ANNUAL REPORT

2006

USCOM LTD

Ultrasonic Cardiac Output Monitors

ABN 35 091 028 090

Good health needs good circulation.

Good flow needs two things; a good pump (the heart) and good blood volume (cardiac output).

GOOD PUMP + GOOD VOLUME = GOOD FLOW

USCOM is a completely safe, painless and quick method of accurately measuring how well the heart is pumping.

This allows doctors to easily assess the patient's condition and separate the problems – is it a faulty pump, or are there problems elsewhere in the circulation system?

The non-invasive measurement of cardiac output has been the "holy grail" of medicine for many years. The existing methods (the most common being a catheter into the heart) are dangerous, expensive, technically difficult or simply not accurate.

There is huge demand for an accurate, efficient and safe solution.

USCOM believes it can satisfy this need with its advanced ultrasound system, providing real-time information across 14 parameters of heart function with a safe and simple device.

USCOM will become a standard of care in the management of patients in a wide range of medical practice.

Mission Statement

To bring about change in medical practice through non-invasive methods, providing:

- *improved care*
- *at lower cost*
- *and with reduced risk*

Through a clearly defined focus on its special field of expertise, USCOM will build a knowledge base and intellectual property to emerge as a world leader in the advancement of haemodynamics management.

We can deliver this mission through a commitment to:

- *good science*
- *good people*
- *good practices*
- *good products*

Thereby building a great global company, creating substantial shareholder value and providing innovative solutions for safe and cost effective advancements in medical care.

Contents

Letter from the Chairman

Dear fellow shareholders,

It is with great pleasure we present your company's annual report for the year ending 30th June, 2006.

It has been another exciting and challenging year for USCOM Ltd, with significant change in virtually every aspect of the business and further progress toward profitability.

Your management and directors remain as convinced as ever about the vast opportunities that will unfold through USCOM's commitment to non-invasive haemodynamics. And we are proud of the important milestones the company has achieved in the two-and-a-half years since listing on the Australian Stock Exchange.

We have completed the development of a practise-changing medical device, secured regulatory approvals worldwide, built a strong scientific case for our product, created an international sales and distribution network and laid the groundwork for a highly profitable business.

By any measure, and especially against historical comparisons in the life sciences sector, this represents very rapid progress.

In FY 06, the company achieved revenue from sales of $1.12 million a year-on-year increase of 133%, having secured the commitments for 67 units. With net cash outflow for the year of $3.3 million, USCOM Ltd had $7.2 million cash in hand at the end of June. The company has continued to carefully manage its cash resources, while at the same time, accelerating sales and marketing activity in all our priority territories.

We share investors' disappointment in the performance of the company's share price. Naturally we believe the company, caught as it is in a severe down-tun in the life sciences sector, is undervalued. The best response for management and directors is to remain focused on growing the business and thereby building substantial value in the company.

USCOM is a pioneering project. We have created a unique product, demanding a conceptual re-think by the medical community. We are changing practice and that takes time. We must recognise that the medical industry is extremely slow to change. Doctors require a critical mass of of compelling evidence before adopting new practices, but the process of change is underway.

USCOM has built a persuasive case through world class science for its technology. And at the same time, the ground-swell of evidence against the current industry standard is fast approaching the point of being overwhelming.

It is for this reason we believe that USCOM is poised to become established as an industry standard, a globally accepted standard tool of practice. This is your company's objective.

We thank you for your support in FY06 and look forward to another momentus year in 07.

Rob Phillips
Chairman

Your management and directors remain as convinced as ever about the vast opportunities that will unfold through USCOM's commitment to non-invasive haemodynamics.

Board of Directors

ROB PHILLIPS
CHAIRMAN

Mr Phillips is the chairman of USCOM Ltd and the inventor of the USCOM method.

He is a recognised pioneer in the field of digital echocardiography and has presented scientific papers at some of the world's most prestigious cardiology conferences, including the World Congress of Echocardiography and the World Congress of Cardiology.

Mr Phillips is a Fellow of the Institute of Radiology, Head of the Cardiac Faculty of the Australian Institute of Ultrasound and is Chairman of the Cardiac Education and Standards Sub-Committee of the Australian Society of Ultrasound in Medicine.

GARY DAVEY
CEO

Mr Davey is a co-founder of USCOM Ltd and acts as the Chief Executive Officer and Deputy Chairman.

Mr Davey is a seasoned business manager with managerial experience in the United States, Europe and Asia. Prior to returning to Australia in January 2000, Mr Davey had worked overseas for 19 years as a senior executive of the News Corporation in New York, London and Hong Kong and served as a member of News Corporation's Executive Committee.

ROMAN ZWOLENSKI
DIRECTOR

Mr Zwolenski is a non-executive Director of USCOM Ltd. He has over thirty years experience in biomedical product development and sales.

He held senior management positions with multinational corporations in Australia and in Europe and has been CEO of two Australian ASX listed biotech product developers. Currently he is the managing director/CEO of ASX listed AMBRI Ltd.

Mr Zwolenski has a science degree and has been a fellow of the Australian Institute of Company Directors since 1995. He has served for more than five years as a non-executive director of several Australian public companies.

FRED BERRY*
DIRECTOR

Dr Berry is a non-executive director of USCOM Ltd.

Dr Berry is one of Australia's most highly respected figures in the field of Anaesthesiology and has served on numerous industry bodies and Government committees.

In addition to numerous clinical postings at major hospitals in Australia, Dr Berry's academic activities have taken him to training and teaching assignments in Europe and Asia.

LUKE FAY*
DIRECTOR

Mr Fay is a non-executive director of USCOM Ltd.

He brings to the company a wealth of experience in the development and marketing of medical devices. Mr Fay is a seasoned executive in the devices field, having led teams of sales and marketing professionals through Australia and Asia.

Mr Fay has held various professional roles including Councillor, Australasian Society for Ultrasound in Medicine, Chairman of the Marketing Committee of ASUM and President of the Diagnostic Imaging Association of Australia.

** Director Retirements*

On the 8th September 2006, USCOM announced the retirement of Dr Fred Berry and Mr Luke Fay as directors of USCOM LTD. The company is currently recruiting new independent non executive directors.

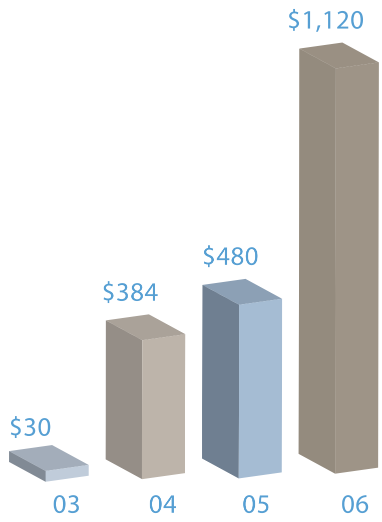
Achievements

USCOM has achieved many important milestones since Venture Capital raising in October 2002.

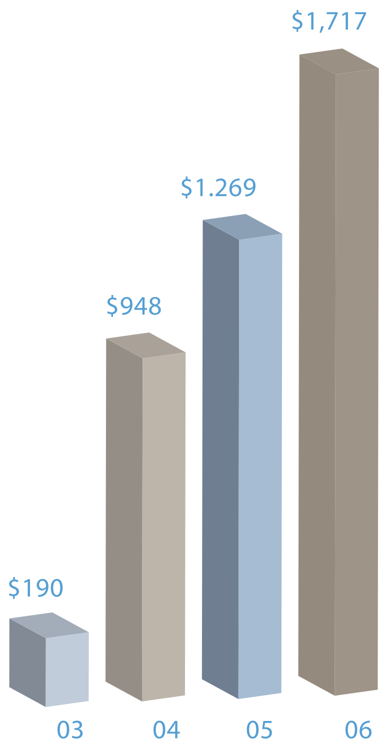
In four years, USCOM has:

- ***Completed the design and manufacture of a unique medical device***
- ***Proven its technology and science***
- ***Continued technology evolution with multiple product upgrades***
- ***Achieved virtually global regulatory approval***
- ***Established partnerships with some of the world's leading hospitals and medical practitioners***
- ***Grown a valuable portfolio of Intellectual Property***
- ***Developed a product pathway for future products***
- ***Built sound management and IP development skills***
- ***Achieved sales in major markets***
- ***Year-on-year revenue growth***
- ***Continued growth in sales with 7.2 million cash still in hand, as at 30th June 06***

While much work remains to be done, USCOM believes it has delivered each of its primary milestones to date and set the stage for the growth of a great global business.



SALES REVENUE IN $000'S



TOTAL REVENUES IN $000'S

established partnerships with world leading hospitals

a valuable portfolio of Intellectual Property

$7.2m

cash still in hand

as at 30th June 06

USCOM believes it has delivered each of its primary milestones to date.

Highlights and Milestones

05

JULY

- First US sale reported at Orlando Medical Centre
- New parameter (SVR) added to USCOM machine

AUGUST

- New distributor for Northern China: five unit sales
- Training and Education Plan launched

SEPTEMBER

- USCOM proven in US Emergency Study
- USCOM stages launch for US market

OCTOBER

- USCOM proven in babies study at RPA, Sydney
- New study: USCOM more accurate than PA catheter
- New evidence against PA catheters: JAMA editorial

NOVEMBER

- Emergency Care evidence presented in Australia and Hong Kong
- New US distributor appointed

DECEMBER

- More Paediatrics evidence: new US hospital study

Financial Highlights

Total Revenue	*$1,716,529*
Total Costs	*$5,158,809*
Profit / (Loss)	*($3,374,210)*
Sales Revenue	*$1,119,622*
Net operating cash outflow	*$3,187,788*
Cash in hand at 30 June 06	*$7,222,322*

JANUARY

- USCOM for Sepsis in Children evidence

FEBRUARY

- System update: Version 1.6 now with 14 parameters

MARCH

- Milestone in Children's sector - eight leading paediatrics sites
- Two new studies: Accuracy shown in Holland and Japan
- Medical Education Programme launched in U.S.
- Regulatory approval in Taiwan
- USCOM accuracy confirmed: two new studies in Europe
- Three new hospitals adopt USCOM in Queensland

APRIL

- Exec team expansion: Mr Albert Sorrell joins USCOM
- Regional sales growth: five new Australian sites
- New children's site: Westmead orders two units

MAY

- USCOM cited in British journal

JUNE

- Mr Len Bevis appointed Australasian Sales Manager

JULY

- Two USCOM units for Sydney Children's Hospital

06

CEO's Review of Operations

INTRODUCTION

The year ending 30th June, 2006 brought many new challenges for USCOM. There were disappointments in some parts of our sales network and customer conversion has continued to be slower than any of us would have liked. However, it was also a year of many important achievements.

REVENUE GROWTH

The company achieved sales revenue growth of 133% year on year, with revenue from sales of $1.12 million.

ADEQUATE CASH RESERVES

The company ended the year with $7.2 million in cash reserves, adequate resource to see the USCOM project through to profitability.

DIRECT SELLING

It was the first year in which the company had the opportunity to introduce direct selling into its sales and marketing mix.

ADVANCES IN SALES STRATEGY

In the US, Europe and Asia, USCOM is implementing changes to the structure of its sales organisations, addressing diverse and unique market characteristics.

ALTERNATIVE REVENUE MODELS

At the same time, the company was able to begin experimenting with different selling models, making rental and leasing options available to customers for the first time. While it is still too early to make definitive judgements on these new models, the early signs are highly promising.

FOCUS ON CHILDREN

USCOM has also adapted its marketing activities for a tighter focus on the paediatrics market. With 11 centres of excellence now embracing USCOM as a daily tool of practice, we are certain that USCOM will play an important role in the care of children.

R AND D PROGRESS

The company's commitment to excellence in Research and Development also paid important dividends during the year, with several significant advances in the operations of our existing product as well as further evolution of USCOM's future product pipeline.

FURTHER REGULATORY APPROVAL

It was also an active year in regulation. USCOM has recently completed its audit by the Therapeutic Goods Administration (TGA) for the ongoing certification of the company's quality systems. And the company was able to complete its regulatory approval network for Asia, with regulatory clearance in Taiwan.

IN SUMMARY

While FY 2006 represented many challenges, the company remained highly focused on its short and medium term goals, the most important of which is to achieve profitability. Our goal for FY 2007 is to reach the break-even point towards the end of the financial year and to achieve cash-flow neutrality. We believe this to be an achievable goal and for a company that is still less than three years from its ASX listing, will also be an outstanding achievement.

Sales

The company ended the year with 67 commitments for USCOM units.

USA	21
Asia	21
Australia	19
Europe	5
Other	1
TOTAL	**67**

SALES

The 2006 total of 67 units compares to 30 for FY '05, representing a 123% year-on-year increase. This was significantly short of the company's original target for the year. As advised to the market on 31st May, the company had experienced a number of unavoidable delays in capital budget allocations.

While the sales outlook remained extremely positive, with orders continuing to flow from all priority regions, it had not been possible to confirm the timing of certain key orders from USCOM's North American and European markets.

While some territories under-performed against expectation, the company was pleased with the performance of its direct sales team in Australia, where 19 units or 28% of the total were booked.

SALES STRATEGY

USCOM is a unique product, which does not perfectly fit the standard industry distribution models. As a result, the company must create new hybrid sales and marketing networks, with a mix of both direct sales and highly focused distributor partnerships. The strategy is further complicated by requiring a different model in each of our key continental target markets.

Based on the experience gained in FY06, experimenting with different models, the company is currently making significant changes to distribution arrangements in Europe, Japan and the United States.

The company has also been testing a variety of revenue models for the delivery of its product to customers. While the company remains primarily focused on a capital purchase model, we have been testing rental, leasing and even per-usage fee structures. We believe the majority of our customers will prefer outright purchase of the USCOM system as a capital item. We are finding the rental option useful where a site wishes to acquire an USCOM and is not prepared to wait out the hospital's budgeting cycle.

The company's commitment to excellence in Research and Development also paid important dividends during the year.

AUSTRALIA

Among the highlights of the year was the performance of USCOM's Australian direct sales force, appointed in mid 2006. This 3-person team, supported by applications specialists, took the Australian sales volume from nothing to 19 in one year. Of these sales, three were secured in the first half of the year and 16 in the second half. This demonstrates the time it takes for a sales force to achieve momentum, following training and initial sales calls.

GROWTH IN THE PAEDIATRICS AND REGIONAL SECTORS

The company is excited by the positive response of the paediatrics sector in Australia, with six of our recent installs relating to the care of children. Our strategy for reaching regional Australia is also working well. During the year, seven new regional sites were installed, taking the total around Australia to 11.

SALES ORGANISATION

In order to advance the promising start to direct sales operations, the company has made important investments in executive talent. In April 06, Mr Albert Sorrell joined the company to assist in the restructuring of the company, particularly in the area of sales. Mr Sorrell brings to USCOM an essential set of skills and experience in devices sales and marketing, particularly in international distribution, having worked in senior positions for a number of leading companies, including the Australian pioneer in ear implants, Cochlear and the US heart pacing giant, Medtronic.

Mr Paul Butler, the company's general manager since its inception, has been promoted to the position of Chief Operating Officer. This was followed in June 06 with the appointment of Mr Len Bevis, a 30-year-veteran of the medical devices business as Australasian Sales Manager. Mr Bevis brings to USCOM a wealth of experience in the Australian medical industry, with exposure to a diverse range of consumables, devices and equipment across a broad customer base.

THE UNITED STATES

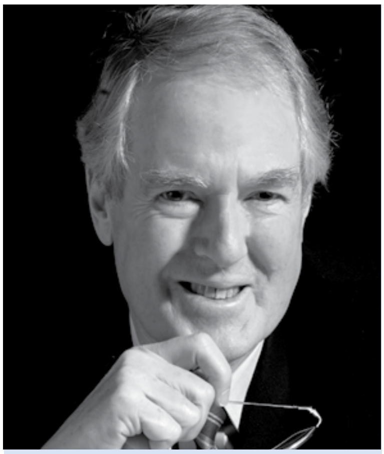
The United States, being the biggest medical devices market in the world, is naturally the company's prime geographic priority. The company has recently registered a US entity, USCOM Inc, to set the stage for exciting developments in the market. One of the company's most senior executives, Mr Barry Zakar, a 30-year veteran of the medical devices industry, runs USCOM's North American operations, based in San Francisco.

We were delighted to announce our first customer sale in the US during July 05, when the Orlando Regional Medical Centre acquired an USCOM system. In September 2005, the company staged its US marketing launch at the American College of Emergency Physicians Conference in Washington DC.

In its first nine months of commercial operations in the US, the company has made slow but steady progress in establishing USCOM in emergency care and paediatrics, securing a total of 21 unit commitments for the year.

19

USCOM machines purchased in Australia



Albert Sorrell

Len Bevis

US DISTRIBUTION

The company is continuing to build a network of sales and distribution partners in the US, augmented by the appointment of direct sales personnel. The company believes there are no currently suitable national distribution organisations that fit the USCOM profile. As a result, the company is operating through a network of small to medium sized regional distributors. The company had trialled with a national distribution model under a six-month trial with distributor, TriAnim Inc. However, this arrangement was not extended by mutual agreement, beyond the trial period, ending June 2006.

ASIA

The Asian markets again played an important part of USCOM's growth in FY 06, securing 21 unit orders, 30% of worldwide sales.

In particular, the North Asian markets of China, Taiwan, Korea and Japan represent tremendous opportunity for USCOM.

The bulk of USCOM distribution activities in this area flow through the company's North Asian distribution partner, Pacific Medical Systems Ltd, based in Hong Kong. However, the company recently secured agreement to manage the market of **Japan** on a direct basis. With the first two customer sales completed during the year, the Japanese market is ready for significant growth for the company.

In **China**, the company continues to expand its distribution network with the appointment of new sales and marketing partners. The most significant development was the appointment of Deer Medical as our distributor for the North China region, headquartered in Beijing.

The company expects significant sales volume from **Taiwan** during 07, having secured regulatory approval for the Taiwanese market in March 2006. Other regions of Asia where USCOM is active include India, Singapore, Malaysia and Middle East.

The company is excited by the positive response of the paediatrics sector in Australia, with six of our recent installs relating to the care of children.

EUROPE

With five unit sales for FY 06, Europe was clearly a disappointment for the company. This was due in part to financial upheaval in the **UK** and **German** markets, USCOM's two most important European territories. In the case of Germany, the economic problems became so severe, doctors called a national strike. USCOM has also identified a number of flaws in the structure of its distribution network for Europe, with adjustments currently being implemented.

The company remains optimistic about the European markets for FY 07.

PRIORITY SECTORS

PAEDIATRICS

The company's primary target market is children.

There are two reasons for this. Firstly, none of the existing methods, especially the invasive catheters are suitable for children. And secondly, USCOM, for children is perfect. It is harmless, painless, fast, accurate and easy to use. And the child is rarely intimidated by the USCOM procedure.

Paediatrics Centres of Excellence

Australia

*The Children's Hospital at Westmead, **Sydney***

*The Sydney Children's Hospital, **Sydney***

*The Royal Children's Hospital, **Melbourne***

*The Mercy Hospital, **Melbourne***

Asia

*The Duchess of Kent Children's Hospital, **Hong Kong***

*The Shenzhen Children's Hospital, **Southern China***

*The Saitama Paediatrics Hospital, **Tokyo**, Japan*

Europe

*The Great Ormond Street Hospital, **London***

*The University Hospital of **Zurich**, Switzerland*

USA

*The Atlanta Children's Medical Centre, Atlanta, **Georgia***

*The Vanderbilt Children's Hospital, Nashville, **Tennessee***

There are now 11 centres of excellence, using USCOM on a daily basis in the care of children. These sites, in the US, Australia, Asia and Europe are important to USCOM because these are the places that influence the agenda in practice management. Their adoption of the USCOM technology, in both practice and research, will play a part in USCOM's adoption as a recognised tool for the management of young patients.

TRAINING AND EDUCATION

USCOM further advanced its commitment to education and training throughout the year. The company hosted training seminars in all of its key territories, with highly trained USCOM specialists providing hands-on training for doctors and nurses. The company provides training and education materials in book form, on CD-Rom and DVD video.

In Australia, the company sponsors regular 2-day training workshops with the Australian Institute of Ultrasound on the Gold Coast. This programme will soon be available to customers outside Australia via the internet.

A new on-line USCOM symposium is now offered by the American College of Emergency Physicians (ACEP) under its Continuing Medical Education (CME) programme, where clinicians are awarded CME credits for having completed the course. USCOM was the subject of an ACEP Satellite Symposium accredited by the Temple University School of Medicine. Titled, *"Hemodynamic Assessment in the Emergency Department. Tools and Information for Clinical Decision Making",* the symposium was chaired by Robert Bilkovski MD, Senior Staff Physician at the Emergency Department, Henry Ford Hospital, Detroit. (Henry Ford is the home of the ground-breaking Rivers study which showed a 30% improvement in mortality rates through the implementation of Early Goal Directed Therapy in Emergency Care.) To date, the on-line learning programme has attracted more than 1,000 users in the U.S.

There are now 11 centres of excellence, using USCOM on a daily basis in the care of children.

Science and Publications

In the past year, a total of 11 new scientific studies were presented in the US, Europe, Asia and Australia, reinforcing the accuracy and reliability of USCOM across a wide range of clinical settings.

USCOM is now validated in patients from the age of 81 years down to 26 week gestational age neonates and in outputs ranging from 17 down to 0.121 Litres Per Minute.

The 11 new studies refer to Intensive Care, Post Cardiac Surgery, The Management of Sick Children, Anaesthetics and Emergency.

NEW EVIDENCE AGAINST THE PAC "GOLD STANDARD"

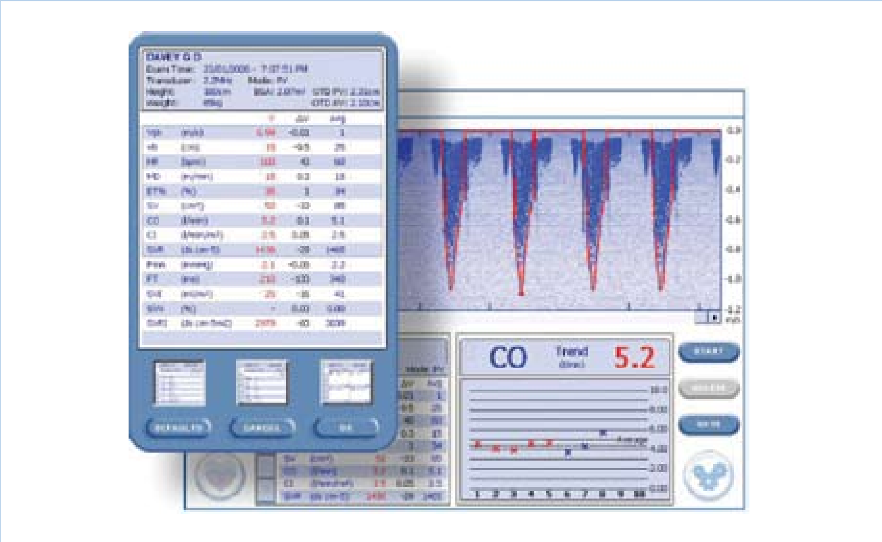
While USCOM continued to build a compelling body of evidence in support of its non-invasive solution, the case continued to grow against the current "gold standard" method of the invasive Pulmonary Artery Catheter (PAC).

The October 2005 edition of the prestigious Journal of the American Medical Association presented two substantial new studies questioning the usefulness of the PAC and in an editorial, called for a review of practice associated with its use.

The first of the two US studies, The ESCAPE trial, was prematurely halted when the National Heart, Lung, and Blood Institute data safety monitoring board cited concerns about excess adverse events. The authors of the study stated, *"Based on ESCAPE, there is no indication for routine use of pulmonary artery catheterization to adjust therapy during hospitalization for decompensation of long-term heart failure."*

11 ***new scientific studies were presented in the US, Europe, Asia and Australia***

Technology



It has been another year of tremendous progress in the evolution of USCOM's technology.

In the past 12 months, the company has released four important advancements to the existing product, USCOM 1A and taken significant steps towards the completion of the company's next two products.

NEW FUNCTIONS

USCOM added Systemic Vascular Resistance as a new cardiac function parameter. By inserting blood pressure measurements into the USCOM device, clinicians can see real-time changes in the systemic resistance of blood flow.

The company also released a system update incorporating four additional measures, taking the total number of parameters available to USCOM user to 14.

The new parameters are:

- ***FT: Flow Time***
- ***SVI: Stroke Volume Index***
- ***SVV: Stroke Volume Variability***
- ***SVRI: Systemic Vascular Resistance Index***

In addition, the company released an advanced new design to its Doppler transducer, providing enhanced ultrasonic performance, as well as improved ergonomics.

And as a further improvement in functionality USCOM has provided a sophisticated new trending system, allowing clincians to see, at a glance, changes in the patient's condition in response to therapy.

NEW PRODUCTS AND SERVICES

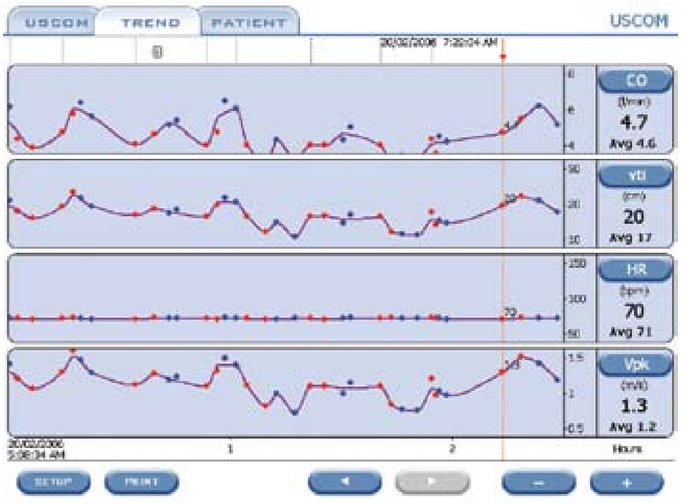
In July 2006, USCOM completed the technical development of OXYCOM, an important new step for the company. By combining oximetry with cardiac output, OXYCOM enables clinicians to measure the efficiency of the heart as a pump as well as how well the pump is delivering oxygen to the body.

It has been another year of tremendous progress in the evolution of USCOM's technology.

The OXYCOM system will be released commercially in calendar 2007.

USCOM has also made significant progress in the development of a brand new product under the working title of PRESSURECOM.

This device, which will require a further 12 to 18 months of development, combines Cardiac Output with blood pressure, creating a tool that is ideal for the measurement and management of hypertension.



USCOM's new advanced Trending Option

COEFFICIENT SYSTEMS EQUITY SALE

In August 2006, USCOM Ltd sold its 10% equity holding in Coefficient Systems Pty Ltd, realising a substantial gain on this investment. The final sale price is subject to an audit of Coefficient Systems' 2006 financial year results as well as a possible premium at the end of FY 07. USCOM anticipates a net gain of between $400,000 and $500,000 on the transaction. An initial payment of $175,887, being the first of three distributions was made at settlement. The Coefficient Systems investment is recognised on the USCOM balance sheet at an asset value of $100,030. USCOM acquired its stake in Coefficient Systems Pty Ltd in 2002 when the company was appointed as USCOM's exclusive marketing and distribution agent for Australasia. In March 2005, USCOM amended its agreement with Coefficient for the appointment of its own direct sales force for Australia. Coefficient Systems continues to represent USCOM in certain markets in South East Asia and the Middle East. Coefficient Systems is being acquired by MMT Healthcare Pty Ltd, now trading as Lifehealthcare, a leading Australian medical equipment and healthcare services business.

Corporate Governance Statement 2005/06

Shareholders of USCOM Ltd will be familiar from previous reports with the company's fundamental and continuing commitment to high standards of corporate governance. Our Corporate Governance Statement 2005/2006 once again 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. These Guidelines continue to provide sound guidance for the policies and practices adopted by USCOM Ltd as well as for our reporting in this Statement. During the year the Board again reviewed its policies and practices against the Guidelines. In general these policies have not changed from last year.

The following is a point-by-point explanation of USCOM's compliance or otherwise with the 10 core principles.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

USCOM Limited enjoys the services of a board with a wide range of professional experience in fields such as science, medicine, marketing and international business.

The board consists of:

Mr Rob Phillips, Chairman	Executive director
Mr Gary Davey, CEO	Executive director
Mr Roman Zwolenski	Independent director

RECOMMENDATION 2.1

A majority of the board should be independent directors.

The board consists of five members, three of whom are non-executive directors. The company takes the view that the three 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.

All currently serving Non-executives are independent.

USCOM Ltd is currently in the process of recruiting two independent non-executive directors with relevant experience.

RECOMMENDATION 2.2

The Chairperson should be an independent director.

The Chairman of USCOM Limited, 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 all 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 early 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. The Chief Executive Officer is Mr Gary Davey.

RECOMMENDATION 2.4

The board should 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 (i.e. 5 members) and that significant growth in the number of directors is not envisaged in the medium term.

RECOMMENDATION 2.5

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

The following additional information will be published in the corporate governance section of the annual report:

- the term of office held by each director in office at thedate of the annual report
- a description of the procedure for the selection and appointment of new directors to the board
- a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.

Corporate Governance Statement cont.

PRINCIPLE 3: PROMOTE 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:

3.1.1 The practices necessary to maintain confidence in the company's integrity.

3.1.2 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.

RECOMMENDATION 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees

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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

RECOMMENDATION 4.1

Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Chief Executive Officer and the Chief Operating Officer, who supervises financial and accounting matters, are required to sign off on the company's accounts, as recommended.

RECOMMENDATION 4.2

The board should establish an audit committee

The Board has established an Audit and Risk Committee.

RECOMMENDATION 4.3

Structure the audit committee so that is 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 committee is made up of three members with the majority being independent directors and has an independent director as Chairman.

RECOMMENDATION 4.4

The audit committee should have a formal charter.

The Audit and Risk Committee Charter is published on the company's website along with the complete set of Corporate Governance documentation.

RECOMMENDATION 4.5

Names and qualifications of those appointed to the audit committee (Refer to Directors' profiles on page 24 in Directors' Report).

See Audit and Risk Committee Charter for procedures for appointing Director's to the Audit and Risk Committee.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

The company has produced and adopted a Disclosure Policy, which has been communicated to all directors, managers and employees.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

RECOMMENDATION 6.1

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

USCOM Limited 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 front page of the site, immediately after they are released to the ASX through the appropriate electronic publication procedure.

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.

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.

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, which will be held in central Sydney. 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

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The company's auditors, PKF Chartered Accountants will be in attendance at the annual general meeting and will be available to answer questions from shareholders.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1

The board or appropriate board committee should establish policies on risk oversight and management.

The company has appointed an Audit and Risk Committee. The Committee is charged with oversight of the company's risk profile.

RECOMMENDATION 7.2

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the board in writing that:

7.2.1 the statement given is in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

The Chief Executive Officer and the Chief Operating Officer will state in writing to the board, as above.

RECOMMENDATION 7.3

Description of the Company's Risk management policy.

Refer to Audit and Risk Committee Charter.

Corporate Governance Statement cont.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

RECOMMENDATION 8.1

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

As stated previously, the company does not currently see the need for a Nomination Committee, given the relatively small size of the board.

The performance of directors committees and key executives will be reviewed by the full board, on an annual basis, or more often if appropriate.

The criteria for the measurement of directors' performance are:

1. Attendance at board meetings and/or committee meetings
2. Level of participation in strategic decision making
3. Responsiveness to requests for activity outside meetings

The company will produce a set of procedures for the induction of new directors and senior executives of the company. This will include a detailed briefing about the strategic direction of the company and a full set of appropriate documents for the education of the new member.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 9.1

Provide disclosure in relation to the company's remuneration policies to enable investors to understand

(i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

For further information see Remuneration Report from pages 26 to 29.

RECOMMENDATION 9.2

The board should 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.

RECOMMENDATION 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

For further information see Remuneration Report from pages 26 to 29.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

RECOMMENDATION 10.1

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The company has produced and adopted a Code of Conduct, which has been communicated to all directors, managers and employees and is published on the company's website as part of its Corporate Governance documentation.

Directors' Report and Financial Statements

Directors' Report

The Directors present their report on USCOM Ltd for the financial year ended 30 June 2006.

DIRECTORS

The following persons were directors of USCOM Ltd during the whole of the financial year and up to the date of this report otherwise indicated.

Mr R A Phillips	Executive director – Chairman
Mr G D Davey	Executive director – Chief Executive Officer & Deputy Chairman
Mr L H Fay	Non-Executive director (resigned on 7 September 2006)
Dr F R Berry	Non-Executive director (resigned on 8 September 2006)
Mr R Zwolenski	Non-Executive director

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

MR ROB PHILLIPS

Rob Phillips is the chairman of USCOM Ltd and the inventor of the USCOM method. He is a recognised pioneer in the field of digital echocardiography and has presented scientific papers at some of the world's most prestigious cardiology conferences, including the World Congress of Echocardiography and the World Congress of Cardiology. Mr Phillips is a Fellow of the Institute of Radiology, Head of the Cardiac Faculty of the Australian Institute of Ultrasound and is Chairman of the Cardiac Education & Standards Sub-Committee of the Australian Society of Ultrasound in Medicine.

MR GARY DAVEY

Gary Davey is a co-founder of USCOM Ltd and acts as the Chief Executive Officer and Deputy Chairman. Mr Davey is a seasoned business manager with managerial experience in the United States, Europe and Asia. Prior to returning to Australia in January 2000, Mr Davey had worked overseas for 19 years as a senior executive of the News Corporation in New York, London and Hong Kong and served as a member of News Corporation's Executive Committee.

DR FRED BERRY

Dr Berry is a non-executive director of USCOM Ltd. Dr Berry is one of Australia's most highly respected figures in the field of Anaesthesiology and has served on numerous industry bodies and Government committees. In addition to numerous clinical postings at major hospitals in Australia, Dr Berry's academic activities have taken him to training and teaching assignments in Europe and Asia.

Dr Berry is a member of the Audit and Risk Committee.

MR LUKE FAY

Mr Fay is a non-executive director of USCOM Ltd. He brings to the company a wealth of experience in the development and marketing of medical devices. Mr Fay is a seasoned executive in the devices field, having led teams of sales and marketing professionals through Australia and Asia. Mr Fay has held various professional roles including Councillor, Australasian Society for Ultrasound in Medicine, Chairman of the Marketing Committee of ASUM and President of the Diagnostic Imaging Association of Australia.

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

MR ROMAN ZWOLENSKI

Mr Zwolenski is a non-executive director of USCOM Ltd. Mr Zwolenski is a highly experienced company director, holding board positions with a number of Australian companies. Mr Zwolenski graduated from the University of New South Wales in 1972 and was awarded a BSC degree with majors in Biochemistry and Microbiology. Mr Zwolenski has also held executive positions with international biomedical and pharmaceutical companies. He has been a fellow of Australian Institute of Company Directors since 1995.

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

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

Ambri Ltd	Independent non-executive director	September 2003 – present
	Managing director / Chief executive officer	October 2004 – present
Anadis Ltd	Director	September 2002 – present

COMPANY SECRETARY'S QUALIFICATIONS AND EXPERIENCE

MR PAUL BUTLER

Mr Butler held the position of Chief Operating Officer, Chief Financial Officer and Company Secretary at the end of the financial year. Mr Butler has a Bachelor of Economics from Macquarie University. He was appointed as Company Secretary of USCOM Ltd on 22 July 2003 and has been responsible for the financial control of USCOM Ltd since 1 January 2002. Mr Butler previously held senior management positions with Australian Electronic Manufacturing Services, NCR Australia and Scitec.

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	8	8	-	-
G D Davey	8	7	-	-
L H Fay	8	8	3	3
F R Berry	8	7	3	2
R Zwolenski	8	7	3	3

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.

OPERATING RESULTS

The loss of the Company after providing for income tax amounted to $3,374,210 (2005: $2,846,123).

DIVIDENDS

No dividends were declared or recommended for the financial year ended 2006.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in State of Affairs during the financial year.

ADOPTION OF AUSTRALIAN EQUIVALENT TO IFRS

As a result of the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS), the company's Financial Report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 28 of the financial statements.

OPERATING AND FINANCIAL REVIEW

The operating and financial review is stated on pages 10 to 18 of the annual report.

POST BALANCE DATE EVENTS

Subsequent to the year end, USCOM Ltd signed a contract for the sale of its 10% ownership in Coefficient Systems Pty Ltd. The consideration to be received by USCOM Ltd is dependent on the trading performance of Coefficient Systems Pty Ltd and other factors that will only be known with certainty at a future point in time. However, USCOM Ltd estimates that a gain of between $400,000 and $500,000 will be realised as a result of the sale. Refer to note 26 of the financial report.

USCOM Inc, a wholly own subsidiary of USCOM Ltd has been registered in the United States in July 2006.

Subsequent to the year end, two non-executive directors, Mr Luke Fay and Dr Fred Berry have resigned in September 2006.

FUTURE DEVELOPMENTS

Other than the business activities described in the annual report, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the company.

Directors' Report cont.

ENVIRONMENTAL ISSUES

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

INDEMNIFYING OFFICERS

The company 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 willful breach of duty in relation to the company.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

There were no amounts paid to or are payable for non-audit services provided by PKF Chartered Accountants & Business Advisers during the financial year to the company.

Refer to note 25 of the financial statements on page 47 for details of auditors' remuneration.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporation Act is set out on page 30 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 CLERP 9 amendments to 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 company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

EXECUTIVE DIRECTORS

Rob Phillips, Executive Director, Chairman
Gary Davey, Executive Director, Chief Executive Officer

NON–EXECUTIVE DIRECTORS

Luke Fay, Non-executive Director
Dr Fred Berry, Non-executive Director
Roman Zwolenski, Non-executive Director

SENIOR EXECUTIVES

Paul Butler, Chief Operating Officer, Chief Financial Officer, Company Secretary
Barry Zakar, Director of Operations, North America
Ali Hughes-Jones, Marketing Executive, Europe
Nick Schicht, Technical Manager

In the directors' opinion, there are no other executives of the company.

REMUNERATION POLICIES

The Board is responsible for reviewing the remuneration policies and practices of the company, including the compensation arrangements of executive directors, non-executive directors and senior executives.

The company 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:

(a) Make USCOM Ltd an employer of choice
(b) Attract and retain the highest calibre personnel
(c) Encourage a culture of reward for effort and contribution
(d) Set incentives that reward short and medium term performance for the company as a whole
(e) 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 Company to non-executive directors of the Company for their services as directors including their service on a committee of directors is $165,000 per annum.

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 MANAGEMENT REMUNERATION

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

The total remuneration packages of executive directors and senior management are on 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 company'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 Company 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 Company 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 Company 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 Company has adopted a Share Option Plan for the benefit of executive directors, full-time and part-time staff members employed by the Company.

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.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan to executive directors and senior executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time.

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

Directors' Report cont.

SERVICE AGREEMENTS

The Company has entered into a service agreement with the Chairman, Chief Executive Officer and Chief Operating Officer that

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

Details of the service agreement are as follows:

TERM

The executive employment agreements are for a term of 3 years commencing on 10 December 2003. The term of employment may be extended by the Company 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 Company.

TERMINATION

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

If either the Company or the executive gives notice of termination, the Company 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 him for the residual period of notice at the time of termination.

Where the executive give less than 3 months' written notice, the Company 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 willful 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 Company.

DIRECTORS AND EXECUTIVES REMUNERATION

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2006.

		Short term benefits		Post employment benefits	Equity	Total Remuneration
	Director's base fee $	Base salary $	Other payments $	Superannuation $	Share-based payment $	$
Non-executive director						
L H Fay	35,000	-	-	3,150	2,593	40,743
F R Berry	35,000	-	-	3,150	2,593	40,743
R Zwolenski	35,000	-	-	3,150	2,593	40,743
Executive director						
R A Phillips	-	141,284	-	12,716	2,593	156,593
G D Davey	-	93,284[3]	-	60,716[3]	2,593	156,593
Specified executive						
P W Butler	-	155,000	35,000[1]	17,100	23,953	231,053
B Zakar	-	154,440	-	13,464	14,229	182,133
A Hughes-Jones	-	130,676	-	15,655	-	146,331
N Schicht	-	128,750	25,000[2]	13,838	12,870	180,458
Total	**105,000**	**803,434**	**60,000**	**142,939**	**64,017**	**1,175,390**

1 Performance related discretionary cash bonus resulting from the successful achievement of goals including the building sales infrastructure in Australia and Europe as well as gaining FDA approval.

2 Performance related discretionary cash bonus resulting from the successful achievement of goals including product improvements and gaining FDA approval.

3 $48,000 salary was sacrificed to post employment benefit in FY 2006.

NUMBER OF OPTIONS OVER ORDINARY SHARES HELD BY DIRECTORS AND SPECIFIED EXECUTIVES

	Balance 1 July 2005 No.	Granted During FY2006 No.	Exercised During FY2006 No.	Lapsed During FY2006 No.	Balance 30 June 2006 No.	Total vested & exercisable 30 June 2006 No.
Non-executive director						
L H Fay	40,000	-	-	-	40,000	-
F R Berry	40,000	-	-	-	40,000	-
R Zwolenski	40,000	-	-	-	40,000	-
Executive director						
R A Phillips	40,000	-	-	-	40,000	-
G D Davey	40,000	-	-	-	40,000	-
Specified executive						
P W Butler	200,000	-	-	-	200,000	137,500
B Zakar	50,000	-	-	-	50,000	25,000
A Hughes-Jones	-	-	-	-	-	-
N Schicht	107,000	-	-	-	107,000	73,500
Total	**557,000**	**-**	**-**	**-**	**557,000**	**236,000**

Further details of the options are disclosed in note 27 of the financial statements.

NUMBER OF SHARES HELD BY DIRECTORS AND SPECIFIED EXECUTIVES (INCLUDING INDIRECT INTEREST)

	Balance 1 July 2005 No.	Received as Remuneration No.	Options Exercised No.	Net Change Other* No.	Balance 30 June 2006 No.
Non-executive director					
L H Fay	737,500	-	-	-	737,500
F R Berry	120,000	-	-	30,000	150,000
R Zwolenski	125,000	-	-	-	125,000[1]
Executive director					
R A Phillips	16,750,000	-	-	-	16,750,000[2]
G D Davey	6,259,000	-	-	-	6,259,000[3]
Specified executive					
P W Butler	275,000	-	-	-	275,000
B Zakar	-	-	-	-	-
A Hughes-Jones	-	-	-	-	-
N Schicht	8,700[4]	-	-	-	8,700
Total	**24,275,200**	**-**	**-**	**30,000**	**24,305,200**

* Net change other refers to share purchased or sold during the financial year.

1 76,364 of these ordinary shares are held by Guardian Trust Australia Limited (as trustee of the Bell Medical Innovation Trust). Mr Zwolenski holds units in this trust indirectly through Z-link Pty Ltd Super Fund.

48,636 of these ordinary shares are held by Z-link Pty Ltd Super Fund, Mr Zwolenski is a trustee of this fund.

2 60,000 of these ordinary shares are held by Northern Cardiac Sonography Pty Ltd. Mr Phillips is a Director and controller of this company.

100,000 of these ordinary shares are held by Northern Cardiac Sonography Pty Ltd as trustee for the Phillips Family Superannuation.

3 180,000 of these ordinary shares are held by Davey Superannuation Nominees Pty Ltd. Mr Davey is a trustee, but not a beneficiary.

4 5,000 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

Rob Phillips, Director
Sydney, 20 September 2006

Gary Davey, Director

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors
of USCOM Limited

As lead engagement partner for the audit of USCOM Limited for the year ended 30 June 2006, 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 in relation to the audit; and

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

Tim Sydenham
Partner
Sydney Office

PKF

PKF
Dated this 20th day of September 2006

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Income Statement

For the financial year ended 30 June 2006

Continuing operations	*Note*	2006 $	2005 $
Revenues	*2*	1,716,529	1,269,086
Raw materials and consumables used		(201,293)	(111,342)
Expenses from ordinary activities, excluding finance costs	*3*	(5,158,809)	(4,296,327)
Finance costs		-	(2,108)
Loss before income tax credit		(3,643,573)	(3,140,691)
Income tax credit	*4*	269,363	294,568
Loss after income tax credit	*5*	(3,374,210)	(2,846,123)
Earning per share (EPS)			
Basic earnings per share (cents per share)	*6*	(8.9)	(7.5)
Diluted earnings per share (cents per share)	*6*	(8.9)	(7.5)
Dividend per share		-	-

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

Balance Sheet

For the financial year ended 30 June 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	*7*	7,222,322	10,545,218
Trade and other receivables	*8*	441,592	158,167
Inventories	*10*	224,962	329,127
Tax assets	*11*	269,343	294,718
Other current assets	*14*	221,515	279,965
TOTAL CURRENT ASSETS		8,379,734	11,607,195
NON-CURRENT ASSETS			
Trade and other receivables	*8*	23,350	3,300
Financial assets	*9*	100,030	100,030
Plant and equipment	*12*	355,529	155,504
Intangible assets	13	291,929	253,238
TOTAL NON-CURRENT ASSETS		770,838	512,072
TOTAL ASSETS		9,150,572	12,119,267
CURRENT LIABILITIES			
Trade and other payables	*15*	467,208	236,780
Short term provisions	*16*	119,025	88,261
Lease incentives	*17*	6,469	12,938
TOTAL CURRENT LIABILITIES		592,702	337,979
NON-CURRENT LIABILITIES			
Long term provisions	*16*	48,603	28,012
Lease incentives	*17*	-	6,469
TOTAL NON-CURRENT LIABILITIES		48,603	34,481
TOTAL LIABILITIES		641,305	372,460
NET ASSETS		8,509,267	11,746,807
EQUITY			
Issued capital	*18*	16,644,265	16,644,265
Options reserve	*27*	636,422	499,752
Accumulated losses	*5*	(8,771,420)	(5,397,210)
TOTAL EQUITY		8,509,267	11,746,807

This Balance Sheet is to be read in conjunction with the attached notes.

Statement of Changes in Equity

For the financial year ended 30 June 2006

	Ordinary Share capital $	Options reserve $	Accumulated losses $	Total $
Balance at 1 July 2004	16,644,265	199,547	(2,551,087)	14,292,725
Loss from continuing operations	-	-	(2,846,123)	(2,846,123)
Share-based payments	-	300,205	-	300,205
Balance at 30 June 2005	16,644,265	499,752	(5,397,210)	11,746,807
Loss from continuing operations	-	-	(3,374,210)	(3,374,210)
Share-based payments	-	136,670	-	136,670
Balance at 30 June 2006	16,644,265	636,422	(8,771,420)	8,509,267

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 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers		865,926	606,548
Grants received		121,531	150,000
Payments to suppliers and employees		(4,991,546)	(4,181,956)
Interest received		520,313	685,852
Finance costs paid		-	(1,968)
Income tax receipt		294,738	151,586
Insurance recovery		1,250	1,568
Net cash used in operating activities	*19(b)*	(3,187,788)	(2,588,370)
Cash flows from investing activities			
Purchase of plant and equipment		(70,611)	(59,096)
Purchase of patents and trademarks		(74,497)	(132,250)
Dividends received		10,000	-
Net cash used in investing activities		(135,108)	(191,346)
Cash flows from financing activities			
Net cash used in financing activities		-	-
Net decrease in cash held		(3,322,896)	(2,779,716)
Cash and cash equivalents at the beginning of the year		10,545,218	13,324,934
Cash and cash equivalents at the end of the year	*19(a)*	7,222,322	10,545,218

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

Notes to the Financial Statements

For the financial year ended 30 June 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) INTRODUCTION

The financial report covers USCOM Ltd. 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 Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of USCOM Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

Currency

The financial report is presented in Australian currency.

Reporting Period

The financial report is presented for the year ended 30 June 2006. The comparative reporting period was for the year ended 30 June 2005.

Registered Office

Level 7, 10 Loftus Street, Sydney NSW 2000
Telephone: 02 9247 4144

Authorisation of financial report

The financial report was authorised for issue on 20 September 2006 by the Directors.

First time adoption of Australian equivalents to International Financial Reporting Standards (AIFRS)

USCOM Ltd has prepared financial statements in accordance with the Australian equivalents to international Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of USCOM Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented.

The reconciliations in Note 28 explain how the transition from the previous Australian Accounting Standards (previous GAAP) to AIFRS affected reported financial position, financial performance and cash flows.

(B) OVERALL POLICY

The principal accounting policies adopted by USCOM Ltd are stated in order to assist in the general understanding of the financial report.

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The financial report complies with the Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(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 company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT.

The company 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 balance sheet when the Company 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 balance sheet 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 profit or loss.

Financial assets not measured at fair value comprise loans and receivables. 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.

(E) REVENUE RECOGNITION

(i) 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.

(ii) Revenue from rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably and when the other contractual obligations of the entity are performed.

(iii) Interest revenue

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

(iv) Government grants

Government grants revenue is recognised when earned.

(F) INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Cost is based on the weighted average principle. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. The costs are recognised when materials are delivered to the company.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are included at cost. Assets in plant and equipment (except for capitalised leased assets) 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.

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT.

(H) INTANGIBLES

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

(I) IMPAIRMENT OF ASSETS

At each reporting date, the company 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.

(J) 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 company 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 company 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.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

(i) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
(ii) Investments in money market instruments; and
(iii) Cash in transit.

(L) RESEARCH & DEVELOPMENT EXPENDITURE

Research & development costs are charged to profit or loss as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

(M) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions during the year are converted to Australian currency 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 ordinary activities as they arise.

(N) INCOME TAX

Income taxes are accounted for using the comprehensive 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 realised 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT.

The change for current income tax expenses is based on the profit or loss for the year adjusted for any non assessable or disallowed items. It is calculated 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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(O) 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 Group 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.

(P) 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 service 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 company.

(Q) 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.

(R) 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.

(S) RECEIVABLES

Trade accounts 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.

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT.

(T) 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.

(U) WARRANTIES

Provision is made in respect of the Company'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 company's history of warranty claims.

(V) COMPARATIVE FIGURES

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

(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) 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 26 to the financial statements.

(Y) NEW AUSTRALIAN ACCOUNTING STANDARDS

As at the date of this report there are a number of new Australian Accounting Standards that have been issued but are not yet effective. The company has assessed the impact of these new Australian Accounting Standards, and has concluded that they will have no impact on the accounting policies detailed above.

For the financial year ended 30 June 2006

	2006 $	2005 $
NOTE 2: REVENUE		
Operating revenue		
Sale and rental of goods	1,119,622	480,107
Non-operating revenue		
Other income		
Interest received	456,648	637,411
Dividends received	10,000	-
Grants received – export market development grant	80,070	150,000
Grants received – bio business program	23,322	-
Grants received – hospital research	17,205	-
Grants received – VAT return	934	-
Insurance recovery	1,250	1,568
Exchange gains	7,478	-
Total other income	596,907	788,979
Total revenues from continuing operations	1,716,529	1,269,086
NOTE 3: EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING FINANCE COSTS		
Depreciation and amortisation expenses	139,722	87,331
Employee benefits expense	2,197,291	1,622,047
Research and development expenses	540,971	527,899
Advertising and marketing expenses	1,637,227	1,507,182
Occupancy expenses	129,213	166,847
Auditors remuneration (audit)	29,500	27,500
Auditors remuneration (audit review)	11,000	9,500
Regulatory expenses	71,789	24,331
Bad debt expenses	18,849	-
Administrative expenses	383,247	296,374
Exchange losses	-	26,900
Other expenses from ordinary activities	-	416
Total expenses from ordinary activities, excluding finance costs	5,158,809	4,296,327

Operating lease expenses of $116,435 in 2006 and $107,068 in 2005 are included in occupancy expenses above.

	2006 $	2005 $
NOTE 4: INCOME TAX CREDIT		
Major components of income tax expenses		
Current income tax credit	269,363	294,568
Income tax credit	269,363	294,568
Reconciliation between income tax credit and prima facie tax on accounting loss		
Accounting loss before income tax	(3,643,573)	(3,140,691)
Tax at 30% (2005: 30%)	(1,093,072)	(942,207)
Tax benefit arising from franked dividends received	(3,000)	-
Prospectus costs	(90,377)	(90,377)
Tax effect on non deductible expenses	264,773	295,722
Temporary differences	54,530	45,239
Deferred tax asset not brought to account	867,146	691,623
Research and development tax offset	269,363	294,568
Income tax credit	269,363	294,568

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

	2006 $	2005 $

NOTE 4: INCOME TAX (CONTINUED)

As at 30 June 2006, the company had estimated unrecouped operating income tax losses of $7,060,872 (2005: $4,170,387). The benefit of these losses of $2,118,262 (2005: $1,251,116) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

(i) The company derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(ii) The company continues to comply with the conditions for deductibility imposed by the law;

(iii) No changed in tax legislation adversely affect the company in realizing the benefit from the deductions for the losses.

As at 30 June 2006 there are no franking credits available for subsequent financial years.

NOTE 5: ACCUMULATED LOSSES

	2006 $	2005 $
Accumulated losses at the beginning of the financial year	(5,397,210)	(2,551,087)
Net loss attributable to members of the company	(3,374,210)	(2,846,123)
Accumulated losses at the end of the financial year	(8,771,420)	(5,397,210)

NOTE 6: EARNINGS PER SHARE

	2006	2005
Loss after tax used in calculation of basic and diluted EPS	3,374,210	2,846,123
	No.	No.
Weighted average number of ordinary shares during the year used in calculation of basic EPS	38,000,000	38,000,000
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	38,000,000	38,000,000
Basic earning per share (cents per share)	(8.9)	(7.5)
Diluted earning per share (cents per share)	(8.9)	(7.5)

There have been no issues of ordinary shares between the balance sheet date and the date of this report.

NOTE 7: CASH AND CASH EQUIVALENTS

	2006 $	2005 $
Cash on hand	244	322
Bank: Cheque accounts	59,003	55,088
Bank: Cash management	95,622	1,463,339
Bank: Term deposits	3,526,469	9,026,469
Bank: Deposit at call	3,540,984	-
Total cash and cash equivalents	7,222,322	10,545,218

NOTE 8: TRADE AND OTHER RECEIVABLES

	2006 $	2005 $
Current		
Trade receivables	441,592	158,167
Total current receivables	441,592	158,167
Non-current		
Rental bond	3,550	3,300
Trade receivables	19,800	-
Total non-current receivables	23,350	3,300

For the financial year ended 30 June 2006

	2006 $	2005 $
NOTE 9: FINANCIAL ASSETS		
Non-current		
Unlisted investment at cost		
Coefficient Systems Pty Ltd	100,030	100,030
Total financial assets	100,030	100,030

Coefficient Systems Pty Ltd operates in the distribution of medical equipment.

USCOM Ltd holds 10% of the issued shares in Coefficient Systems Pty Ltd.
(Refer to Note 21 and Note 26 for further information)

NOTE 10: INVENTORIES

	2006 $	2005 $
Current inventories at cost		
Raw materials	71,351	52,097
Finished products	153,611	277,030
Total inventories	224,962	329,127

NOTE 11: TAX ASSETS

	2006 $	2005 $
Income tax credit	269,343	294,718
Total tax asset	269,343	294,718

NOTE 12: PLANT AND EQUIPMENT

	2006 $	2005 $
Plant and equipment at cost	474,100	173,822
Accumulated depreciation	(149,999)	(66,944)
	324,101	106,878
Office furniture and equipment at cost	47,436	46,211
Accumulated depreciation	(32,368)	(21,024)
	15,068	25,187
Computer software at cost	19,328	19,328
Accumulated depreciation	(12,797)	(8,444)
	6,531	10,884
Low value asset pool at cost	28,674	26,236
Accumulated depreciation	(18,845)	(13,681)
	9,829	12,555
Total plant and equipment	355,529	155,504

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
Opening value at 1 July 2005	106,878	25,187	10,884	12,555
Additions	300,278	1,225	-	2,438
Depreciation expense	(83,055)	(11,344)	(4,353)	(5,164)
Carrying amount at 30 June 2006	324,101	15,068	6,531	9,829

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

		2006 $	2005 $
NOTE 13: INTANGIBLE ASSETS			
Non-current			
Patents at cost		297,928	165,678
Additions		74,497	132,250
Accumulated amortisation		(80,496)	(44,690)
Carrying amount at the end of the year		291,929	253,238
NOTE 14: OTHER CURRENT ASSETS			
Current			
GST receivable		10,163	14,435
Accrued interest income		52,457	116,123
Prepayments		158,895	149,407
Total other current assets		221,515	279,965
NOTE 15: TRADE AND OTHER PAYABLES			
Current			
Trade payables		308,470	98,988
Sundry payables and accrued expenses		47,891	39,160
Employee related payables		110,847	98,632
Total payables		467,208	236,780
NOTE 16: PROVISIONS			
Short term			
Provision for annual leave	(a)	119,025	88,261
		119,025	88,261
Long term			
Provision for long service leave	(a)	45,364	28,012
Provision for warranties		3,239	-
		48,603	28,012
(a) Aggregate employee benefits		164,389	116,273
(b) Movement in employee benefits			
Balance at beginning of the year		116,273	47,895
Additional provision		162,554	121,213
Amounts used		(114,438)	(52,835)
Balance at end of the year		164,389	116,273
		No.	**No.**
(c) Number of employees at year-end		27	23
NOTE 17: LEASE INCENTIVES			
Current		6,469	12,938
Non-current		-	6,469
Total lease incentives		6,469	19,407

NOTE 18: ISSUED CAPITAL

	2006 $	2005 $
Ordinary shares		
Issued capital		
Fully paid ordinary shares	16,644,265	16,644,265
Total contributed equity	16,644,265	16,644,265
Movement in issued capital		
Shares on issue at the beginning of the year	16,644,265	16,644,265
Ordinary shares at the end of the year	16,644,265	16,644,265
	No.	**No.**
Ordinary Shares		
Ordinary shares at the beginning of the year	38,000,000	38,000,000
Total fully paid ordinary shares at the end of the year	38,000,000	38,000,000

The company's authorised share capital amounted to 38,000,000 ordinary share 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.

There have been no issues of ordinary shares between the balance sheet date and the date of this report.

Options

For information relating to USCOM Ltd's employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27.

At 30 June 2006, there were 1,037,000 unissued ordinary shares for which options were outstanding. (2005: 1,124,000)

NOTE 19: CASH FLOW INFORMATION

	2006 $	2005 $
(a) Reconciliation of cash		
Cash at bank and on hand	7,222,322	10,545,218
Total cash at end of year	7,222,322	10,545,218
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax		
Loss from continuing operations after income tax	(3,374,210)	(2,846,123)
Non cash flows in loss from continuing operations		
Depreciation	103,916	62,053
Amortisation	35,806	25,278
Options reserve	136,670	300,205
Dividend received from Investing activities	(10,000)	-
(Increase)/Decrease in assets		
Trade debtors	(303,226)	135,701
Inventories	(129,165)	(131,186)
Prepayments	(9,487)	(115,905)
Income tax	25,375	(142,982)
Accrued income	63,666	48,571
GST assets	4,272	8,546
Bond deposits	(250)	6,704
Increase/(Decrease) in liabilities		
Trade payables	209,482	(52,153)
Sundry payables and accrued expenses	8,731	6,674
Employee related payables	12,215	50,806
Employee provisions	48,116	68,378
Other provisions	(9,699)	(12,937)
Cash flow from operations	(3,187,788)	(2,588,370)

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

NOTE 20: FINANCIAL INSTRUMENTS

Financial instruments

At 30 June 2006, there were no outstanding contracts.

Credit risk

The credit risk on financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for loss.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

NOTE 20: FINANCIAL INSTRUMENTS CONT.

For the financial year ended 30 June 2006

	Weighted Average Effective Interest Rate %		Floating Interest Rate $		Fixed Interest Rate Maturing: Within 1 Year $		1 to 5 Years $		Over 5 Years $		Non-interest Bearing $		Total $	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial assets:														
Cash	5.14	5.35	3,695,853	1,518,749	3,500,000	9,000,000	26,469	26,469	-	-	-	-	7,222,322	10,545,218
Trade debtors			-	-	-	-	-	-	-	-	461,392	158,167	461,392	158,167
Investments			-	-	-	-	-	-	-	-	100,030	100,030	100,030	100,030
Receivables	6.5	6.5	-	-	-	-	3,550	3,300	-	-	52,457	116,123	56,007	119,423
Total financial assets			3,695,853	1,518,749	3,500,000	9,000,000	30,019	29,769	-	-	613,879	374,320	7,839,751	10,922,838
Financial liabilities:														
Trade creditors			-	-	-	-	-	-	-	-	308,470	98,988	308,470	98,988
Payables			-	-	-	-	-	-	-	-	158,738	137,792	158,738	137,792
Total financial liabilities			-	-	-	-	-	-	-	-	467,208	236,780	467,208	236,780
Net financial assets			3,695,853	1,518,749	3,500,000	9,000,000	30,019	29,769	-	-	146,671	137,540	7,372,543	10,686,058
Reconciliation of net financial assets to net assets														
Net financial assets as above													7,372,543	10,686,058
Non financial assets and liabilities														
Current tax receivable													279,506	309,153
Inventories													224,962	329,127
Prepayments													158,895	149,407
Plant and equipment													355,529	155,504
Intangible assets													291,929	253,238
Provisions													(167,628)	(116,273)
Lease incentive													(6,469)	(19,407)
Net assets per Balance Sheet													8,509,267	11,746,807

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

	2006 $	2005 $

NOTE 21: RELATED PARTIES INFORMATION

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

USCOM Ltd holds 10% of the issued shares in Coefficient Systems Pty Ltd. As directors of USCOM Ltd, Mr Fay is a director of Coefficient Systems Pty Ltd; Mr Phillips is a director of Coefficient Systems Pty Ltd and Northern Cardiac Sonography Pty Ltd.

	2006 $	2005 $
Financial performance and position with Coefficient Systems Pty Ltd		
Sales to Coefficient Systems Pty Ltd	27,814	180,115
	27,814	180,115
Current trade receivables	27,691	20,754
	27,691	20,754
Current trade payables	-	13,200
	-	13,200

During the year, USCOM Ltd incurred bad debt expenses $18,849 in relations to a sale to Coefficient Pty Ltd.

Key Management Personnel

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

Executive directors

Rob Phillips, Executive Director, Chairman
Gary Davey, Executive Director, Chief Executive Officer

Non–executive directors

Luke Fay, Non-executive Director
Dr Fred Berry, Non-executive Director
Roman Zwolenski, Non-executive Director

Senior Executives

Paul Butler, Chief Operating Officer, Chief Financial Officer, Company Secretary
Barry Zakar, Director of Operations, North America
Ali Hughes-Jones, Marketing Executive, Europe
Nick Schicht, Technical Manager

For further remuneration information of Key Management Personnel refer to Directors' Report on pages 26 to 29.

NOTE 22: SEGMENT INFORMATION

Primary segment information

USCOM Ltd operates in the health product industry.

Secondary segment information

Geographic segment revenues

	2006 $	2005 $
Australia/New Zealand	535,445	155,818
North Asia	174,209	80,723
South Asia	9,960	124,115
USA	284,634	-
Europe	102,374	101,596
Others	13,000	17,855
Segment total	1,119,622	480,107

Virtually all assets of the company are held in Australia.

	2006 $	2005 $

NOTE 23: CONTINGENCIES

There were no contingencies as at 30 June 2006.

NOTE 24: COMMITMENTS

Operating lease commitments

Operating commitments represent payments due for office rentals and have an average term of 3 years.

	2006 $	2005 $
Less than 1 year	70,802	103,158
Between 1 and 5 years	22,880	57,084
	93,682	160,242

NOTE 25: AUDITORS' REMUNERATION

	2006 $	2005 $
Audit of financial report	29,500	27,500
Review of financial report	11,000	9,500
	40,500	37,000

NOTE 26: SUBSEQUENT EVENTS

Subsequent to the year end, USCOM Ltd signed a contract for the sale of its 10% ownership in Coefficient Systems Pty Ltd. The consideration to be received by USCOM Ltd is dependent on the trading performance of Coefficient Systems Pty Ltd and other factors that will only be known with certainty at a future point in time. However, USCOM Ltd estimates that a gain of between $400,000 and $500,000 will be realised as a result of the sale.

USCOM Inc, a wholly own subsidiary of USCOM Ltd has been registered in the United States in July 2006.

Subsequent to the year end, two non-executive directors, Mr Luke Fay and Dr Fred Berry have resigned in September 2006.

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

	2006 $	2005 $

NOTE 27: EMPLOYEE SHARE OPTION PLAN

The Company 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 Company. 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 USCOM Ltd Share Option Plan.

There were no options granted or exercised during or since the end of the financial year.

Effect of share-based payment transactions

	2006 $	2005 $
Options reserve balance at the beginning of the year	499,752	199,547
Expenses arising from share-based payment transactions	136,670	300,205
Options reserve balance at the end of the year	636,422	499,752

Movement during the financial year

	Number of options 2006	Weighted average exercise price	Number of options 2005	Weighted average exercise price
Opening number of options	1,124,000	$2.08	855,000	$2.02
Granted during the financial year	-	-	269,000	$2.27
Lapsed during the financial year	(87,000)	$2.10	-	-
Exercised during the financial year	-	-	-	-
Closing number of options	1,037,000	$2.08	1,124,000	$2.08

Details of options outstanding as at end of year

Holders No.	Grant date	% Exercisable at 30 June 2006	Expiry date	30 June 2006 Outstanding Option No.	Exercise price $	Fair value at issued date $
5 (Directors)	20 October 2003	-	20 October 2007	200,000	2.00	0.53
5 (Advisory committee)	20 October 2003	75%	20 October 2007	150,000	2.00	0.53
5	20 October 2003	75%	20 October 2007	290,000	2.00	0.53
2	1 June 2004	75%	1 June 2008	50,000	2.00	0.72
1	1 June 2004	75%	1 June 2008	30,000	2.01	0.73
1	1 June 2004	75%	1 June 2008	50,000	2.17	0.98
1	1 June 2004	75%	1 June 2008	20,000	2.28	0.93
11	17 December 2004	50%	17 December 2008	247,000	2.27	0.72
Total				1,037,000		

Fair value

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

Weighted average share price	Range from $2.00 to $2.71
Exercise price	Range from $2.00 to $2.27
Option life	4 years
Risk-free interest rate	Range from 5.4% to 5.8%
Expected dividends	0
Expected volatility	Range from 16% to 21%

NOTE 28: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

(a) As at the date of transition to AIFRS:

As at 1 July 2004	Note	Previous AGAAP $	Effect of to AIFRS transition $	AIFRS $
CURRENT ASSETS				
Cash assets		13,324,934	-	13,324,934
Receivables		293,868	-	293,868
Inventories		197,941	-	197,941
Current tax assets		22,981	-	22,981
Other assets		349,932	-	349,932
TOTAL CURRENT ASSETS		14,189,656	-	14,189,656
NON-CURRENT ASSETS				
Receivables		10,004	-	10,004
Other financial assets		100,030	-	100,030
Plant and equipment		158,461	-	158,461
Intangible assets		146,266	-	146,266
TOTAL NON-CURRENT ASSETS		414,761	-	414,761
TOTAL ASSETS		14,604,417	-	14,604,417
CURRENT LIABILITIES				
Payables		231,453	-	231,453
Provisions		37,314	-	37,314
Lease incentives		12,938	-	12,938
TOTAL CURRENT LIABILITIES		281,705	-	281,705
NON-CURRENT LIABILITIES				
Provisions		10,581	-	10,581
Lease incentives		19,406	-	19,406
TOTAL NON-CURRENT LIABILITIES		29,987	-	29,987
TOTAL LIABILITIES		311,692	-	311,692
NET ASSETS		14,292,725	-	14,292,725
EQUITY				
Contributed equity		16,644,265	-	16,644,265
Options reserve	*1*	-	199,547	199,547
Accumulated losses		(2,351,540)	(199,547)	(2,551,087)
TOTAL EQUITY		14,292,725	-	14,292,725

Notes to the Financial Statements cont.

For the financial year ended 30 June 2006

NOTE 28: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) cont.

(b) At the end of the last reporting period under previous AGAAP:

As at 30 June 2005	*Note*	Previous AGAAP $	Effect of to AIFRS transition $	AIFRS $
CURRENT ASSETS				
Cash assets		10,545,218	-	10,545,218
Receivables		158,167	-	158,167
Inventories		329,127	-	329,127
Current tax assets		14,435	-	14,435
Other assets		560,248	-	560,248
TOTAL CURRENT ASSETS		11,607,195	-	11,607,195
NON-CURRENT ASSETS				
Receivables		3,300	-	3,300
Other financial assets		100,030	-	100,030
Plant and equipment		155,504	-	155,504
Intangible assets		253,238	-	253,238
TOTAL NON-CURRENT ASSETS		512,072	-	512,072
TOTAL ASSETS		12,119,267	-	12,119,267
CURRENT LIABILITIES				
Payables		236,780	-	236,780
Provisions		88,261	-	88,261
Lease incentives		12,938	-	12,938
TOTAL CURRENT LIABILITIES		337,979	-	337,979
NON-CURRENT LIABILITIES				
Provisions		28,012	-	28,012
Lease incentives		6,469	-	6,469
TOTAL NON-CURRENT LIABILITIES		34,481	-	34,481
TOTAL LIABILITIES		372,460	-	372,460
NET ASSETS		11,746,807	-	11,746,807
EQUITY				
Contributed equity		16,644,265	-	16,644,265
Options reserve	*1*	-	499,752	499,752
Accumulated losses		(4,897,458)	(499,752)	(5,397,210)
TOTAL EQUITY		11,746,807	-	11,746,807

NOTE 28: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) cont.

(2) Reconciliation of profit for the year ended 30 June 2005

For the year ended 30 June 2005	*Note*	Previous AGAAP $	Effect of to AIFRS transition $	AIFRS $
Revenues from ordinary activities		1,269,086	-	1,269,086
Raw materials and consumables used		(111,342)	-	(111,342)
Expenses from ordinary activities, excluding finance costs	*1*	(3,996,122)	(300,205)	(4,296,327)
Finance costs		(2,108)	-	(2,108)
Loss from ordinary activities before income tax		(2,840,486)	(300,205)	(3,140,691)
Income tax credit relating to ordinary activities		294,568	-	294,568
Net loss from ordinary activities after income tax		(2,545,918)	(300,205)	(2,846,123)
Total changes in equity	*1*	(2,545,918)	(300,205)	(2,846,123)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

Notes

1. The present policy of providing share-based compensation to employees, under AIFRS, results in the recognition of an expense and an equivalent increase in equity.

   It was estimated that adjustments for share-base payments were $199,547 and $300,205 for the years ended 30 June 2004 and 30 June 2005 respectively. Therefore, as at 30 June 2005, contributed equity increased by $499,752 with an equivalent increase in accumulated losses. Refer to note 27 for details of the share-based compensation provided by USCOM Ltd.

Directors' Declaration

USCOM Limited

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 51, 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 2006 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. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The audited remuneration disclosures set out on pages 26 to 29 of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures, and the Corporations Regulations 2001.

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 2006.

This declaration is made in accordance with a resolution of the board of directors.

Rob Phillips, Director

Gary Davey, Director

Sydney, 20 September 2006

Chartered Accountants
& Business Advisers

Independent Audit Report to the Members of USCOM Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flows statement, accompanying notes to the financial statements, and the directors' declaration of USCOM Limited for the year ended 30 June 2006.

The company has disclosed information about the remuneration of key management personnel ("remuneration disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 26 to 29 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been identified.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

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PKF

Chartered Accountants
& Business Advisers

Independent Audit Report to the Members of USCOM Limited (cont'd)

We formed our audit opinion on the basis of these procedures, which included:

a. examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
b. assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion:

1. the financial report of USCOM Limited is in accordance with:

   (a) The Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained in pages 26 to 29 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

PKF

PKF
Chartered Accountants and Business Advisers

Tim Sydenham
Partner

Dated at Sydney this 20th day of September 2006

Shareholder Information

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 August 2006.

Shareholding

(a) Distribution Schedules of Shareholder

Holdings Ranges	Holders No.	Ordinary shares No.	%
1 – 1,000	155	125,171	0.329
1,001 – 5,000	421	1,286,387	3.385
5,001 – 10,000	121	1,025,650	2.699
10,001 – 100,000	129	3,675,008	9.671
100,001 – 99,999,999,999	28	31,887,784	83.915
Total	854	38,000,000	100

(b) Security Classes

Classes	Ordinary shares No.
Fully Paid Ordinary Shares	12,272,500
Fully Paid Ordinary – Escrow 12 months[1]	25,727,500
Total	38,000,000

1 Voluntary escrow period ends on 10 December 2006

(c) The number of shareholdings held in less than marketable parcels is 158.

(d) Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 31 August 2006 are:

Robert Allan Phillips	16,750,000
Gary Desmond Davey	6,259,000
Bell Potter Nominees Ltd <BB Nominees A/C>	2,129,836

(e) Voting Rights

The voting rights attached to each class of equity security are as follows:

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.

Shareholder Information cont.

(f) Top Twenty Registered Shareholders – Ordinary shares

Balance at 31 August 2006	Ordinary shares No.	%
Robert Allan Phillips	16,750,000	44.079
Gary Desmond Davey	6,259,000	16.471
Bell Potter Nominees Ltd <BB Nominees A/C>	2,129,836	5.605
Luke Hamlyn Fay	737,500	1.941
Link Traders (Aust) Pty Ltd	600,000	1.579
Catholic Church Insurance Ltd	550,000	1.449
Jules Flach	500,000	1.316
Mr Graham Scott Alston	463,013	1.218
DRP Cartons (NSW) Pty Ltd	436,459	1.149
Asia Union Investments Pty Ltd	380,000	1.000
Das Menon	368,750	0.970
Helen Marie Bragg	368,750	0.970
Paul William Butler	275,000	0.724
Mrs Judith Burroughs	260,500	0.686
Hammond Royce Corporation Pty Ltd <Len David S/F A/C>	254,773	0.670
Lestwick Holdings Pty Ltd <Leswick Pty Ltd S/F A/C>	254,773	0.670
Hinona Pty Ltd <H Wallace Consultant S/F A/C>	200,000	0.526
Fortis Clearing Nominees P/L <Settlement A/C>	163,500	0.430
Mr Rutherford James Brown & Mrs Sheba Elizabeth Marjorie Brown	155,249	0.409
Mr Francis Robert Berry	150,000	0.395
Total	31,437,603	82.731

Company secretary
Mr Paul Butler

Registered office and principal place of office

Address:	Telephone:
Level 7, 10 Loftus Street	(02) 9247 4144
Sydney NSW 2000	

Registers of securities are held at the following address
Registries Limited, Level 2, 28 Margaret Street, Sydney NSW 2000
Telephone: (02) 9290 9600

Stock Exchange Listing
Quotation has been granted for 38,000,000 ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities
Options over unissued shares

A total of $1,037,000 options over ordinary shares are on issue. 200,000 options are on issue to five directors, 150,000 options are on issue to five members of advisory board and 687,000 options are on issue to ten employees under the USCOM Ltd employee share option plan.

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Ultrasonic Cardiac Output Monitors

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