition space with our distribution partners in various territories and supporting clinical luminaries to present significant research and clinical vision on the application of the USCOM device. The highlight of the year was our attendance at the International Haemodynamics Symposium in Rome where many of the world's leading experts in circulation presented on new and emerging concepts and management, with USCOM technology finally receiving widespread recognition at the highest clinical levels for the important contribution it may make to medicine.

Clinical Marketing: This year has seen further advances in the support and education we provide for new users and early adopters of the USCOM technology. We continue to rely on dedicated clinical users, in house prepared support materials, and clinical educators to develop and expand our support for clinicians and sales personnel with product trials. We have also developed tools for the team so that the training protocols are consistent and comprehensive. Again we have concentrated on ways to improve the delivery of training to make it cost effective and be more receptive for the audience.

Management: This year saw the retirement of Mr Paul Butler from the position of CEO of Uscom after three years, while for the previous seven years he was head of operations and COO. Paul's contribution to Uscom Ltd and the USCOM 1A are immeasurable. Paul remains involved with the Company as an independent consultant. Nick Schicht, remains as General Manager and head of Australian operations. Ms Deb Johnson joined Uscom from Spacelabs Healthcare this year as Vice President of Marketing and Global Distribution co-ordinating and overseeing worldwide marketing and distribution. I have assumed CEO responsibilities temporarily until a suitable replacement can be identified and appointed. The nature of this role may change depending on the evolution of our distribution strategy and so an appointment is likely to be made when this is more settled towards the end of this year. Otherwise the Management and Board remain unchanged, small and effective, and working closely together to devise strategies and negotiate a complex international commercial environment.

Prospects: 2011 will be a year focused on developing current and new distribution channels and active development of new markets and new applications. An increased access to markets combined with the anticipated recovery of global markets together and the increasing recognition of the quality of USCOM science is likely to positively drive revenue. The Board is also actively exploring strategic alternatives which may benefit revenue, market liquidity and valuation.

The 2 year distribution agreement with Spacelabs Healthcare for the in hospital market is expected to expire in December this year and we are currently reviewing distribution strategies going forward with the objective of replacing inefficient operations and establishing new partnerships in unrepresented markets and boosting support for current effective pathways. The last few years has seen considerable momentum in the sales and marketing of USCOM products such that there is now a considerable interest in USCOM products which we wish

REVIEW OF OPERATIONS

to realise upon with an expanded distribution organisation and the anticipated improvement of global financial conditions.

Risks: Despite the confidence of the Board in the opportunities ahead, risks remain. The speed and depth of the financial recovery and the state of the in hospital market after conditions have stabilised remains unpredictable, and a slow recovery may result in unsatisfactory revenues. In the light of such unpredictable conditions the Board is aware of the need to carefully manage resources. Additionally, market conditions last year slowed the momentum of the global clinical adoption of the product, and this slowed acceptance and uptake remains a risk for the Company despite increasing interest and sales in the last couple of months.

Summary: The results we present to shareholders today reflect the challenges of a difficult international medical device market experienced last year. The Board remains optimistic that the global shift to more accurate, less expensive and safer methods remains, and will drive growth across many markets, and that USCOM's increasingly strong science will generate adoption by the global medical community. We believe a patent protected, non-invasive, simple and accurate device for measurement of central circulation will always be a valuable clinical tool and the foundation for a strong business. As the global economy recovers, the US healthcare environment stabilises, and changes in the Uscom distribution strategy become effective it is expected revenues will increase. The Board firmly believe in the fundamental value of the business and look forward to the opportunities to further contribute to the global medical industry and to continue to improve patient care and increase shareholder value.

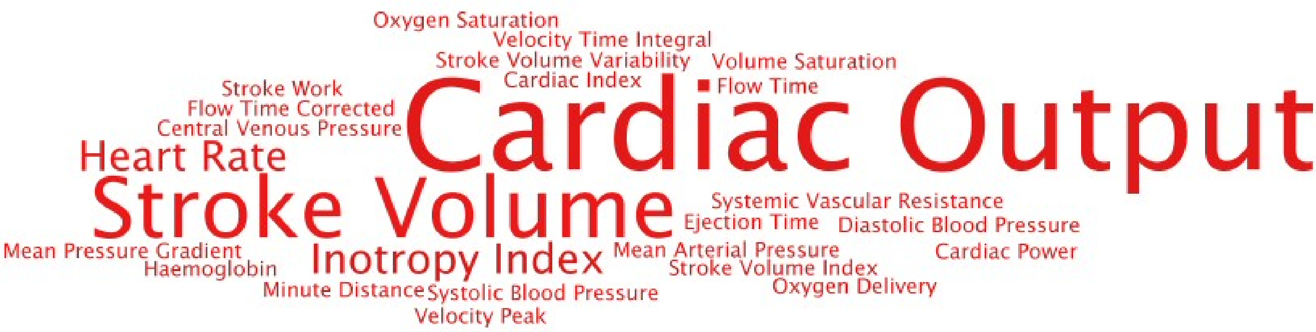
Thank you.

Rob Phillips
Chairman and Chief Executive Officer
Uscom Ltd

THE USCOM

The USCOM 1A is a non-invasive clinical tool that accurately measures cardiovascular function allowing improved diagnosis and management of patients.

USCOM 1A uses Continuous Wave Doppler Ultrasound to accurately measure the flow of blood through the cardiac valves. Using patented algorithms, the machine converts this flow information into accurate, real time data across 22 different parameters of cardiac performance.



USCOM 1A has multiple clinical applications but is particularly useful in the Intensive Care, Paediatrics, Emergency, Anaesthetics, and Retrieval.

Safe As the USCOM 1A is totally non-invasive all patients including Neonates, Pediatrics and Adults can be measured safely and quickly without the risk of infection.

Reduced Cost Measurements cost less to perform and with improved management patients recover quicker and spend less time in hospital.

Beat to Beat USCOM 1A provides beat to beat hemodynamics that can accurately diagnose abnormalities and guide rapid circulatory optimisation.

Accurate USCOM 1A is an accurate, reliable and reproducible method for measuring cardiovascular function.

Simple to Operate The product is simple to operate and can be reliably operated by clinicians, nurses and paramedics. It does not require extensive training and accreditation like echocardiography.

improved care, at reduced cost and reduced risk

CORPORATE GOVERNANCE STATEMENT

As from previous annual reports, Uscom is committed to continuing its high standards of corporate governance. Effective Corporate Governances aids the company to set and achieve its objectives. Once again, our reviewed Governance Statement for 2009/2010 outlines our policies and practices by reference to the principles of good corporate governance and Best Practice Recommendations published by the ASX Corporate Governance Council.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the Chief Executive Officer and those specific to the chairman.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.
The Chief Executive Officer, Chief Financial Officer and General Manager attend the scheduled board meetings and present progress against Company goals and objectives. The board assesses performance against the goals and objectives on a regular basis at these meetings. The Company conducts annual performance appraisals of all employees.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.
Performance evaluation for Senior Executives has taken place in the reporting period and it was in accordance with the process disclosed.

Principle 2: Structure the board to add value

Uscom Ltd has the services of a Board with a wide range of professional experience in fields such as science, medicine, marketing and international business. Refer to Directors Report page 10.

Recommendation 2.1: A majority of the board should be independent directors.
The Board consists of three members, two of whom are Non-Executive Directors. The Company takes the view that the two Non-Executive Directors are also Independent Directors. In the interests of transparency, the Company discloses relationships or business associations which may impact a person's own interpretation of the definition of independent.

Recommendation 2.2: The chairperson should be an independent director.
The Chairman of Uscom Ltd, Mr Rob Phillips is an active member of the executive management team, is the Company's largest single shareholder and is not an independent director. The Company's non-compliance with this recommendation is based on a sound assessment of the best interests of the stakeholders. Mr Phillips, as the inventor and founder of Uscom carries forward the vision and strategic direction of the Company. The Company believes it is essential that it maintain this momentum and continuity through the formative years of the Company.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.
The chairperson is Mr Rob Phillips who also currently maintains the Chief Executive Officer position. The Company's non-compliance with this recommendation is considered temporary as the Board prepares the business for the future and will in due course appoint a new Chief Executive Officer.

Recommendation 2.4: Establish a nomination committee.
The Company believes that a nomination committee is not necessary at this stage of the Company's development. Issues relating to board membership will continue to be overseen by the full board. The Company believes this to be justified given the relatively small size of the board (three members) and that significant growth in the number of Directors is not envisaged in the medium term.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.
Directors performance is evaluated through their contribution and attendance at all Board meetings. Being a small Board (three members) all Directors are actively involved in the strategic planning and goal setting of the Company.

Recommendation 2.6: Provide the information indicated in the Guide to reporting on principle 2.

- The skills, experience and expertise relevant to the position of Director held by each director in office (Refer to Directors' Report)
- The names of the Directors considered by the Board to constitute Independent Directors and the
- Company's materiality threshold can be found in the Directors' Report.
- All Company Non-Executive Directors are considered independent, notwithstanding the existence of relationships stated in the Guide.
- Refer to the Directors' Report for the term of office held by each Director in office.
- The Company believes that a nomination committee is not necessary at this stage of the Company's development therefore does not hold nomination meetings.
- A statement detailing the procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company can be found in the Remuneration Report.
- A formal performance evaluation for the Board, its committees and Directors has not taken place in the reporting period however performance is measured as described in 2.5.

Principle 3: Promoting ethical and responsible decision-making

Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer and other key Executives as to:

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company has developed a Code of Conduct for Directors, management and staff, underlining the Company's commitment to high ethical standards in the conduct of the Company's business. The board of Directors is responsible for ensuring the Company's compliance with the Code and the good and fair management of reports of any breaches.

For detailed Code of Conduct refer to Uscom Corporate Governance Documentation on the Company website.

Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy.
The Company has adopted a policy in relation to share trading, which applies to all staff, management and Directors, members of their families and any trust or family companies in which they may have an interest.

The policy is included in the Company's Code of Conduct. Refer to Uscom Corporate Governance documentation on the Company website.

Recommendation 3.3: Provide the information indicated in the Guide to reporting on Principle 3.
Refer to Uscom Corporate Governance Documentation on the Company website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Establish an audit committee.
The Board has established an audit and risk committee.

Recommendation 4.2: Structure the audit committee so that it consists of only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the board; at least three members.
The Company has appointed an audit and risk committee, responsible for reporting to the full board on issues relating to the Company's financial information and a regular review of the Company's risk environment.

The committee is made up of two members with both of them being independent Directors and has an independent director as chairman. It was considered appropriate for the size of the Company. The audit and risk committee will meet at least three times per year.

Recommendation 4.3: The audit committee should have a formal charter.
The audit and risk committee operates according to a formal charter.

Recommendation 4.4: Provide the information indicated in the Guide to reporting on Principle 4.
The audit and risk committee charter is included in the Uscom Corporate Governance Documentation on the Company website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
The Company has produced and adopted a disclosure policy, which has been communicated to all Directors, managers and employees.

Recommendation 5.2: Provide information indicated in the Guide to reporting on Principle 5.
Refer to the Uscom Corporate Governance documentation on the Company website.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
Uscom Ltd is committed to keeping shareholders fully informed of significant developments and activities at the Company.

The Company's primary communications tool is its website, and all announcements are posted on the site, immediately after they are released to the ASX through the appropriate electronic publication procedure.

Where information may be provided to market analysts or the media which is materially incremental to the announcements already published, this information would be treated as an announcement and published accordingly.

All announcements, dating back to May 2001, remain available on the website.

In addition, the website provides an "Investors" section, where more detailed information is available, including access to all of the Company's financial statements and the delayed share trading data produced by ASX.

Shareholders are encouraged to actively communicate with the Company through contact details provided on the website.

The Company also encourages shareholders to participate in the annual general meeting.

Ample notice of this meeting will be provided. All documents and presentations delivered to the annual meeting will be posted immediately on the Company website.

Recommendation 6.2: Provide the information indicated in the Guide to reporting on Principle 6.
Refer to the Uscom Corporate Governance documentation on the Company website.

Principle 7: Recognise and manage risk

Recommendation 7.1: Establish policies for the oversight and management of material business risks and disclose a summary of those policies.
The Company has appointed an audit and risk committee, which is charged with oversight of the Company's risk profile. The committee assesses the adequacy of the Company's control and risk environment, including accounting, financial and operating controls and the appropriateness of its accounting policies and practices. The committee manages a dynamic checklist of potential risk components and reviews each component during the course of a year.

Recommendation 7.2: Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
Management has reported to the board as to the effectiveness of the Company's management of its material business risk.

CORPORATE GOVERNANCE STATEMENT continued

Recommendation 7.3: Disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
The Chief Executive Officer and the Chief Financial Officer, who supervise financial and accounting matters, are required to sign off on the Company's accounts, as recommended.

Recommendation 7.4: Provide the information indicated in the Guide to reporting on Principle 7.
Refer to audit and risk committee charter included in Uscom Corporate Governance on the Company website.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Establish a Remuneration Committee.
Given the relatively small size of the Uscom board, the Company does not currently see the need for a separate remuneration committee.

Uscom Ltd has adopted a remuneration policy based on performance and contribution.

Recommendation 8.2: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
For further information see Remuneration Report from pages 12 to 16.

DIRECTORS' REPORT

The Directors present their report on Uscom Ltd and its Controlled Entity for the financial year ended 30 June 2010.

Directors

The following persons were Directors of Uscom Ltd during the whole of the financial year and up to the date of this report.

Mr R A Phillips	Executive Director - Chairman
Mr R Zwolenski	Non-Executive Director
Mr B Rathie	Non-Executive Director
Mr P W Butler	Executive Director - Chief Executive Officer (resigned on 31st December 2009)

Directors' qualifications and experience

Mr Rob Phillips

Mr Phillips has a Master of Philosophy in Medicine from the University of Queensland and is the author of over 25 patents and patent applications relating to assessment of cardiovascular performance and measurement. He is a recognised pioneer in the field of digital ultrasound and clinical echocardiography and has been prolific at an international level in presenting novel research on new clinical approaches to cardiovascular assessment. Mr Phillips is the Head of Cardiac Faculty at the Aust Inst of Ultrasound, Faculty Member of the International Society of Cardiovascular Ultrasound, a Fellow of the Institute of Radiography and is an Examiner for the Australian Society for Ultrasound in Medicine.

Mr Paul Butler

Mr Butler was the Chief Executive Officer of Uscom Ltd until 31st December 2009. He has over 15 years operational experience in electronics and medical devices. He holds a Bachelor of Economics and a qualification in Electrical Engineering. Having held senior roles at Uscom Ltd over the past six years Mr Butler has managed the development of the USCOM technology, distribution channels, finance and operations of the Company. Prior to Uscom Ltd, Mr Butler held senior business development roles at AEMS, logistics at NCR and operations in Scitec.

Mr Roman Zwolenski

Mr Zwolenski is a Non-Executive Director of Uscom Ltd. He has more than 12 years experience as a non-executive Director of a number of ASX listed biotech companies and was Chairman of Anadis Limited. After graduating from the University of New South Wales with a BSc in biosciences, Mr Zwolenski worked for 16 years in senior executive positions with international biomedical and pharmaceutical companies including Roche in Australia, the UK and Switzerland. This was followed by 8 years as the Chief Executive Officer of two ASX listed biotech companies.

During the past three years Mr Zwolenski held senior positions of the following listed companies:

• Ambri Ltd	Non-Executive Director	September 2003 – October 2004
	Managing Director / Chief Executive Officer	October 2004 – May 2007
• Anadis Ltd	Non-Executive Director	September 2002 – June 2008

Mr Zwolenski is a member of the Audit and Risk Committee.

Mr Bruce Rathie

Mr Rathie is a Non-Executive Director of Uscom Ltd. He holds degrees in law, commerce and business and has considerable experience as a lawyer having practiced as a solicitor and partner in a major Brisbane based legal firm and then as Senior in-house Counsel to Bell Resources Limited from 1980 to 1985 in aggregate. He studied for his MBA in Geneva and then went into investment banking in 1986 which subsequently took him to New York for over 2 years returning to Sydney in 1990. He spent the 90's in investment banking in Sydney, the last 5 years as a Director of Investment Banking at Salomon Brothers/ Salomon Smith Barney where he was responsible for the firm's activities/ roles in the industrial sector and the Federal Government's privatisation of Qantas, Commonwealth Bank (CBA3) and Telstra (T1). Mr Rathie currently holds board positions with a number of Australian companies.

During the past three years Mr Rathie held senior positions of the following listed companies:

• Compumedics Limited	Non-Executive Director	October 2004 – December 2006
• DataDot Technology Limited	Non-Executive & Chairman	December 2006 – January 2009 & October 2009 - present
• Anteo Diagnostics Limited	Chairman and Non-Executive Director	July 2006 – August 2009
• Calzada Limited	Non- Executive Director	April 2010 - present

Mr Rathie is a member of the Audit and Risk Committee.

Company Secretary's qualifications and experience

Mr Daniel Fah
Mr Fah is the Company Secretary and Chief Financial Officer of Uscom Ltd. Mr Fah has extensive experience developed in a variety of industries in Australia, United Kingdom and North America and brings a wealth of commercial and international expertise to the Company's management team. He has a Bachelor of Business Studies Degree, and is a member of the Institute of Chartered Accountants of Australia.

Meetings of Directors

Directors	Board of Directors		Audit and Risk Committee	
	Meetings held while a Director	No. of meetings attended	Meetings held while a Director	No. of meetings attended
R A Phillips	13	13	-	-
P Butler *	7	7	-	-
R Zwolenski	13	13	4	4
B Rathie	13	13	4	4

* Resigned on 31st December 2009

Principal activities

Uscom Ltd is engaged in the development, design, manufacture and marketing of non-invasive cardiac monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations. Uscom Ltd owns 100% of Uscom, Inc. a company engaged in the sale and promotion of USCOM devices primarily in the United States.

Operating result

The loss of the Consolidated Entity after providing for income tax amounted to $1,757,677 (2009: $1,099,889)

Dividends

No dividends were declared or recommended for the financial year ended 2010.

Significant changes in state of affairs

There were no significant changes in state of affairs during the financial year.

Operating and financial review

The operating and financial review is stated on pages 2 to 4 of this report.

Post balance date events

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

Future developments

Other than the business activities described in the annual report and, in particular, those matters discussed in the Review of Operations, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the Consolidated Entity.

Environmental issues

The Consolidated Entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Indemnifying officers

The Consolidated Entity has paid premiums to insure all Directors and Executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Proceedings on behalf of the Consolidated Entity

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Consolidated Entity, or to intervene in any proceedings to which the Consolidated Entity is a party, for the purpose of taking responsibility on behalf of the Consolidated Entity for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Consolidated Entity with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Consolidated Entity may decide to employ the auditor on assignments additional to their audit duties where the auditor's expertise and experience with the Consolidated Entity are important.

$6,981 was paid to PKF California for tax consulting services. There were no other amounts paid to or are payable for non-audit services provided by PKF Chartered Accountants & Business Advisers during the financial year to the Consolidated Entity.

Refer to note 25 of the financial statements on page 41 for details of auditors' remuneration.

The auditor's independence declaration under section 307C of the Corporation Act is set out on page 17 and forms part of the Directors' Report.

Remuneration report

This remuneration report has been prepared by the Directors of Uscom Ltd to comply with the Corporations Act 2001 and the key management personnel (KMP) disclosures required under AASB 124.

Key management personnel

The following were key management personnel of the Entity at the start of the financial year to the date of this report unless otherwise stated:

Non-Executive Directors
Roman Zwolenski, Non-Executive Director
Bruce Rathie, Non-Executive Director
Executive Directors
Rob Phillips, Executive Director, Chairman
Paul Butler, Executive Director, Chief Executive Officer (resigned on 31st December 2009)
Senior Executives
Daniel Fah, Chief Financial Officer, Company Secretary
Nick Schicht, General Manager
Ali Hughes-Jones, Marketing Executive, Europe
Deb Johnson, VP Marketing and Global Distribution (appointed on 1st February 2010)

In the Directors' opinion, there are no other Executives of the Entity.

Remuneration policies

The Board is responsible for reviewing the remuneration policies and practices of the Consolidated Entity, including the compensation arrangements of Executive Directors, Non-Executive Directors and Senior Executives.

The Consolidated Entity has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of Board Member and Senior Executives. The objective of these policies is to:

- Make Uscom Ltd and its Consolidated Entity an employer of choice
- Attract and retain the highest calibre personnel
- Encourage a culture of reward for effort and contribution
- Set incentives that reward short and medium term performance for the Consolidated Entity
- Encourage professional and personal development

In the case of Senior Executives, a recommendation for compensation review will be made by the Chairman to the Board, which will conduct a performance review.

Non-Executive Directors

The Board determines the Non-Executive Director remuneration by independent market data for comparative Companies.

As at the date of this report the maximum aggregate remuneration payable out of the funds of the Entity to Non-Executive Directors of the Consolidated Entity for their services as Directors including their service on a committee of Directors is $165,000 per annum.

Non-Executive Directors' base fees are presently $35,000 per annum. Non-Executive Directors do not receive any performance related remuneration, therefore they do not receive bonuses or non-cash benefits.

Non-Executive Directors' retirement payments are limited to compulsory employer superannuation.

Executive Directors and Senior Executives remuneration

The Consolidated Entity's remuneration policy directs that the remuneration package appropriately reflects the Executives' duties and responsibilities and that remuneration levels attract and retain high calibre Executives with the skills necessary to successfully manage the Consolidated Entity's operations and achieve its strategic and financial objectives.

The total remuneration packages of Executive Directors and Senior Executives are on a salary basis. In addition to base salary, the Company has a policy of rewarding extraordinary contribution to the growth of the Company with the grant of an annual discretionary cash bonus and options under the Consolidated Entity's Employee Share Option Plan.

Executives are also entitled to be paid for their reasonable travel, accommodation and other expenses incurred in consequence in the execution of duties.

Other than the Uscom Ltd Employee Share Option Plan, the Consolidated Entity does not provide any other non-cash benefits in lieu of base salary to Executives.

Remuneration packages for Executive Directors and Senior Executives generally consist of three components:
- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation.
- Short term incentives
- Long term incentives which include issuing options pursuant to the Uscom Ltd Employee Share Option Plan.

Fixed remuneration
Senior Executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each Executive will be reviewed annually. Following the review, the Consolidated Entity may in its sole discretion increase the salary based on that Executive's performance, productivity and such other matters as the Board considers relevant. Superannuation contribution by the Consolidated Entity is limited to the statutory level at 9% of wages and salaries.

Short-term incentives
The remuneration of Uscom Ltd Senior Executives does not include any short-term incentive bonuses as part of their employment conditions. The Board may however approve discretionary bonuses to Executives in relation to certain milestones being achieved.

Long-term incentives
The Consolidated Entity has adopted a Share Option Plan for the benefit of Executive Directors, full-time and part-time staff members employed by the Consolidated Entity.

In accordance with the Plan, exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options. Each option is issued for a period of 4 years, which vest 25% in tranches throughout the period.

An Executive Share Option Plan has been developed for approved participants.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan and the Executive Share Option Plan to Senior Executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time. The Board may propose the issue of options to Directors, however this will be subject to shareholder approval at the Annual General Meeting.

Independent data from applicable sources may be requested by the Board to assess whether the performance hurdles have been met.

Service agreements

The Consolidated Entity has entered into service agreements with the Chairman and Chief Executive Officer that

- Outlines the components of remuneration payable; and
- Specifies term and termination conditions.

Details of the service agreement are as follows:

Term

The Executive Employment Agreements are for a term of 3 years. The term of employment may be extended by the Consolidated Entity after the expiration of the initial 3 year term.

Each Executive may not, during the term of the employment agreement, perform work for any other person, corporation or business without the prior written consent of the Consolidated Entity.

Due to the small number of executives the remuneration committee comprises the Board of Directors which is predominantly made up of non Executive Directors. Reference is made to external market information in order to retain the most suitable Executives for meeting the entity's goals. Executive Directors are excluded from discussions on their remuneration. The remuneration of key Executives are not linked with the Consolidated Entity's performance as the focus is on retention of key Executives to ensure growth and traction in what is a new market. The Board of Directors will consider linking executive remuneration to Consolidated Entity's performance once the Consolidated Entity has sufficient market traction.

Termination

Despite anything to the contrary in the agreement, the Consolidated Entity or the Executive may terminate the employment at any time by giving the other party 3 months' notice in writing.

If either the Consolidated Entity or the Executive gives notice of termination, the Consolidated Entity may, at its discretion, choose to terminate the Executive's employment immediately or at any time during the notice period and pay the Executive an amount equal to the salary due to them for the residual period of notice at the time of termination.

Where the Executive gives less than 3 months' written notice, the Consolidated Entity may withhold from the Executive's final payment an amount equal to the shortfall in the notice period.

The employment of each Executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or wilful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the Executive or a consistent failure to carry out duties in a manner satisfactory to the Consolidated Entity.

Directors and Executives remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2010.

	Short term benefits			Post employment benefits	Equity		Total remuneration
	Directors' Base Fee $	Base salary $	Other payments $	Superannuation $	Share-based payment $	% of total	$
Non-Executive Director							
R Zwolenski	20,417	-	-	17,733 (1)	1,133	2.9%	39,283
B Rathie	35,000	-	-	3,150	1,133	2.9%	39,283
Executive Director							
R Phillips	-	155,000	-	13,950	1,133	0.7%	170,083
P Butler (to 31 Dec 2009)	-	119,760	-	7,650	680	0.5%	128,090
Senior Executive							
D Fah	-	-	51,367 (2)	-	3,463	6.3%	54,830
N Schicht	-	158,400	-	14,211	7,605	4.2%	180,216
A Hughes-Jones	-	99,395	-	13,338	566	0.5%	113,299
D Johnson	-	63,761	5,804	-	-	-	69,585
Total	55,417	596,316	57,171	70,032	15,713	-	794,649

(1) $14,583 of Directors' fees was sacrificed to post employment benefit during FY2010.
(2) Payments were made to CFO Strategic Chartered Accountants for the services provided by Mr Fah.

DIRECTORS' REPORT continued

Directors and Executives remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2009.

	Short term benefits			Post employment benefits	Equity		Total remuneration
	Directors' Base Fee $	Base salary $	Other payments $	Superannuation $	Share-based payment $	% of total	$
Non-Executive Director							
R Zwolenski	23,333	-	-	14,817(1)	3,686	8.8%	41,836
B Rathie	35,000	-	-	3,150	3,686	8.8%	41,836
Executive Director							
R Phillips	-	155,000	-	13,950	3,686	2.1%	172,636
P Butler	-	170,000	-	15,300	75,212	28.9%	260,512
Senior Executive							
D Fah	-	-	18,300(2)	-	4,666	20.3%	22,966
N Schicht	-	153,300	-	13,797	11,545	6.5%	178,642
A Hughes-Jones	-	113,579	-	15,339	1,843	1.4%	130,761
Total	58,333	591,879	18,300	76,353	104,324	-	849,189

(1) $11,667 of Directors' fees was sacrificed to post employment benefit during FY2009.

(2) Payments were made to CFO Strategic Chartered Accountants for the services provided by Mr Fah.

Employee Share Option Plan

The Consolidated Entity has adopted an Employee Share Option Plan for the benefit of Executive and Non-Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. At the date of this Report the following options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 4 years and vest in tranches of 25% after 9 months, 12 months, 24 months and 36 months.

Exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options, in accordance with the Employee Share Option Plan.

An Executive Share Option Plan has also been developed to provide approved participants further incentive in their performance for the Consolidated Entity and an opportunity to acquire an ownership interest in the Consolidated Entity.

Number of options over ordinary shares held by Directors and Senior Executives

	Balance	Granted	Exercised	Lapsed / Transferred out	Balance	Total vested
	1 July 2009 No.	During FY2010 No.	During FY2010 No.	During FY2010 No.	30 June 2010 No.	& exercisable 30 June 2010 No.
Non-Executive Director						
R Zwolenski	50,000	-	-	-	50,000	50,000
B Rathie	50,000	-	-	-	50,000	50,000
Executive Director						
R Phillips	50,000	-	-	-	50,000	50,000
P Butler (to 31 Dec 2009)	1,030,000	-	-	(1,030,000)	-	-
Senior Executive						
D Fah	50,000	-	-	-	50,000	25,000
N Schicht	130,000	-	-	-	130,000	80,000
A Hughes-Jones	25,000	-	-	-	25,000	25,000
D Johnson	-	-	-	-	-	-
Total	1,385,000	-	-	(1,030,000)	355,000	280,000

Details of options outstanding as at end of year

Holders No.	Grant date	Exercisable at 30 June 2010 %	Expiry date	30 June 2010 Outstanding Option No.	Exercise Price $	Issued date fair value $
3 (Directors)	25 January 2007	100%	25 January 2011	150,000	0.69	0.48
2 (Advisory committee)	25 January 2007	100%	25 January 2011	60,000	0.69	0.48
9	25 January 2007	100%	25 January 2011	210,000	0.69	0.48
8	20 November 2008	50%	20 November 2012	360,000	0.29	0.19
1 (Advisory committee)	22 November 2008	100%	12 November 2011	1,000,000	0.20	0.07
1 (Investor)	17 December 2008	100%	17 December 2011	2,000,000	0.375	0.12
Total				3,780,000		

Further details of the options are disclosed in note 19 of the financial statements.

Number of shares held by Directors and Senior Executives (including indirect interest)

	Balance 1 July 2009 No.	Received as Remuneration No.	Options Exercised No.	Net change Other* No.	Balance 30 June 2010 No.
Non-Executive Director					
R Zwolenski	225,000	-	-	23,809	248,809[1]
B Rathie	45,000	-	-	23,809	68,809
Executive Director					
R Phillips	16,932,350	-	-	47,618	16,979,968[2]
P Butler	313,212	-	-	(313,212)	-[3]
Senior Executive					
D Fah	5,000	-	-	-	5,000[4]
N Schicht	18,700	-	-	(500)	18,200[5]
A Hughes-Jones	-	-	-	-	-
D Johnson	-	-	-	-	-
Total	17,539,262	-	-	(218,476)	17,320,786

*Net change other refers to share purchased or sold during the financial year.
(1) All these ordinary shares are held by Z-link Pty Ltd Super Fund, Mr Zwolenski is a trustee of this fund.

(2) 286,159 of these ordinary shares are held by Northern Cardiac Sonography Pty Ltd as trustee for the Phillips Family Superannuation.

(3) Paul Butler ceased to be key management personnel on 31 December 2009.

(4) All these ordinary shares are held by Fah Investments Ltd Partnership.

(5)10,000 of these ordinary shares are held by family associate.

This Director's report is signed in accordance with a resolution of the Board of Directors.

Rob Phillips

Director

Roman Zwolenski

Director

Sydney, 31 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

PKF

Chartered Accountants
& Business Advisers

As lead auditor for the audit of Uscom Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Uscom Limited and the entities it controlled during the year.

PKF

John Bresolin
Partner

Sydney
Dated this 31st day of August 2010

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DX 10173 | Sydney Stock Exchange | New South Wales

INCOME STATEMENT

For the financial year ended 30 June 2010

		Consolidated		Parent Entity	
Continuing operations		2010	2009	2010	2009
	Note	$	$	$	$
Revenue	3	1,019,005	1,921,452	1,019,005	1,841,268
Raw materials and consumables used		(207,994)	(426,092)	(207,994)	(420,108)
Expenses from continuing activities, excluding finance costs	4	(2,939,217)	(3,132,691)	(2,889,552)	(2,979,325)
Finance costs		-	-	-	-
Loss before income tax credit		(2,128,206)	(1,637,331)	(2,078,541)	(1,558,165)
Income tax credit	5	370,529	537,442	370,529	537,442
Loss after income tax credit	6	(1,757,677)	(1,099,889)	(1,708,012)	(1,020,723)
Earnings per share (EPS)					
Basic earnings per share (cents per share)	7	(4.3)	(2.8)		
Diluted earnings per share (cents per share)	7	(4.3)	(2.8)		

This Income Statement is to be read in conjunction with the attached notes.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2010

		Consolidated		Parent Entity	
		2010	2009	2010	2009
	Note	$	$	$	$
Loss for the year		(1,757,677)	(1,099,889)	(1,708,012)	(1,020,723)
Other comprehensive income					
Foreign currency translation difference for foreign operations		(5,044)	29,074	-	-
Other comprehensive loss for the year		(5,044)	29,074	-	-
Total comprehensive loss for the year		(1,762,721)	(1,070,815)	(1,708,012)	(1,020,723)
Attributable to:					
Owners of the Company		(1,762,721)	(1,070,815)	(1,708,012)	(1,020,723)
Total comprehensive loss for the year		(1,762,721)	(1,070,815)	(1,708,012)	(1,020,723)

This Statement of Comprehensive Income is to be read in conjunction with the attached notes.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current assets					
Cash and cash equivalents	8	1,376,044	1,908,721	1,360,536	1,857,137
Trade and other receivables	9	55,313	296,912	55,313	264,866
Inventories	11	329,456	219,038	328,547	218,083
Tax asset	12	370,529	387,217	370,529	387,217
Other assets	15	79,026	87,120	73,679	81,666
Total current assets		2,210,368	2,899,008	2,188,604	2,808,969
Non-current assets					
Financial assets	10	-	-	1,000	1,000
Plant and equipment	13	95,564	87,338	95,166	86,641
Intangible assets	14	525,486	539,178	525,486	539,178
Total non-current assets		621,050	626,516	621,652	626,819
Total assets		2,831,418	3,525,524	2,810,256	3,435,788
Current liabilities					
Trade and other payables	16	170,971	224,198	186,275	221,487
Short term provisions	17	122,809	143,470	118,659	143,470
Total current liabilities		293,780	367,668	304,934	364,957
Non-current liabilities					
Long term provisions	17	87,603	101,639	87,603	101,639
Total non-current liabilities		87,603	101,639	87,603	101,639
Total liabilities		381,383	469,307	392,537	466,596
Net assets		2,450,035	3,056,217	2,417,719	2,969,192
Equity					
Issued capital	18	18,345,462	17,223,367	18,345,462	17,223,367
Options reserve	19	1,041,613	1,007,169	1,041,613	1,007,169
Accumulated losses	6	(17,000,294)	(15,242,617)	(16,969,356)	(15,261,344)
Translation reserve	20	63,254	68,298	-	-
Total equity		2,450,035	3,056,217	2,417,719	2,969,192

This Statement of Financial Position is to be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2010

	Issued Capital	Options Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
Parent Entity	$	$	$	$	$
Balance at 1 July 2008	16,644,265	864,765	(14,240,621)	-	3,268,409
Loss for the year	-	-	(1,020,723)	-	(1,020,723)
Total Comprehensive Income for the year	-	-	(1,020,723)	-	(1,020,723)
Transactions with Owners in their capacity as owners					
Shares Issued	600,000	-	-	-	600,000
Transaction costs on Shares Issued	(20,898)	-	-	-	(20,898)
Share-based payments	-	142,404	-	-	142,404
Balance at 30 June 2009	17,223,367	1,007,169	(15,261,344)	-	2,969,192
Loss for the year	-	-	(1,708,012)	-	(1,708,012)
Total Comprehensive Income for the year	-	-	(1,708,012)	-	(1,708,012)
Transactions with Owners in their capacity as owners					
Shares Issued	1,135,357	-	-	-	1,135,357
Transaction costs on Shares Issued	(13,262)	-	-	-	(13,262)
Share-based payments	-	34,444	-	-	34,444
Balance at 30 June 2010	18,345,462	1,041,613	(16,969,356)	-	2,417,719
Consolidated	$	$	$	$	$
Balance at 1 July 2008	16,644,265	864,765	(14,142,728)	39,224	3,405,526
Loss for the year	-	-	(1,099,889)	-	(1,099,889)
Other Comprehensive Income	-	-	-	29,074	29,074
Total Comprehensive Income for the year	-	-	(1,099,889)	29,074	(1,070,815)
Transactions with Owners in their capacity as owners					
Shares Issued	600,000	-	-	-	600,000
Transaction costs on Shares Issued	(20,898)	-	-	-	(20,898)
Share-based payments	-	142,404	-	-	142,404
Balance at 30 June 2009	17,223,367	1,007,169	(15,242,617)	68,298	3,056,217
Loss for the year	-	-	(1,757,677)	-	(1,757,677)
Other Comprehensive Income	-	-	-	(5,044)	(5,044)
Total Comprehensive Income for the year	-	-	(1,757,677)	(5,044)	(1,762,721)
Transactions with Owners in their capacity as owners					
Shares Issued	1,135,357	-	-	-	1,135,357
Transaction costs on Shares Issued	(13,262)	-	-	-	(13,262)
Share-based payments	-	34,444	-	-	34,444
Balance at 30 June 2010	18,345,462	1,041,613	(17,000,294)	63,254	2,450,035

This Statement of Changes in Equity is to be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2010

		Consolidated		Parent Entity	
		2010	2009	2010	2009
	Note	$	$	$	$
Cash flows from operating activities					
Receipts from customers		1,046,467	1,613,444	1,046,467	1,436,414
Interest received		19,950	81,038	19,950	81,038
Payments to suppliers and employees		(3,113,653)	(3,265,038)	(2,877,064)	(3,040,691)
Grant received		162,142	152,453	162,142	152,453
Income tax receipt		387,217	401,866	387,217	401,866
Net cash used in operating activities	21(b)	(1,497,877)	(1,016,237)	(1,261,288)	(968,920)
Cash flows from investing activities					
Purchase of patents and trademarks		(117,091)	(156,448)	(117,091)	(156,448)
Purchase of investments		-	-	(200,513)	-
Purchase of plant and equipment		(39,804)	(6,340)	(39,804)	(6,340)
Net cash used in investing activities		(156,895)	(162,788)	(357,408)	(162,788)
Cash flows from financing activities					
Issue of shares	18	1,122,095	579,102	1,122,095	579,102
Net cash provided by financing activities		1,122,095	579,102	1,122,095	579,102
Net decrease in cash held		(532,677)	(599,923)	(496,601)	(552,606)
Cash and cash equivalents at the beginning of the year		1,906,246	2,527,074	1,857,137	2,409,743
Exchange rate adjustment for opening balance		2,475	(18,430)	-	-
Cash and cash equivalents at the end of the year	21 (a)	1,376,044	1,908,721	1,360,536	1,857,137

This Statement of Cash Flows is to be read in conjunction with the attached notes.

NOTES TO FINANCIAL STATEMENTS

Note 1: Adoption of new and revised accounting standards

As at the date of this report there are a number of new accounting standards and interpretations that have been issued but are not yet effective as detailed below:

Australian Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2009	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	June 2010	1 Jul 2013
2009 – 5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	May 2009	1 Jan 2010
2009 – 8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	Jul 2009	1 Jan 2010
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	Oct 2009	1 Feb 2010
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	June 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	June 2010	1 Jul 2010
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	June 2010	1 Jul 2011
19	Extinguishing Financial Liabilities with Equity Instruments	Dec 2009	1 Jul 2010

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements.

These Standards and Interpretations will be first applied in the financial report that relates to the annual reporting period beginning after the effective date of each pronouncement.

New Standards Adopted During the Year

Financial Statement Presentation
The Company and Consolidated Entity has applied the revised AASB101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Company and Consolidated Entity has had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard where applicable.

Operating Segments
The Company and Consolidated Entity has applied the revised AASB 8 Operating Segments on its effective date. The Operating Segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 26.

Note 2: Statement of significant accounting policies

(a) Introduction

The financial report covers the Consolidated Entity of Uscom Ltd and its Controlled Entity, and Uscom Ltd as an individual Parent Entity. Uscom Ltd is a listed public company, incorporated and domiciled in Australia.

Operations and principal activities

Uscom Ltd is engaged in the development, design, manufacture and marketing of non-invasive cardiac monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations.

Scope of financial statements

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, the Corporations Act 2001 and complies with other requirements of the law.

Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated Entity financial report conforms with International Financial Reporting Standards (IFRS).

Going Concern

For the year ended 30 June 2010 the Consolidated Entity has incurred a net loss of $1,757,677 (30 June 2009 $ 1,099,889) and net cash outflows of $ 532,677 (30 June 2009 $ 599,923). As at 30 June 2010 the Consolidated Entity had net assets of $ 2,450,035 (30 June 2009 $ 3,056,217)

The FY 2010 annual accounts have been prepared on the Going Concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business, with a view that significant uncertainty exists in relation to Going Concern for the next 12 months.

The Consolidated Entity's current forecasts and projections, taking account of possible changes in trading performance show that the group, in the directors opinion will be able to operate as a Going Concern.

As noted in the review of operations, the results this year have been dominated by the lingering impact of the global financial crisis which impacted the Consolidated Entity around the same time it signed its distribution agreement with Spacelabs in December 2008. This year the Consolidated Entity has also encountered a material slow down on capital expenditure in the US market due to the US healthcare reforms.

The directors have concluded that the combination of the global financial crisis and material slow down on capital expenditure in the US has impacted on the performance of the Spacelabs agreement and it is likely that the contract will become non exclusive or terminate during FY 2011 as a result of Spacelabs being unable to meet minimum sales targets.

This market uncertainty casts doubt about the Consolidated Entity's ability to continue as a Going Concern.

As a result, the directors have initiated a strategic review of sales & distribution channels with a view to strengthening global sales coverage and identifying new distribution partners across world markets to complement or replace current sales and distribution capability. The review process will be co-ordinated by Deb Johnson, Uscom's Seattle based VP Marketing and Global distribution. In addition, Uscom has appointed two specialist US consultants as advisers to assist the Consolidated Entity in relation to the review process.

The outcome of the review will enable Uscom to better respond to the uncertain nature of target markets particularly in the US. It is envisaged that, as part of the review, new product co-development partners will be identified to seek accelerated penetration of new markets via co-development of novel Uscom technology and partner products. Currently Uscom's global sales & distribution capabilities are predominantly divided between Spacelabs Healthcare and Pacific Medical Systems and this review process aims to determine where and how additional sales & distribution capability may be deployed to improve sales performance.

In addition to the review of sales and distribution channels Uscom management are undertaking an exercise to cut costs to ensure that cash flows are preserved. Significant savings have been identified in staff and travel costs which will be reflected in the FY 2011 results.

Note 2: Statement of significant accounting policies (continued)

The directors recognise the ability of the Consolidated Entity to continue as a Going Concern and to pay its debts as and when they fall due is dependent on both a revision of the sales and distribution channels and successful cost cutting. Should these two processes not be initiated in FY2011 a significant uncertainty exists over the Consolidated Entity's ability to continue as a Going Concern.

The directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Currency
The financial report is presented in Australian dollars, which is the Parent Company's functional and presentational currency.

Parent Accounts
The Consolidated Entity has applied ASIC Class Order 10/654 dated 26 July 2010 which allows companies presenting consolidated financial statements to also present the Parent Entity financial statements.

Historical Cost Convention
This financial report has been prepared under the Historical Cost Convention.

Reporting period
The financial report is presented for the year ended 30 June 2010. The comparative reporting period was for the year ended 30 June 2009.

Comparatives
Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Registered office
Level 7, 10 Loftus Street, Sydney NSW 2000.

Authorisation of financial report
The financial report was authorised for issue on 31 August 2010 by the Directors.

(b) Overall policy
The principal accounting policies adopted by the Consolidated Entity are stated in order to assist in the general understanding of the financial report.

(c) Significant judgment and key assumptions
The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Entity.

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

(d) Financial assets and financial liabilities
Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Consolidated Entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Entity. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Upon initial recognition a financial asset or financial liability is designated as at fair value through Profit or Loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through Profit or Loss is recognised in the Income Statement.

Note 2: Statement of significant accounting policies (continued)

Financial assets not measured at fair value comprise receivables and investment in subsidiary. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Available-for-sale financial assets include other financial assets, comprising investments in subsidiaries, not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities comprise of trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method.

Trade accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectibility.

Financial assets, other than those at fair value through profit or loss, are reassessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asst the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is revered through profit and loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(e) Principles of consolidation

A Controlled Entity is any entity Uscom Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of Controlled Entities is contained in note 23 to the financial statements. All Controlled Entities have a June financial year-end.

All inter-company balances and transactions between Entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting polices of Subsidiaries have been changed where necessary to ensure consistencies with those polices applied by the Parent Entity.

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting dates. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and are recognised in income statement on disposal of the foreign operation.

(f) Foreign currency transactions and balances

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO FINANCIAL STATEMENTS continued

Note 2: Statement of significant accounting policies (continued)

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from continuous operations as they arise.

(g) Revenue recognition

- Sale of goods

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and when the other contractual obligations of the Entity are performed.

- Revenue from rendering of services

Rendering of services consists of training, repair and product maintenance supplied to customers. Revenue is recognised when contractual obligations are expired and services are provided.

- Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

- Government grants

Government grants revenue is recognised at fair value when there is reasonable assurance that the grant will be received and the grant conditions will be met.

(h) Inventories

Inventories are measured at the lower of cost or net realisable value. Costs are assigned on the basis of weighted average costs. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. Overheads are applied on the basis of normal operative capacity. The costs are recognised when materials are delivered to the Consolidated Entity.

(i) Property, plant and equipment

Property, plant and equipment are included at cost. Assets in plant and equipment are depreciated on a straight line basis over their estimated useful lives covering a period of two to seven years.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss in the Income Statement.

(j) Intangibles

Patents and Trademarks are valued in the financial statements at cost of acquisition less accumulated amortisation and are amortised on a straight-line basis over 8 years.

(k) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

(l) Leases

Lease of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Consolidated Entity were classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the Consolidated Entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases are recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Note 2: Statement of significant accounting policies (continued)

(m) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and at call deposits with banks or financial institutions.

(n) Investments
Investments in Controlled Entities are carried at the lower of cost and recoverable amount.

(o) Research & development expenditure
Research & development costs are charged to the Income Statement as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

(p) Foreign currency transactions and balances
Foreign currency transactions during the year are converted to Australian dollars at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance sheet date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from continuous operations as they arise.

(q) Income tax
Income taxes are accounted for using the Balance Sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expenses except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The charge for current income tax expense/credit is based on the profit or loss for the year adjusted for any non assessable or disallowed items. It is credited using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the Balance Sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settle. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(r) Short term employee benefits
Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payables within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Consolidated Entity has a present obligation to pay resulting from employee services provided up to balance date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

Note 2: Statement of significant accounting policies (continued)

(s) Long term employee benefits
Long term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the period in which employee services are rendered.

Uscom Ltd has adopted an Employee Share Option Plan for the benefit of Executive and Non-Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. Refer note 19 to the financial statements for details.

An Executive Share Option Plan has also been developed to provide approved participants further incentive in their performance for the Consolidated Entity and an opportunity to acquire an ownership interest in the Consolidated Entity.

(t) Share-based payment arrangement
Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share based payment transaction.

For equity-settled share based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

(u) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of Balance Sheet are shown inclusive of GST.

(v) Receivables
Trade receivables and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts. An estimated doubtful debt is made when collection of the full amount is no longer probable.

(w) Contingent liabilities
A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

(x) Warranties
Provision is made in respect of the Consolidated Entity's estimated liability on all products and services under warranty at balance date. The provision is measured at the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Consolidated Entity's history of warranty claims.

(y) Events after the balance sheet date
Assets and liabilities are adjusted for events incurring after the balance date that provide evidence of conditions existing at the balance date. Important after balance date events which do not meet these criteria are disclosed in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS continued

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 3: Revenue				
Operating revenue				
Sale and rental of goods	836,913	1,630,371	836,913	1,550,187
Non-operating revenue				
Interest received	19,950	81,038	19,950	81,038
Grants received - export market development grant	160,907	150,000	160,907	150,000
Grants received - VAT return	1,235	2,453	1,235	2,453
Exchange gain	-	57,590	-	57,590
Total other income	182,092	291,081	182,092	291,081
Total revenues from continuing operations	1,019,005	1,921,452	1,019,005	1,841,268
Note 4: Expenses from continuing activities, excluding finance costs				
Depreciation and amortisation expenses	105,147	114,821	104,891	114,317
Impairment of patents	55,678	-	55,678	-
Employee benefits expense	1,075,413	1,343,823	981,362	1,282,516
Research and development expenses	531,423	572,099	531,423	572,099
Advertising and marketing expenses	436,269	475,588	322,409	305,292
Occupancy expenses	143,307	136,385	129,704	126,665
Auditors remuneration (audit)	39,000	38,500	39,000	38,500
Auditors remuneration (audit review)	17,000	16,500	17,000	16,500
Regulatory expenses	76,739	68,667	76,201	66,191
Bad debt expenses	29,474	41,229	-	41,229
Impairment of investments in Uscom, Inc.	-	-	230,412	-
Provision for advances to Uscom, Inc.	-	-	-	105,884
Administrative expenses	341,800	325,079	313,505	310,132
Exchange losses	87,967	-	87,967	-
Total expenses from continuing activities, excluding finance costs	2,939,217	3,132,691	2,889,552	2,979,325
Operating lease expenses of $133,429 in 2010 (2009: $128,009) are included in occupancy expenses above				
Note 5: Income tax credit				
Major components of income tax credit				
Income tax credit in relation to prior year	-	150,225	-	150,225
Current income tax credit	370,529	387,217	370,529	387,217
Income tax credit	370,529	537,442	370,529	537,442
Reconciliation between income tax credit and prima facie tax on accounting loss				
Accounting loss before income tax	2,128,206	1,637,331	2,078,541	1,558,165
Tax benefit at 30% in Australia, 15% in USA (2009:30% in Australia)	665,574	498,681	623,562	467,450
Tax effect on non deductible expenses	(402,620)	(415,052)	(402,350)	(414,811)
Temporary differences	(15,517)	(30,157)	(15,517)	(30,157)
Deferred tax asset not brought to account	(247,437)	(53,472)	(205,695)	(22,482)
Research and development tax offset - prior year	-	150,225	-	150,225
Research and development tax offset - current year	370,529	387,217	370,529	387,217
Income tax credit	370,529	537,442	370,529	537,442

NOTES TO FINANCIAL STATEMENTS continued

Note 5: Income tax credit (continued)

As at 30 June 2010, the Consolidated Entity had estimated unrecouped operating income tax losses of $12,357,295 (2009: $11,572,437). The benefit of these losses of $3,474,467 (2009: $3,246,598) has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- The Consolidated Entity derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- The Consolidated Entity continues to comply with the conditions for deductibility imposed by the law;
- No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the losses.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 6: Accumulated losses				
Accumulated losses at the beginning of the financial year	(15,242,617)	(14,142,728)	(15,261,344)	(14,240,621)
Net loss attributable to members of the Entity	(1,757,677)	(1,099,889)	(1,708,012)	(1,020,723)
Accumulated losses at the end of the financial year	(17,000,294)	(15,242,617)	(16,969,356)	(15,261,344)
Note 7: Earnings per share				
Loss after tax used in calculation of basic and diluted EPS	(1,757,677)	(1,099,889)		
	Number	Number		
Weighted average number of ordinary shares during the year used in calculation of basic EPS	41,347,880	39,073,973		
Weighted average number of options outstanding	3,780,000	2,358,836		
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	45,127,880	41,432,809		
Basic earnings per share (cents per share)	c(4.3)	c(2.8)		
Diluted earnings per share (cents per share)	c(4.3)	c(2.8)		

The option in existence have an anti-dilutive effect on EPS, therefore there is no difference between basic earnings per share and diluted earnings per share as shown above. There have been no issues of ordinary shares between the balance sheet date and the date of this report.

	2010	2009	2010	2009
Note 8: Cash and cash equivalents				
Cash on hand	250	210	250	210
Bank: Cheque accounts	537,187	445,527	521,679	393,943
Bank: Cash management	152,278	20,334	152,278	20,334
Bank: Term deposits	497,486	521,143	497,486	521,143
Bank: Deposit at call	188,843	921,507	188,843	921,507
Total cash and cash equivalents	1,376,044	1,908,721	1,360,536	1,857,137
Note 9: Trade and other receivables				
Current				
Trade receivables	55,313	296,912	55,313	264,866
Total current receivables	55,313	296,912	55,313	264,866

Trade receivables are non-interest bearing and on an average of 45 day terms. Details of trade receivables due but not impaired are disclosed in note 22.

	2010	2009	2010	2009
Note 10: Financial assets				
Non-current				
Unlisted investment at cost				
-Shares in Controlled Entities – Uscom, Inc.	-	-	1,643,614	1,000
Less: Provision for impairment	-	-	(1,642,614)	-
Total financial assets	-	-	1,000	1,000

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 11: Inventories				
Current inventories at cost				
Raw materials	156,370	174,750	156,370	174,750
Finished products	173,086	44,288	172,177	43,333
Total inventories	329,456	219,038	328,547	218,083
Note 12: Tax assets				
Income tax credit	370,529	387,217	370,529	387,217
Total tax asset	370,529	387,217	370,529	387,217
Note 13: Plant and equipment				
Plant and equipment at cost	516,147	479,148	513,708	476,586
Accumulated depreciation	(427,942)	(402,756)	(425,901)	(400,891)
	88,205	76,392	87,807	75,695
Office furniture and equipment at cost	59,166	59,166	59,166	59,166
Accumulated depreciation	(55,235)	(53,037)	(55,235)	(53,037)
	3,931	6,129	3,931	6,129
Computer software at cost	22,120	21,746	22,120	21,746
Accumulated depreciation	(20,221)	(19,102)	(20,221)	(19,102)
	1,899	2,644	1,899	2,644
Low value asset pool at cost	30,798	29,984	30,798	29,984
Accumulated depreciation	(29,269)	(27,811)	(29,269)	(27,811)
	1,529	2,173	1,529	2,173
Total plant and equipment	95,564	87,338	95,166	86,641

Movements in carrying amounts	Plant and equipment	Office furniture	Computer software	Low value asset pool
Useful life	2-7 years	2-7 years	3 years	3 years
	$	$	$	$
Parent Company				
Carrying amount at 1 July 2009	75,695	6,129	2,644	2,173
Additions	37,122	-	375	814
Disposals	-	-	-	-
Depreciation expense	(25,010)	(2,198)	(1,120)	(1,458)
Carrying amount at 30 June 2010	87,807	3,931	1,899	1,529
Consolidated Entity				
Carrying amount at 1 July 2009	76,392	6,129	2,644	2,173
Additions	37,122	-	375	814
Disposals	-	-	-	-
Depreciation expense	(25,266)	(2,198)	(1,120)	(1,458)
Effects of foreign currency exchange differences	(43)	-	-	-
Carrying amount at 30 June 2010	88,205	3,931	1,899	1,529

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 14: Intangible assets				
Non-current				
Patents at cost	752,213	594,594	752,213	594,594
Additions	117,091	156,448	117,091	156,448
Impairment at cost	(83,509)	-	(83,509)	-
Accumulated amortisation	(260,309)	(211,864)	(260,309)	(211,864)
Carrying amount at 30 June 2010	525,486	539,178	525,486	539,178
Movements in carrying amounts				
Carrying amount at 1 July 2009	539,178	447,881	539,178	447,881
Additions	117,091	156,448	117,091	156,448
Amortisation	(75,105)	(65,151)	(75,105)	(65,151)
Impairment	(55,678)	-	(55,678)	-
Carrying amount at 30 June 2010	525,486	539,178	525,486	539,178

Intangible Assets comprise Intellectual Property in the form of Patents. The Patents have finite useful lives. The current amortisation charge in respect of Patents is included under Expenses from Continuing Activities in the Income Statement. An impairment charge of $55,678 has been recognised in the current year in relation to overseas Patents and is recorded under Expenses from Continuing Activities. There was no impairment in the comparative year.

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Note 15: Other current assets				
Current				
GST receivable	24,701	33,977	24,701	33,977
Prepayments	54,325	53,143	48,978	47,689
Total other current assets	79,026	87,120	73,679	81,666
Note 16: Trade and other payables				
Current				
Trade payables	92,241	142,817	77,643	140,106
Sundry payables and accrued expenses	45,115	43,539	75,016	43,539
Employee related payables	33,615	37,842	33,615	37,842
Total payables	170,971	224,198	186,274	221,487
Note 17: Provisions				
Short term				
Provision for annual leave	122,809	143,470	118,659	143,470
	122,809	143,470	118,659	143,470
Long term				
Provision for long service leave	82,323	95,605	82,323	95,605
Provision for warranties	5,280	6,034	5,280	6,034
	87,603	101,639	87,603	101,639
(a) Aggregate employee benefits	205,132	239,075	200,982	239,075
(b) Movement in employee benefits				
Balance at beginning of the year	239,075	213,489	239,075	213,489
Additional provision	117,603	138,961	113,453	138,961
Amounts used	(151,546)	(113,375)	(151,546)	(113,375)
Balance at end of the year	205,132	239,075	200,982	239,075
	Number	Number	Number	Number
(c) Number of employees at year-end	15	19	13	18

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 18: Issued capital				
Issued capital				
Fully paid ordinary shares	18,345,462	17,223,367	18,345,462	17,223,367
Total contributed equity	18,345,462	17,223,367	18,345,462	17,223,367
Movement in issued capital				
Shares on issue at the beginning of the year	17,223,367	16,644,265	17,223,367	16,644,265
2,000,000 ordinary shares issued to OSI Systems	-	600,000	-	600,000
Share issue costs	-	(20,898)	-	(20,898)
1,800,547 ordinary shares issued at 63 cents	1,134,342	-	1,134,342	-
Share issue costs	(13,262)	-	(13,262)	-
3,500 ordinary shares issued at 29 cents	1,015	-	1,015	-
Ordinary shares at the end of the year	18,345,462	17,223,367	18,345,462	17,223,367
Fully paid ordinary shares	Number	Number	Number	Number
Ordinary shares at the beginning of the year	40,000,000	38,000,000	40,000,000	38,000,000
2,000,000 ordinary shares issued to OSI Systems	-	2,000,000	-	2,000,000
1,800,547 ordinary shares issued by SPP	1,800,547	-	1,800,547	-
3,500 ordinary shares issued by exercise of option	3,500	-	3,500	-
Total ordinary shares at the end of the year	41,804,047	40,000,000	41,804,047	40,000,000

2,000,000 ordinary shares were issued to OSI Systems on 17 December 2008. 1,800,547 ordinary shares were issued by share purchase plan on 1 October 2009. 3,500 ordinary shares were issued by exercise of option on 1 March 2010. The Company's authorised share capital amounted to 41,804,047 ordinary shares of no par value.

Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, or via a show of hands.

Note 19: Share options

The Consolidated Entity has adopted an Employee Share Option Plan for the benefit of Executive and Non-Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. At the date of this Report the following options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 4 years and vest in tranches of 25% after 9 months, 12 months, 24 months and 36 months. Exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options, in accordance with the Employee Share Option Plan.

An Executive Share Option Plan has also been developed to provide approved participants further incentive in their performance for the Company and an opportunity to acquire an ownership interest in the Company.

There have been no options granted during the financial year.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Effect of share-based payment transactions				
Share Option Plan				
Options reserve balance at the beginning of the year	1,007,168	864,765	1,007,168	864,765
Expenses arising from share-based payment transactions	34,444	142,403	34,444	142,403
Options reserve balance for Share Option Plan at the end of the year	1,041,612	1,007,168	1,041,612	1,007,168
OSI Systems				
Right to participate in options	1	1	1	1
Option reserve at the end of the year	1,041,613	1,007,169	1,041,613	1,007,169

	Consolidated		Parent Entity	
Note 19: Share options (continued)				
Movement during the financial year	Number of Options 2010	Weighted average exercise price	Number of options 2009	Weighted average exercise price
Opening number of options	3,835,000	0.36	690,000	1.22
Granted during the financial year – Share Option Plan	-	-	1,400,000	0.23
Granted during the financial year- OSI Systems	-	-	2,000,000	0.38
Lapsed during the financial year	(51,500)	0.41	(255,000)	2.12
Exercised during the financial year	(3,500)	0.29	-	-
Closing number of options	3,780,000	0.36	3,835,000	0.36

Details of options outstanding as at end of the year

Holders No.	Grant date	Exercisable at 30 June 2010 %	Expiry date	30 June 2010 Outstanding Option No.	Exercise Price $	Issued date fair value $
3 (Directors)	25 January 2007	100%	25 January 2011	150,000	0.69	0.48
2 (Advisory committee)	25 January 2007	100%	25 January 2011	60,000	0.69	0.48
9	25 January 2007	100%	25 January 2011	210,000	0.69	0.48
8	20 November 2008	50%	20 November 2012	360,000	0.29	0.19
1 (Advisory committee)	22 November 2008	100%	12 November 2011	1,000,000	0.20	0.07
1 (Investor)	17 December 2008	100%	17 December 2011	2,000,000	0.375	0.12
Total				3,780,000		

Fair value

Fair value was measured using Blackscholes and the inputs to it were as follows:

Weighted average share price	Range from $0.23 to $2.12
Exercise price	420,000 at $0.69; 360,000 at $0.29; 1,000,000 at $0.20; 2,000,000 at $0.375
Option life	1-4 years
Risk-free interest rate	Range from 4.6% to 6.31%
Expected dividends	0
Expected volatility*	65%

* Historical volatility has been the basis for determining the expected share price volatility as it is assumed that it is indicative of the future trade, which may not eventuate.

	Consolidated		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Note 20: Translation reserve				
Opening balance	68,298	39,224	-	-
Translation of financial statements of foreign Controlled Entity	(5,044)	29,074	-	-
Closing balance	63,254	68,298	-	-
Note 21: Cash flow information				
(a) Reconciliation of cash				
Cash at bank and on hand	1,376,044	1,908,721	1,360,536	1,857,137
Total cash at end of year	1,376,044	1,908,721	1,360,536	1,857,137

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 21: Cash flow information (continued)				
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax				
Loss from continuing operations after income tax	(1,757,677)	(1,099,889)	(1,708,012)	(1,020,723)
Non cash flows in loss from continuing operations				
Depreciation	30,042	49,670	29,786	49,166
Amortisation	75,105	65,151	75,105	65,151
Impairment of patents	55,678	-	55,678	-
Bad debts write off	29,474	(41,229)	-	(41,229)
Impairment of investments	-	-	230,412	-
Options reserve	34,444	142,403	34,444	142,403
Translation reserve	(5,002)	28,853	-	-
(Increase)/Decrease in assets				
Trade debtors	212,125	(34,274)	209,553	(31,316)
Inventories	(108,924)	(83,574)	(108,970)	(86,827)
Prepayments	(1,182)	(4,714)	(1,287)	(4,941)
Income tax	16,688	(135,576)	16,688	(135,576)
GST assets	9,276	(21,604)	9,276	(21,604)
Bond deposits	-	3,550	-	3,550
Increase/(Decrease) in liabilities				
Trade payables	(50,576)	98,147	(62,463)	96,177
Sundry payables and accrued expenses	1,576	(4,515)	1,576	(4,515)
Employee related payables	(4,227)	(2,331)	(4,227)	(2,331)
Employee provisions	(33,943)	25,586	(38,093)	25,586
Other provisions	(754)	(1,891)	(754)	(1,891)
Cash flow from operations	(1,497,877)	(1,016,237)	(1,261,288)	(968,920)

Note 22: Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(b) Capital risk management

The Consolidated Entity manages its capital to ensure that companies in the Consolidated Entity are able to continue as a going concern. The capital structure of the Entity consists of cash and cash equivalents (note 8 on page 31) and equity attributable to equity holders of the Parent, comprising issued capital (note 18 on page 34), and accumulated losses (note 6 on page 31).

(c) Financial instruments

At 30 June 2010, there were no outstanding contracts.

(d) Financial risk management objectives

The Consolidated Entity's principal financial instruments are cash and term deposit accounts. Its financial instruments risk is with interest rate risk on its cash and term deposits and liquidity risk for its term deposits.

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Board is updated monthly by management as to the amounts of funds available to the Consolidated Entity from either cash in the bank or term deposits, and continually monitors interest rate movement.

(e) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Consolidated Entity does not have any forward foreign exchange contracts as at 30 June 2010 and is exposed to foreign currency risk on sales and purchased dominated in a currency other than Australian dollars.

Note 22: Financial instruments (continued)

The currencies given rise to this risk is primarily the US Dollar and Euro. The Consolidated Entity incurs costs in US Dollar for its operations which provide a natural hedge for a portion of income denominated in US Dollar.

The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	US$	US$	US$	US$
Cash	793,924	724,423	780,706	682,568
Current trade debtors	47,100	172,300	47,100	172,300
Current trade creditors	24,042	30,805	11,600	28,605
	€	€	€	€
Cash	48,559	19,549	48,559	19,549
Current trade debtors	-	30,203	-	30,203
Current trade creditors	-	5,000	-	5,000

(f) Foreign currency sensitivity

The Consolidated Entity is mainly exposed to exchange rate risks arising from movements in the US Dollar and Euro against the Australian Dollar, and the US Dollar from the translation of the operations of its Controlled Entity.

The analysis below demonstrates the impact of a 10% and 5% movement of US Dollar and Euro rates respectively against the Australian Dollar with all other variables held constant. 10% and 5% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Profit/Loss - increase 10% (US$) and 5% (€)	(73,219)	(152,428)	(73,219)	(134,992)
- decrease 10% (US$) and 5% (€)	73,219	152,428	73,219	134,992

(g) Interest rate risk management

The Consolidated Entity does not have any external loans or borrowings as at 30 June 2010 and is not exposed to interest rate risks related to debt.

The Consolidated Entity is exposed to interest rate risk as companies in the Consolidated Entity hold cash and term deposits at both fixed and floating interest rates. The risk is managed by the Consolidated Entity maintaining an appropriate mix between both rates.

Management continually monitor its cash requirements through forecasts and cash flow projections and move funds between fixed and variable interest instruments to hold the maximum about possible in instruments which pay the greater rate of interest. This limits the about of risk associated with setting a policy on the mix of funds to be held in fixed or variable interest rate instruments.

(h) Interest rate sensitivity

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Profit/Loss - increase 100 basis points	1,995	8,104	1,995	8,104
- decrease 100 basis points	(1,995)	(8,104)	(1,995)	(8,104)

Note 22: Financial instruments (continued)

(i) Credit risk management

Credit risk represents the loss that would be recognised if counterparties defaulted on its contractual obligations. The Consolidated Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually. Ongoing credit evaluation is also performed on the financial condition of accounts receivable.

The Consolidated Entity does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics; because the current major counterparties are alliance distributors and public hospitals with approved funds available prior to purchases under most circumstances.

The credit risk on financial assets of the Consolidated Entity have been recognised on the Statement of Financial Position, is the carrying amount, net of any allowance for doubtful debts. Credit risk in respect of cash and deposit is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

	Consolidated		Parent Entity	
Past due but not impaired	2010	2009	2010	2009
	$	$	$	$
46 – 90 days	-	-	-	-
Over 90 days	51	32,046	51	-
Total	51	32,046	51	-

Bad debt of $29,474 was written off during the year (2009: $41,229). There was no doubtful debt provision as at 30 June 2010 (2009: Nil).

Management considers the above debts to be recoverable based on the continuing work with the parties involved and the progress they have made in the market, and the recognised long lead time associated with selling capital item, hence no impairment allowance is required.

(j) Liquidity risk management

The objective for managing liquidity risk is to ensure the business has sufficient working capital or access to working capital as and when required.

The Consolidated Entity limits its exposure to liquidity risk by holding the majority of its assets in cash or term deposits which can be quickly converted to cash if required.

The carrying amounts of financial assets and financial liabilities recorded at cost approximate their fair values.

The following table details the Company and the Consolidated Entity's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows expected to be received/paid by the Consolidated Entity.

NOTES TO FINANCIAL STATEMENTS continued

Note 22: Financial instruments (continued)

Consolidated	Weighted Average effective interest Rate %	Floating interest $	Fixed interest rate maturing Within 1 year $	1 to 5 years $	Non-interest bearing $	Total $
2010						
Financial assets						
Cash	3.7	878.558	469,319	28,167	-	1,376,044
Trade receivables		-	-	-	55,313	55,313
Other receivables	-	-	-	-	24,701	24,701
Total financial assets		878,558	469,319	28,167	80,014	1,456,058
Financial liabilities						
Trade creditors		-	-	-	92,241	92,241
Payables		-	-	-	78,730	78,730
Total financial liabilities		-	-	-	170,971	170,971
Net financial assets		878,558	469,319	28,167	(90,957)	1,285,087
2009						
Financial assets						
Cash	2.8	1,387,579	492,975	28,167	-	1,908,721
Trade receivables		-	-	-	296,912	296,912
Other receivables	-	-	-	-	33,977	33,977
Total financial assets		1,387,579	492,975	28,167	330,889	2,239,610
Financial liabilities						
Trade creditors		-	-	-	142,817	142,817
Payables		-	-	-	81,381	81,381
Total financial liabilities		-	-	-	224,198	224,198
Net financial assets		1,387,579	492,975	28,167	106,691	2,015,412

Reconciliation of net financial assets to net assets	2010 $	2009 $
Net financial assets as above	1,285,087	2,015,412
Non financial assets and liabilities		
Current tax receivable	370,529	387,217
Inventories	329,456	219,038
Prepayments	54,325	53,143
Plant and equipment	95,564	87,338
Intangible assets	525,486	539,178
Provisions	(210,412)	(245,109)
Net assets per Statement of Financial Position	2,450,035	3,056,217

NOTES TO FINANCIAL STATEMENTS continued

Note 23: Related party disclosures

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Parent and Controlled Entity
Parent Entity
Significant investments in subsidiaries: Uscom, Inc.
Country of subsidiary incorporation: U.S.A
Proportion of ownership interest: 100%
Consolidated
The Parent and Ultimate Parent Entity is Uscom Ltd.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Transactions between related parties				
Parent				
Sales to Uscom, Inc.	-	-	-	94,173
Advances to Uscom, Inc.	-	-	-	105,884
Provision for advances to Uscom, Inc.	-	-	-	(105,884)
Investment in Uscom, Inc.	-	-	1,642,614	-
Amount paid	-	-	(1,612,715)	-
Outstanding balance	-	-	29,899	-
Subsidiary				
Purchase from Uscom Ltd	-	-	-	94,173
Equity provided by Uscom Ltd	-	-	1,642,614	105,884
Other related parties				
Transactions between CFO Strategic Chartered Accountants				
As a Company Secretary and Chief Financial Officer of Uscom Ltd, Mr Fah provides services to the Company through CFO Strategic Chartered Accountants.				
Services rendered	51,367	18,300	51,367	18,300

Key management personnel
The following were key management personnel of the Consolidated Entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors
Roman Zwolenski, Non-Executive Director
Bruce Rathie, Non-Executive Director
Executive Directors
Rob Phillips, Executive Director, Chairman
Paul Butler, Executive Director, Chief Executive Officer (ceased to be a Director on 31st December 2009)
Senior Executives
Daniel Fah, Chief Financial Officer, Company Secretary
Nick Schicht, General Manager
Ali Hughes-Jones, Marketing Executive, Europe
Deb Johnson, VP Marketing and Global Distribution (appointed on 1st February 2010)

For further remuneration information of key management personnel refer to the remuneration report in the Directors' report on pages 12 to 16.

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Consolidated Entity is set out below:

NOTES TO FINANCIAL STATEMENTS continued

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Note 23: Related party disclosures (continued)				
Short-term employee benefits	651,733	650,212	587,972	650,212
Post-employment benefits	70,032	76,353	70,032	76,353
Other payments	57,171	18,300	51,367	18,300
Share-based payment	15,713	104,324	15,713	104,324
Total key management personnel remuneration	794,649	849,189	725,084	849,189
Note 24: Commitments				
Operating lease commitments				
Operating commitments represent payments due for office rentals and have an average term from 18 to 30 months.				
Less than 1 year	118,594	125,115	118,594	113,078
Between 1 and 5 years	187,473	-	187,473	-
Total operating commitments	306,067	125,115	306,067	113,078
Note 25: Auditors' remuneration				
Remuneration of PKF East Coast Practice for				
Audit of financial report	39,000	38,500	39,000	38,500
Review of financial report	17,000	16,500	17,000	16,500
Non-audit services	2,000	-	2,000	-
Remuneration of PKF California for				
Tax consulting services	6,981	5,350	-	-
Total auditors' remuneration	64,981	60,350	58,000	55,000

Note 26: Operating segments

Segment information

The Consolidated Entity operates in the global health and medical products industry.

The Consolidated Entity sells a single product, the A1 monitor. Geographical segment reporting is therefore the appropriate method of reporting operating segments.

Globally the Company has four geographic sales and distribution segments as shown below. For each segment, the CEO and CFO review internal management reports on at least a monthly basis.

The largest customer group which operates in the USA, Europe, Australia and Asia accounts for 57% of the total sales revenue. The businesses 2nd largest customer accounts for over 37% of the total sales revenues and operates exclusively in Asia.

Basis of accounting for purposes of reporting by operating segments

Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and accounting standard AASB 8 Operating Segments which requires a 'Management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the reportable segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the Board of Directors.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of inventories, property, plant and equipment and intangible assets. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are not allocated. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions for warranties. Segment assets and liabilities do not include deferred income taxes.

NOTES TO FINANCIAL STATEMENTS continued

Note 26: Operating segments (continued)

	Australia $	Asia $	USA $	Europe $	Unallocated $	Eliminated $	Consolidated $
2010							
Sales to external customers	22,710	307,721	477,048	29,434	-	-	836,913
Other revenues	19,950	-	-	1,235	160,907	-	182,092
Total segment revenues	42,660	307,721	477,048	30,669	160,907	-	1,019,005
Segment expenses	5,817	94,259	557,862	259,172	2,460,513	(230,412)	3,147,211
Segment result	36,843	213,462	(80,814)	(228,503)	(2,299,606)	230,412	(2,128,206)
Income tax credit	370,529	-	-	-	-	-	370,529
Consolidated loss from ordinary activities after income tax credit							(1,757,677)
Segment assets	505,256	-	243,760	191,515	1,920,786	(29,899)	2,831,418
Segment liabilities	392,534	-	18,748	-	-	(29,899)	381,383
Acquisition of property, plant and equipment and intangibles	44,123	23,318	38,361	49,599	-	-	155,401
Impairment of patents	-	55,678	-	-	-	-	55,678
Depreciation and amortisation	42,042	10,860	25,072	22,968	4,205	-	105,147

	Australia $	Asia $	USA $	Europe $	Unallocated $	Eliminated $	Consolidated $
2009							
Sales to external customers	60,112	363,639	1,005,443	201,177	-	-	1,630,371
Other revenues	81,038	-	-	2,453	207,590	-	291,081
Total segment revenues	141,150	363,639	1,005,443	203,630	207,590	-	1,921,452
Segment expenses	160,808	80,882	612,120	314,737	2,496,120	(105,884)	3,558,783
Segment result	(19,658)	282,757	393,323	(111,107)	(2,288,530)	105,884	(1,637,331)
Income tax credit	537,442	-	-	-	-	-	537,442
Consolidated loss from ordinary activities after income tax credit							(1,099,889)
Segment assets	392,710	43,220	268,890	164,883	4,068,023	(1,412,202)	3,525,524
Segment liabilities	466,596	-	1,414,913	-	-	(1,412,202)	469,307
Acquisition of property, plant and equipment and intangibles	18,262	12,510	100,757	31,259	-	-	162,788
Impairment of patents	-	-	-	-	-	-	-
Depreciation and amortisation	54,131	5,210	42,462	13,018	-	-	114,821

Note 27: Contingencies

There were no contingencies as at 30 June 2010.

Note 28: Subsequent events

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

DIRECTORS' DECLARATION Uscom Limited and its Controlled Entity

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 42, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance as represented by the results of its operations, changes in equity and cash flows for the financial year ended on that date; and

   (b) complying with Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements;

2. the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

3. in the Directors' opinion, having regard to the disclosures made regarding going concern in note 2 to the Financial Statements there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

This declaration is made in accordance with a resolution of the Board of Directors.

Rob Phillips

Director

Sydney, 31 August 2010

Roman Zwolenski

Director

INDEPENDENT AUDIT REPORT

Chartered Accountants
& Business Advisers

To the members of Uscom Limited

Report on the Financial Report

We have audited the accompanying financial report of Uscom Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 30 June 2010 or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. . In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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DX 10173 | Sydney Stock Exchange | New South Wales

Chartered Accountants
& Business Advisers

Auditor's Opinion

In our opinion:

(a) the financial report of Uscom Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note2 to the financial statements which indicates that the consolidated entity incurred a net loss for the period of $1,757,677 (June 2009: $1,099,889) and had net cash outflows of $532,677 (June 2009: $599,923).

These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast doubt about the consolidated entity's ability to continues as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge is liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Uscom Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.

PKF

John Bresolin
Partner
Sydney

31st August 2010

SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 July 2010.

(a) Distribution Schedules of Shareholder

Holdings Ranges	Holders Number	Ordinary shares Number	%
1 – 1,000	119	86,406	0.207
1,001 – 5,000	253	766,772	1.834
5,001 – 10,000	82	666,904	1.595
10,001 – 100,000	127	4,190,462	10.024
100,001 – 99,999,999,999	34	36,093,503	86.340
Total	615	41,804,047	100

There were 128 holders of less than a marketable parcel of 97,304 ordinary shares.

(b) Class of shares and voting rights

All shares are ordinary shares. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(c) Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 31 July 2010 are:

Robert Allan Phillips	16,979,968
Gary Desmond Davey	6,284,609
Bell Potter Nominees Ltd	2,124,836
OSI System Inc	2,000,000

(d) Twenty largest registered holders – ordinary shares

Balance as at 31 July 2010	Ordinary shares Number	%
Robert Allan Phillips	16,979,968	40.62%
Gary Desmond Davey	6,284,609	15.03%
Bell Potter Nominees Ltd <BB Nominees A/C>	2,124,836	5.08%
OSI Systems Inc	2,000,000	4.78%
DRP Cartons (NSW) Pty Ltd <DRP Cartons (NSW) PL S/F A/C>	1,438,801	3.44%
Stream Group Aust Pty Ltd	939,611	2.25%
Mr Rutherford James Browne & Mrs Sheba Elizabeth Marjorie Browne	656,750	1.57%
Jules Flach	500,000	1.20%
DRP Cartons (NSW) Pty Ltd	462,876	1.11%
Helen Marie Bragg	368,750	0.88%
Ross Planning Pty Ltd <S Alston Superannuation A/C>	366,952	0.88%
Graham Scott Alston	354,394	0.85%
Riverbel Investments Pty Ltd <Riverbel Family No 3 A/C>	303,809	0.73%
Francis Robert Berry	287,500	0.69%
Judith Burroughs	284,309	0.68%
Natasha Ann Yates	278,333	0.67%
Paul William Butler	275,000	0.66%
Link Traders (Aust) Pty Ltd	265,809	0.63%
Mr Roman Zwolenski & Mrs Philomena Noela Zwolenski <Z-Link Pty Ltd Super A/C>	248,809	0.59%
Lloyd Elliott Yates	239,717	0.57%
Total	34,660,833	82.91%

SHAREHOLDER INFORMATION continued

Registered office and principal place of office
Level 7, 10 Loftus Street
Sydney NSW 2000 Australia
Tel: 02 9247 4144
Fax: 02 9247 8157

Company Secretary
Daniel Fah

Registers of securities
Registries Limited

Level 7, 207 Kent Street
Sydney NSW 2000 Australia

PO Box R67, Royal Exchange
Sydney NSW 1223 Australia

Tel: 1300 737 760
Fax: 1300 653 459
registries@registries.com.au
www.registries.com.au

Stock exchange listing
Quotation has been granted for 41,804,047 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities
Options over unissued shares
A total of 3,780,000 options over ordinary shares are on issue. 2,000,000 options are on issue to OSI System. 150,000 options are on issue to three Directors, 1,060,000 options are on issue to two members of advisory board and 570,000 options are on issue to nine employees under the Uscom Ltd Employee Share Option Plan.

Uscom Ltd, Suite 1, Level 7, 10 Loftus Street, Sydney NSW 2000 Australia T +612 9247 4144