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Uscom Limited and its controlled entity

ABN 35 091 028 090

ASX Appendix 4D Half yearly report – 31 December 2013

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Reporting period ended	31 December 2013
Previous corresponding reporting period:	31 December 2012

Results for announcement to the market

Revenues from ordinary activities	up	6.55%	to	$387,119
Loss from ordinary activities after tax attributable to members	down	3.30%	to	$649,072
Net Loss for the period attributable to members	down	3.30%	to	$649,072

Dividends per Share

It is not proposed to pay a dividend.

Net Tangible Asset per Ordinary Share

	31 December 2013	31 December 2012
NTA backing	1.8c	2.4c

Status of review

The accounts have been reviewed.

Commentary

Refer Executive Chairman review of operations in page 2-3.

Financial highlights

Revenues from ordinary activities	$387,119
Loss from ordinary activities	($649,072)
Sales Revenue	$371,808
Net operating cash consumption	($803,465)
Net increase in cash held	$220,373
Cash held at end of the year	$761,568

DIRECTORS' REPORT

Your directors present the financial report of Uscom Ltd and its controlled entity for the half-year ended 31 December 2013.

Directors

The names of directors who held office during the whole of the half-year and up to the date of this report are:

Mr Rob Phillips
Ms Sheena Jack
Mr Christian Bernecker

Review of operations

Uscom Ltd results for the first half of financial year 2014 demonstrate:

- sales revenue increased from $352k to $372k, up 6%
- net operating losses were reduced 3% from $671k in 2013 to $649k in financial year 2014
- operating expenses from ordinary activities were reduced 5% from $1,152k to $1,092k
- at the end of December 2013 the consolidated entity had approximately $762k in cash and $2.8m in total shareholder assets, up 20% from $2.4m in June 2013.

The operational results reported in the Appendix 4D reflect the consolidated entity's strategic focus of preserving funds as it manages BP+ integration costs and prepares for global manufacture and distribution without the benefits of revenue. Despite this challenge, revenue for the period increased and the operating loss for the same period was reduced.

The consolidated entity's principal objectives are now to get products to market and take advantage of our new distribution channels and growing market interest.

The last six months have been pivotal for the future of Uscom Ltd. Subsequent to finalising the acquisition of Pulsecor Ltd's assets in June 2013, the operations of the two companies were integrated into the Sydney headquartered entity, and the consolidated entity has developed the BP+ manufacturing strategy.

The consolidated entity's activities in the first half of financial year 2014 have been directed at:

- consolidation of the Pulsecor asset acquisition;
- development of the BP+ manufacturing strategy; and
- establishment of sales and distribution networks for both of the consolidated entity's products.

In September Mr Steven Haken was appointed as our UK based global sales manager with a specific mandate to grow USCOM and BP+ sales channels.

In October the consolidated entity signed a 5 year, US$7m sales deal into China for BP+, which is expected to commence by early 2015, and is anticipated to more than double current global annual revenues when fully operative.

In December consolidated entity appointed Deltex as non-exclusive distributors for the UK with a 3 year, US$2.35m best endeavours target.

We have initiated the distribution and licensing network for BP+, and have expanded USCOM distribution with the appointment of new distributors for Southern US, Sri Lanka and Italy.

To further our distribution goals Rob Phillips and Steven Haken attended Medica in November to advance global sales partnerships and a number of conversations are continuing.

The first half of financial year 2014 also featured the successful raising of more than $1.1m in a private placement to sophisticated investors for the issue of approximately 7.4m shares. The placement was supported by a mix of current shareholders and new investors. Following the capital raising there were 75,676,153 ordinary fully paid Uscom shares on issue. Uscom also appointed Lodge Partners in Melbourne as corporate advisors.

These projects were accompanied by a 6% improvement in revenue, a 3% reduction in operating losses and a 20% increase in shareholder equity. The share price at the beginning of the period was $0.20 and the current share price, following the acquisition of BP+, is $0.19, making the current capitalized value of the consolidated entity approximately $14 million.

The science supporting USCOM continues to grow, and the case for USCOM becoming a genuine standard of care technology is reaching clinicians, with significantly increased enquiries and an expanding sales funnel. At the same time BP+ has been recognised as the Gold Standard central Blood Pressure device in adults and children in recent academic publications. Our new global sales focus is to position the USCOM 1A and BP+ to deliver real revenue from increased global sales.

In summary, the first half of financial year 2014 saw the successful integration of the Pulsecor operations, a small capital raise, the appointment of a global sales manager, expanded distribution and sales channels, and the signing of important new long term sales contracts. While effecting these cost-led changes, the consolidated entity has still grown revenue, reduced losses and increased shareholder assets by 20%.

Uscom owns two world leading devices in the field of cardiovascular monitoring, the USCOM 1A and the BP+. The consolidated entity is entering an exciting time as we begin to capitalise on these technologies through an expanded sales and marketing network. Uscom's current focus is to preserve funds as we move from the spend side to the revenue generating side of the manufacturing cycle and feed our two practice leading cardiovascular monitoring technologies into our expanding global distribution channels.

Uscom is continuing to execute its strategy developed by Management and the Board. The Directors believe this strategy will yield increased revenue for the consolidated entity and allow us to achieve profit projections and grow shareholder value off the back of increasing clinician endorsement.

The Directors consider the foundations are now in place, and the consolidated entity is poised for global growth.

Signed in accordance with a resolution of the Directors under S306(3)(a) of the Corporations Act 2001.

Rob Phillips
Executive Chairman

Sydney, 21 February 2014

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DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF USCOM LIMITED

As lead auditor for the review of Uscom Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Uscom Limited and the entity it controlled during the period.

Tim Sydenham
Partner

BDO East Coast Partnership

Sydney, 21 February 2014

Uscom Limited and its controlled entity

Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2013

Continuing operations	*Note*	**31 Dec 2013** **$**	**31 Dec 2012** **$**
Revenue and other income	*2*	387,119	363,309
Raw materials and consumables used		(94,207)	(82,679)
Expenses from continuing activities	*3*	(1,091,984)	(1,151,847)
Loss before income tax credit from continuing operations		(799,072)	(871,217)
Income tax credit		150,000	200,000
Loss after income tax credit from continuing operations		(649,072)	(671,217)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations		475	(384)
Other comprehensive income for the period		475	(384)
Total comprehensive income for the period		(648,597)	(671,601)
Attributable to:			
Owners of the Company		(648,597)	(671,601)
Minority interest		-	-
Total comprehensive income for the period		(648,597)	(671,601)
Earnings per share (EPS)			
Basic earnings per share (cents per share)		(0.9)	(1.1)
Diluted earnings per share (cents per share)		(0.9)	(1.1)

This Consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of financial position
as at 31 December 2013

	Note	31 Dec 2013 $	30 Jun 2013 $
Current assets			
Cash and cash equivalents		761,568	541,195
Trade and other receivables		143,135	98,436
Inventories		194,909	190,654
Tax assets		522,208	372,208
Other assets		65,711	54,472
Total current assets		1,687,531	1,256,965
Non-current assets			
Plant and equipment		44,575	51,589
Intangible assets		1,442,928	1,506,634
Total non-current assets		1,487,503	1,558,223
Total assets		3,175,034	2,815,188
Current liabilities			
Trade and other payables		120,468	196,107
Short term provisions		212,469	241,797
Total current liabilities		332,937	437,904
Non-current liabilities			
Long term provisions		26,609	22,617
Total non-current liabilities		26,609	22,617
Total liabilities		359,546	460,521
Net assets		2,815,488	2,354,667
Equity			
Issued capital	*4*	24,694,060	23,638,157
Options reserve	*5*	1,573,989	1,520,474
Accumulated losses		(23,531,509)	(22,882,437)
Foreign currency translation reserve		78,948	78,473
Total equity		2,815,488	2,354,667

This Consolidated statement of financial position is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of changes in equity
for the half year ended 31 December 2013

	Ordinary share capital	Options reserve	Accumulated losses	Foreign currency translation reserve	Total
	$	$	$	$	$
Balance at 1 July 2012	21,526,920	1,379,673	(21,510,754)	74,227	1,470,066
Loss for the period	-	-	(671,217)	-	(671,217)
Other comprehensive income	-	-	-	(384)	(384)
Total comprehensive income for the period	-	-	(671,217)	(384)	(671,601)
Transactions with owners in their capacity as owners:					
Shares Issued	1,234,200	-	-	-	1,234,200
Transaction costs on Shares Issued	(14,007)				(14,007)
Unissued share capital	(150,000)				(150,000)
Share-based payments	-	43,377	-	-	43,377
Total transactions with owners	1,070,192	43,377	-	-	1,113,569
Balance at 31 December 2012	22,597,113	1,423,050	(22,181,971)	73,843	1,912,035
Balance at 1 July 2013	23,638,157	1,520,474	(22,882,437)	78,473	2,354,667
Loss for the period	-	-	(649,072)	-	(649,072)
Other comprehensive income	-	-	-	475	475
Total comprehensive income for the period	-	-	(649,072)	475	(648,597)
Transactions with owners in their capacity as owners:					
Shares Issued	1,125,206	-	-	-	1,125,206
Transaction costs on Shares Issued	(69,303)				(69,303)
Share-based payments	-	53,515	-	-	53,515
Total transactions with owners	1,055,903	53,515	-	-	1,109,418
Balance at 31 December 2013	24,694,060	1,573,989	(23,531,509)	78,948	2,815,488

This Consolidated statement of changes in equity is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of cash flows
for the half year ended 31 December 2013

	31 Dec 2013 $	31 Dec 2012 $
Cash flows from operating activities		
Receipts from customers	327,109	421,422
Grants and others received	-	3,529
Payments to suppliers and employees	(1,134,952)	(1,131,763)
Interest received	4,378	7,414
Net cash used in operating activities	(803,465)	(699,398)
Cash flows from investing activities		
Purchase of patents and trademarks	(32,065)	(19,127)
Net cash used in investing activities	(32,065)	(19,127)
Cash flows from financing activities		
Proceeds from issue of shares and options	1,125,206	1,084,200
Share issue costs	(69,303)	(14,007)
Net cash provided by financing activities	1,055,903	1,070,193
Net increase in cash and cash equivalents	220,373	351,668
Net cash and cash equivalents at the beginning of the period	542,607	543,754
Exchange rate adjustments to cash and cash equivalents at the beginning of the period	(1,412)	709
Net cash and cash equivalents at the end of the period	761,568	896,131

This Consolidated statement of cash flows is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and the attached notes.

Uscom Limited and its controlled entity

Selected Explanatory Notes to the Financial Statements
For the half year ended 31 December 2013

Note 1 – Statement of significant accounting policies

The half-year consolidated financial report was approved by the Board of Directors on 21 February 2014. This half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 and is to be read in conjunction with the annual financial report for the financial year ended 30 June 2013. This is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Uscom Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies have been followed as those applied and discussed in the financial report for the financial year ended 30 June 2013.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

The consolidated entity incurred a net loss of $649,072 (2012: $671,601) and incurred operating cash outflows of $803,465 (2012: $699,398) during the period ended 31 December 2013, and had $761,568 cash on hand as at 31 December 2013.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity’s ability to continue as a going concern.

The consolidated entity's forecasts and projections for the next twelve months take account of the current operational status and future trading performance and indicate that in the directors' opinion the consolidated entity will be able to operate as a going concern.

The first half of financial year 2014 saw the appointment of a global sales manager, expanded distribution and sales channels, and the signing of the China and Deltex distribution deals and the appointment of 3 additional distributors. The revenue benefits from these distribution agreements should become evident in the next 6 months.

Management is confident of success with the current strategy of expanding and growing distribution. However, the timing of revenue and sales volumes expected from current and new operations may vary from those forecast by management, and this may generate material uncertainty as to the timing of operating cash flows. Should the timing of cash flows be significantly different to those forecasts the consolidated entity may need to seek alternative financing options to enable it to settle its liabilities as they fall due.

The Directors are satisfied that adequate plans and strategies have been formulated and will be adopted as required to allow the consolidated entity to have sufficient cash to meet its obligations through to February 2015 (12 months from date on review report). On this basis the financial report has been prepared on the going concern basis.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

	31 Dec 2013	31 Dec 2012
	$	$
Note 2 – Revenue		
Sale of goods	371,808	352,366
Other revenue		
Interest received	4,378	7,414
Other income		
Exchange gain	10,933	-
Miscellaneous income	-	3,529
Total other income	10,933	3,529
Total revenue	387,119	363,309

	31 Dec 2013	31 Dec 2012
Note 3 – Expenses from ordinary activities		
Depreciation and amortisation expenses	103,773	45,080
Employee expenses	365,237	424,761
Research and development expenses	207,781	281,312
Advertising and marketing expenses	154,890	104,636
Occupancy expenses	58,598	78,493
Regulatory expenses	47,960	47,434
Administrative expenses	153,745	168,316
Exchange losses	-	1,815
Total expenses from ordinary activities	1,091,984	1,151,847

	31 Dec 2013	31 Dec 2012
Note 4 – Issued capital		
Ordinary shares		
Fully paid ordinary shares	24,694,060	23,638,157
Total contributed equity	24,694,060	23,638,157
Movement in issued capital		
Shares on issue at the beginning of the period	23,638,157	21,376,920
Private Placement in July 2012	-	150,000
Private Placement in September and November 2012	-	1,084,200
Exercise of options in January 2013	-	744
Consideration for acquisition of assets in June 2013	-	1,050,000
Exercise of options in July 2013	1,487	-
Private Placement in August 2013	30,000	-
Exercise of options in September 2013	3,719	-
Share Placement in September and November 2013	1,090,000	-
Share issue cost	(69,303)	(23,707)
Ordinary shares at the end of the period	24,694,060	23,638,157
	Number	**Number**
Ordinary shares at the beginning of the period	68,171,985	52,124,488
Ordinary shares issued during Private Placement	7,416,668	11,034,997
Ordinary shares issued by exercise of options	87,500	12,500
Ordinary shares issued for acquisition of assets	-	5,000,000
Total fully paid ordinary shares at the end of the period	75,676,153	68,171,985

	31 Dec 2013	30 June 2013
	$	$
Note 5 – Options reserve		
Options reserve balance at the beginning of the period	1,520,474	1,379,673
Expenses arising from share-based payment	53,515	140,801
Options reserve balance at the end of the period	1,573,989	1,520,474
	Number	**Number**
Movement in option number		
Options at the beginning of the period	6,287,500	3,560,000
Granted during the period	-	3,000,000
Lapsed during the period	(2,075,000)	(260,000)
Exercised during the period	(87,500)	(12,500)
Options at the end of the period	4,125,000	6,287,500

Note 6 – Operating segments

Segment information

The consolidated entity operates in the global health and medical products industry. Globally the company has 5 geographic sales and distribution segments as shown below. For each segment, the CEO and General Manager review internal management reports on at least a monthly basis.

The largest customer group which operates in Asia accounts for 47% of the total sales revenue (2012: 40%).

	Australia / NZ	Asia	USA	Europe	Other region	Head office	Total
	$	$	$	$		$	$
31 Dec 2013							
Sales to external customers	2,950	173,564	4,781	139,616	50,897	-	371,808
Other revenues	15,311	-	-	-	-	-	15,311
Total segment revenue	18,261	173,564	4,781	139,616	50,897	-	387,119
Segment expenses	(61,770)	(54,185)	(93,956)	(70,289)	(24,634)	(881,357)	(1,186,191)
Segment result before income tax	(43,509)	119,379	(89,175)	69,327	26,263	(881,357)	(799,072)
31 Dec 2012							
Sales to external customers	-	139,316	53,289	125,181	34,580	-	352,366
Other revenues	10,943	-	-	-	-	-	10,943
Total segment revenue	10,943	139,316	53,289	125,181	34,580	-	363,309
Segment expenses	-	(50,066)	(102,551)	(56,087)	(8,117)	(1,017,705)	(1,234,526)
Segment result before income tax	10,943	89,250	(49,262)	69,094	26,463	(1,017,705)	(871,217)

There is no material change to segment assets compared to 30 June 2013.

Note 7 – Contingent liabilities

There were no contingencies as at 31 December 2013.

Note 8 – Significant events

The consolidated entity completed a private placement raising new capital in total of $1.1m. In August 2013, 150,000 shares were issued at 20 cents raising $30,000 in new capital. In September and November 2013, another 7,266,668 shares were issued at 15 cents raising an additional $1,090,000 as a result of a private placement to sophisticated investors. The issue was within the company's 15% capacity under Listing Rule 7.1 and the additional 10% capacity under Listing Rule 7.1A.

Note 9 – Events after the reporting date

There were no events subsequent to 31 December 2013 that are required to be reported in this note.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Rob Phillips

Executive Chairman

Sheena Jack

Director

Sydney, 21 February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Uscom Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Uscom Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Uscom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Uscom Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Uscom Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $649,072 for the half-year ended 31 December 2013, incurred net operating cash outflows of $803,465 for the half-year ended 31 December 2013, and had $761,568 cash on hand as at 31 December 2013.

These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Tim Sydenham
Partner

Sydney, 21 February 2014