DIRECTORS REPORT

The Directors present their report on Uscom Ltd and its Controlled Entities for the financial year ended 30 June 2017.

Directors

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

Associate Professor R A Phillips	Executive Director - Chairman
Ms S Jack	Non-Executive Director
Mr C Bernecker	Non-Executive Director
Mr C X He	Non-Executive Director

Directors' qualifications and experience

Associate Professor Rob Phillips

Rob Phillips is the founder of Uscom Ltd, the Chief Executive Officer, Executive Director and Chief Scientist of the Company. Rob has 13 years' experience as Executive Chairman of the Company, having taken Uscom to IPO in 2003, and has over 20 years in executive corporate management and capital raising. Rob has overseen the company's acquisition of two international medical device companies in 2013 and 2016. Rob has a Doctor of Philosophy and a Master of Philosophy in Cardiovascular Medicine from The University of Queensland and is an Adjunct Associate Professor with the Critical Care Research Group, at the School of Medicine, The University of Queensland. He is an Australian Post Graduate Award recipient and was a finalist in the Time-Google-CNN-Science-NYSE World Health and Medicine Technology Awards in 2004. Rob has pioneered novel clinical approaches to cardiovascular assessment having authored over 30 patents and patent applications and is an internationally recognised author, teacher and examiner in the field of cardiac ultrasound, cardiovascular function and circulation.

Ms Sheena Jack

Ms Sheena Jack is a Non-Executive Director of Uscom Ltd since November 2011. Sheena is the CEO of HCF and has over 25 years' experience as a finance professional and corporate executive. She has had experience across a range of corporate organisations including ASX listed companies, government and not for profit in both mature and start-up businesses. Sheena has significant experience in mergers and acquisitions, business integration, strategy development and implementation, capital markets and organisational transformation. Sheena is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

Mr Christian Bernecker

Mr Christian Bernecker is a Non-Executive Director of Uscom Ltd since November 2011. Christian is Non-Executive Director of Stream Group Limited and has more than 10 years of broad investment experience across capital raising, acquisitions and divestments. Christian qualified as a Chartered Accountant in Australia and holds a Bachelor of Commerce from Ballarat University.

Mr Chao Xiao He

Mr Chao Xiao He is a Non-Executive Director of Uscom Ltd since 23 March 2016. Mr He was born in Shanghai and educated in Sydney. For the last 9 years he was based in Shanghai and Singapore as Vice President of Business Development APAC with Johnson & Johnson. Prior to that Mr He was an Associate at McKinsey & Company in Shanghai, then Director of Business Development and External Growth APAC and VP Finance China with AB InBev. based in Hong Kong and Shanghai.

DIRECTORS REPORT
Continued

Company Secretary's qualifications and experience

Mr Brett Crowley

Brett Crowley was appointed as the Company Secretary on 24 May 2016. He is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong, and has worked in China establishing and managing JV companies there. Mr Crowley is an experienced chairman, finance director and company secretary of ASX-listed companies, and is a former Senior Legal Member of the NSW Civil and Administrative Tribunal.

Meetings of Directors

Directors	Board of Directors	
	Meetings held while a Director	No. of meetings attended
R A Phillips	6	6
S Jack	6	6
C Bernecker	6	6
C X He	6	4

Principal activities

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

Operating result

The loss of the Consolidated Entity after providing for income tax amounted to $1,800,849 (2016: $1,915,029)

Dividends

No dividends were declared or recommended for the financial year ended 30 June 2017 (2016: nil).

Significant changes in state of affairs

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

Operating and financial review

The operating and financial review is stated per the Chairman's letter on pages 2-7.

Events after the reporting date

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

Future developments

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

Environmental regulations

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

Indemnifying officers

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

Proceedings on behalf of the Consolidated Entity

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

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

Non-audit services

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

The Directors are of the opinion that the provision of non-audit services as disclosed in note 25 in the financial report does not compromise the external auditor's independence as outlined in the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES110 Code of Ethics of Professional Accountants issued by the Accounting
- Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in management decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Refer to note 25 of the financial statements on page 46 for details of auditors' remuneration.

The auditor's independence declaration as required under section 307C of the Corporation Act is set out on page 23 and forms part of the Directors' Report.

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

Remuneration report (Audited)

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

Key management personnel

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

Non-Executive Directors

Sheena Jack, Non-Executive Director
Christian Bernecker, Non-Executive Director
Chao Xiao He, Non-Executive Director

Executive Directors
Rob Phillips, Executive Director, Chairman, Chief Executive Officer
Senior Executives
Nick Schicht, General Manager

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

Remuneration policies

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

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

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

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

Non-Executive Directors

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

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

Non-Executive Directors do not receive any performance related remuneration, therefore they do not receive bonuses or non-cash benefits.

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

Executive Directors and Senior Executives remuneration

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

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

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

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

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

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

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

Long-term incentives
The Consolidated Entity has adopted an Equity Incentive Plan for the benefit of the Executive Director, an employee, contractor, consultant or any other person whom the Board determines to be eligible to participate in the Plans.

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

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

Service agreements
The Consolidated Entity has entered into an employment agreement with the Executives that

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

Details of the employment agreement are as follows:

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

The employment terms do not prescribe the duration of employment for executives.

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

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

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

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

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

Key management personnel remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2017.

	Short term benefits		Post employment benefits	Equity	Total remuneration	Performance related
	Directors' Base Fee $	Base salary $	Superannuation $	Share-based payment $	$	%
Non-Executive Director						
S Jack	35,000	-	3,325	-	38,325	-
C Bernecker	38,325	-	-	-	38,325	-
C X He	-	-	-	38,325	38,325	-
Executive Director						
R Phillips	-	229,000	33,253	589,194	851,447	69%
Senior Executive						
N Schicht	-	189,000	17,955	19,211	226,166	8%
Total	73,325	418,000	54,533	646,730	1,192,588	51%

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2016.

	Short term benefits		Post employment benefits	Equity	Total remuneration	Performance related
	Directors' Base Fee $	Base salary $	Superannuation $	Share-based payment $	$	%
Non-Executive Director						
S Jack	35,000	-	3,325	-	38,325	-
C Bernecker	38,325	-	-	-	38,325	-
C X He	-	-	-	10,500	10,500	-
Executive Director						
R Phillips	-	243,000	40,605	225,176	508,781	44%
Senior Executive						
N Schicht	-	209,000	19,855	19,264	248,119	8%
Total	73,325	452,000	63,785	254,940	844,050	29%

Equity Incentive Plan

The Consolidated Entity has adopted an Equity Incentive Plan for the benefit of an employee, contractor, consultant or executive director of the Group or any other person whom the Board determines to be eligible to participate in the Plans.

The purpose of the Plan is to:

- provide Eligible Persons with an incentive plan which recognises ongoing contribution to the achievement by the Company of its strategic goals thereby encouraging the mutual interdependence of Participants and the Company;
- align the interests of Participants with shareholders of the Company through the sharing of a personal interest in the future growth and development of the Company as represented in the price of the Company's ordinary fully paid shares;
- encourage Eligible Persons to improve the performance of the Company and its total return to Shareholders; and
- provide a means of attracting and retaining skilled and experienced employees.

Under the Plan, the Consolidated Entity will be able to grant short-term incentive and long-term incentive awards to Eligible Employees (including Executive Directors). The Plan will provide the Board with the flexibility to grant equity incentives to Eligible Persons in the form of Plan Shares, rights or Options, will only vest on the satisfaction of appropriate hurdles.

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

	Balance	Granted	Exercised	Lapsed / Cancelled	Balance	Total vested	Total unexercisable
	1 July 2016	During FY2017	During FY2017	During FY2017	30 June 2017	30 June 2017	30 June 2017
	No.	No.	No.	No.	No.	No.	No.
Non-Executive Director							
S Jack	-	-	-	-	-	-	-
C Bernecker							
C X He	-	-	-	-	-	-	-
Executive Director							
R Phillips	500,000	-	(500,000)	-	-	-	-
Senior Executive							
N Schicht	100,000	-	-	(100,000)	-	-	-
Total	600,000	-	(500,000)	(100,000)	-	-	-

Further details of the options are disclosed in note 18 of the financial statements.

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

	Balance	Granted	Exercised	Lapsed / Cancelled	Balance	Total vested	Total unexercisable
	1 July 2016	During FY2017	During FY2017	During FY2017	30 June 2017	30 June 2017	30 June 2017
	No.	No.	No.	No.	No.	No.	No.
Non-Executive Director							
S Jack	-	-	-	-	-	-	-
C Bernecker							
C X He	-	-	-	-	-	-	-
Executive Director							
R Phillips	5,409,092	-	(3,272,728)	-	2,136,364	-	2,136,364
Senior Executive							
N Schicht	450,000	-	-	-	450,000	-	450,000
Total	5,859,092	-	(3,272,728)	-	2,586,364	-	2,586,364

Details of rights outstanding as at end of year

Holders No.	Grant date	Exercisable at 30 June 2017	Expiry date	30 June 2017 Outstanding Right	Exercise Price	Issued date fair value
		%		No.	$	$
1 (Director)	26 November 2014	0%	1 July 2020	2,136,364	0.00	0.19
1 (Executive)	26 November 2014	0%	1 July 2020	450,000	0.00	0.19
Total				2,586,364		

5,409,092 Indeterminate rights were issued to Rob Phillips on the terms and conditions approved by shareholders at the AGM on 26 November 2014 under the Equity Incentive Plan, vesting dependent on performance hurdles. Consideration payable upon vesting is $nil. The Board may exercise its discretion to pay cash in lieu of issue of ordinary shares. Approved by the AGM on 30 November 2016, the vesting dates were amended to 30 November 2016 for Tranche 1 (1,136,364 rights) and Tranche 2 (2,136,364 rights), and 30 November 2017 for Tranche 3 (2,136,364 rights). Tranche 1 and Tranche 2 were exercised on 23 December 2016 upon meeting the performance hurdles.

450,000 Performance Rights were issued to Nick Schicht on 26 November 2014, vesting is dependent on performance hurdles on 1 July 2018, 1 July 2019 and 1 July 2020. Consideration payable upon vesting is $nil.

Number ordinary shares held by Directors and Senior Executives

	Balance 1 July 2016 No.	Received as Remuneration No.	Options/Rights Exercised No.	Balance 30 June 2017 No.
Non-Executive Director				
S Jack	800,000	-	-	800,000(1)
C Bernecker	-	-	-	-
C X He	-	-	-	-
Executive Director				
R Phillips	17,580,066	-	3,772,738	21,352,794(2)
Senior Executive				
N Schicht	218,200	-	-	218,200(3)
Total	18,598,266	-	3,772,738	22,370,994

*Net change other refers to share purchased or sold during the financial year, or cessation of categorisation as a Director or Senior Executive.

(1) All these ordinary shares are held by family associate.

(2) 11,350,161 of these ordinary shares are held by Australian Cardiac Sonography Pty Ltd as trustee for the Phillips Superannuation fund.

(3) 10,000 of these ordinary shares are held by family associate.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 $	2016 $	2015 $	2014 $	2013 $
Sales Revenue	2,723,359	2,482,925	1,515,381	1,056,502	578,753
Loss after income tax	(1,800,849)	(1,915,029)	(1,215,654)	(1,520,500)	(1,371,683)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share Price at financial year end ($)	0.19	0.25	0.19	0.22	0.17
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings declared (cents per share)	(1.6)	(2.0)	(1.5)	(2.0)	(2.2)

This concludes the remuneration report, which has been audited.

This Directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Associate Professor Rob Phillips

Executive Director - Chairman

Sydney, 21 August 2017

Ms Sheena Jack

Non-Executive Director

AUDITORS INDEPENDENCE DECLARATION

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Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF USCOM LIMITED

As lead auditor of Uscom Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 21 August 2017

STATEMENT OF PROFIT OR LOSS
& OTHER COMPREHENSIVE INCOME
For the FY ended 30 June 2017

		Consolidated	
Continuing operations		2017	2016
	Note	$	$
Revenue and other income	3	3,498,959	2,936,504
Raw materials and consumables used		(711,203)	(708,013)
Expenses from continuing activities	4	(4,587,152)	(4,131,930)
Loss before income tax from continuing operations		(1,799,396)	(1,903,439)
Income tax	5	(1,453)	(11,590)
Loss after income tax from continuing operations	6	(1,800,849)	(1,915,029)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations, net of tax		9,083	(18,250)
Other comprehensive income for the year, net of tax		9,083	(18,250)
Total comprehensive income for the year		(1,791,766)	(1,933,279)
Attributable to:			
Owners of the Company		(1,791,766)	(1,933,279)
Total comprehensive income for the year		(1,791,766)	(1,933,279)
Earnings per share from continuing operations attributable to the owners of the Company			
Earnings per share (EPS)			
Basic earnings per share (cents per share)	7	(1.6)	(2.0)
Diluted earnings per share (cents per share)	7	(1.6)	(2.0)

This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		Consolidated	
		2017	2016
	Note	$	$
Current assets			
Cash and cash equivalents	8	1,663,565	2,839,773
Trade and other receivables	9	196,063	267,751
Inventories	10	492,209	418,707
Term Deposit		41,569	-
Tax asset	11	503,212	429,516
Other assets	14	134,706	137,039
Total current assets		3,031,324	4,092,786
Non-current assets			
Plant and equipment	12	118,671	74,895
Intangible assets	13	1,336,248	1,544,065
Total non-current assets		1,454,919	1,618,960
Total assets		4,486,243	5,711,746
Current liabilities			
Trade and other payables	15	446,349	545,899
Current provisions	16	236,330	209,902
Total current liabilities		682,679	755,801
Non-current liabilities			
Non-current provisions	16	25,552	17,954
Total non-current liabilities		25,552	17,954
Total liabilities		708,231	773,755
Net assets		3,778,012	4,937,991
Equity			
Issued capital	17	30,332,259	30,308,877
Options and rights reserve	18	2,708,298	2,099,893
Accumulated losses	6	(29,334,469)	(27,533,620)
Translation reserve	19	71,924	62,841
Total equity		3,778,012	4,937,991

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

STATEMENT OF CHANGES IN EQUITY

For the FY ended 30 June 2017

	Issued Capital	Options Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total
Consolidated	$	$	$	$	$
Balance at 30 June 2015	26,019,429	1,806,732	(25,618,591)	81,091	2,288,661
Loss for the year	-	-	(1,915,029)	-	(1,915,029)
Other Comprehensive Income	-	-	-	(18,250)	(18,250)
Total Comprehensive Income for the year	-	-	(1,915,029)	(18,250)	(1,933,279)
Transactions with Owners in their capacity as owners:					
Shares Issued	4,539,630	-	-	-	4,539,630
Transaction costs on Shares Issued	(250,182)	-	-	-	(250,182)
Share-based payments	-	293,161	-	-	293,161
Balance at 30 June 2016	30,308,877	2,099,893	(27,533,620)	62,841	4,937,991
Loss for the year	-	-	(1,800,849)	-	(1,800,849)
Other Comprehensive Income	-	-	-	9,083	9,083
Total Comprehensive Income for the year	-	-	(1,800,849)	9,083	(1,791,766)
Transactions with Owners in their capacity as owners:					
Shares Issued	29,750	-	-	-	29,750
Transaction costs on Shares Issued	(6,368)	-	-	-	(6,368)
Share-based payments	-	608,405	-	-	608,405
Balance at 30 June 2017	30,332,259	2,708,298	(29,334,469)	71,924	3,778,012

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

STATEMENT OF CASH FLOWS

For the FY ended 30 June 2017

		Consolidated	
		2017	2016
	Note	$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,808,137	2,563,145
Interest received		15,338	10,733
Payments to suppliers and employees (inclusive of GST)		(4,472,829)	(4,231,505)
Grant and other income received		697,312	366,831
Net cash used in operating activities	20(b)	(952,042)	(1,290,796)
Cash flows from investing activities			
Purchase of patents and trademarks		(48,427)	(91,365)
Purchase of plant and equipment		(57,552)	(2,507)
Term deposit		(41,569)	-
Acquisition of Thor Laboratories		(100,000)	(591,324)
Net cash used in investing activities		(247,548)	(685,196)
Cash flows from financing activities			
Issue of shares (net of share issue cost)	17	23,382	4,289,448
Net cash provided by financing activities		23,382	4,289,448
Net increase/(decrease) in cash held		(1,176,208)	2,313,456
Cash and cash equivalents at the beginning of the year		2,839,773	527,631
Exchange rate adjustment for opening balance		-	(1,314)
Cash and cash equivalents at the end of the year	20 (a)	1,663,565	2,839,773

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

Note 1: Adoption of new and revised accounting standards

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations are not anticipated to have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The consolidated entity will adopt this standard from 1 July 2018 and the impact of its adoption is likely to be minor.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2016-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The consolidated entity will adopt this standard from 1 July 2018 and the impact of its adoption is likely to be minor.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption will not be significant to the consolidated entity.

Note 2: Statement of significant accounting policies

(a) Introduction

The financial report covers the Consolidated Entity of Uscom Ltd and its Controlled Entities. 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 cardiovascular and pulmonary monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations.

Scope of financial statements

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

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Currency

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

Historical Cost Convention

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

Reporting period

The financial report is presented for the year ended 30 June 2017. The comparative reporting period was for the year ended 30 June 2016.

Note 2: Statement of significant accounting policies (continued)

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

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

Authorisation of financial report
The financial report was authorised for issue on 21 August 2017 by the Directors.

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

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

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

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

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

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

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in the statement of profit and loss and other comprehensive income.

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

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

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

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

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

Financial assets, other than those at fair value through profit or loss, are reassessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent

Note 2: Statement of significant accounting policies (continued)

recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

(e) Principles of consolidation

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

A list of Controlled Entities is contained in note 22 to the financial statements. All Controlled Entities have a June financial year-end.

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

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

(f) Foreign currency transactions and balances

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

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

(g) Revenue recognition

- Sale of goods
  Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and when the other contractual obligations of the Entity are performed.
- Revenue from rendering of services
  Rendering of services consists of training, repair and product maintenance supplied to customers. Revenue is recognised when contractual obligations are expired and services are provided.
- Interest revenue
  Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Government grants
  Government grants revenue is recognised at fair value when there is reasonable assurance that the grant will be received and the grant conditions will be met.

(h) Inventories

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

(i) Property, plant and equipment

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

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss in the statement of profit or loss and other comprehensive income.

The depreciation rates used for each class of depreciable assets are:

Class Of Fixed Asset	*Depreciation Rate*
- Plant & Equipment	10% - 40%
- Office Furniture & Equipment	15%
- Computer Software	40%
- Low Value Pool	37.5%

Note 2: Statement of significant accounting policies (continued)

(j) Intangibles
Patents and Trademarks are valued in the financial statements at cost of acquisition less accumulated amortisation and are amortised on diminishing value basis at 12.5% per annum.

The value of Regulatory Approvals was recognised at the acquisition of Thor Laboratories. Regulatory Approvals are amortised over 5 years on straight line basis from the date of acquisition.

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

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

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

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

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

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

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

(o) Research & development expenditure
Research & development costs are charged to the statement of profit or loss and other comprehensive income as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

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

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

The charge for current income tax expense/credit is based on the profit or loss for the year adjusted for any non- assessable or disallowed items. It is credited using tax rates that have been enacted or are substantively enacted by the reporting 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 settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Where the Consolidated Entity is entitled to a research and development tax offset, this is treated as other income in the period to which the entitlement relates.

Note 2: Statement of significant accounting policies (continued)

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

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Consolidated Entity has a present obligation to pay resulting from employee services provided up to reporting 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.

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

Uscom Ltd has adopted an Employee Share Option Plan for the benefit of Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. Refer note 18 to the financial statements for details.

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

(s) Share-based payment arrangement
Goods or services received or acquired in a share-based payment transaction are recognised as an 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.

(t) 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 Financial Position are shown inclusive of GST.

(u) Receivables
Trade receivables and other receivables represent the principal amounts due at reporting 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.

(v) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

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

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

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

NOTES TO FINANCIAL STATEMENTS
Continued

	Consolidated 2017 $	2016 $
Note 3: Revenue and other income		
Operating revenue		
Sale of goods	2,723,359	2,482,925
Other revenue		
Interest received	15,338	10,733
Other income		
Grants – R&D Tax Incentive	558,550	429,516
Grants – EU Research Grant	110,195	-
Grants – EMDG	76,925	-
Sundry income	14,592	13,330
Total other income	760,262	442,846
Total revenues and other income from continuing operations	3,498,959	2,936,504
Note 4: Expenses from continuing activities		
Depreciation and amortisation expenses	284,650	278,713
Employee benefits expense	2,264,511	1,765,193
Research and development expenses	614,117	542,903
Advertising and marketing expenses	575,094	784,493
Occupancy expenses	185,610	156,967
Auditors remuneration (audit and review)	61,541	66,630
Regulatory expenses	88,524	37,164
Administrative expenses	453,096	491,099
Exchange losses	50,918	8,768
Finance costs	9,091	-
Total expenses from continuing activities, excluding finance costs	4,587,152	4,131,930

Operating lease expenses of $171,387 in 2017 (2016: $142,215) are included in occupancy expenses above.

Share based expenses of $608,406 in 2017 (2016: $246,286) are included in employee benefits expenses above.

	Consolidated 2017 $	Consolidated 2016 $
Note 5: Income tax		
Major components of income tax		
Current income tax	(1,453)	(11,590)
Income tax	(1,453)	(11,590)
Reconciliation between income tax credit and prima facie tax on accounting loss		
Accounting loss before income tax	1,799,396	1,903,439
Tax benefit at 27.5% in Australia, 15% in USA, 12% in Hungary (2016: 30% in Australia, 15% in USA, 12% in Hungary)	482,512	538,596
Tax effect on non-taxable income and non-deductible expenses	(322,407)	(203,386)
Temporary differences	(38,095)	(28,508)
Deferred tax asset not brought to account	(123,463)	(295,112)
Income tax	(1,453)	(11,590)

As at 30 June 2017, the Consolidated Entity had estimated unrecouped operating income tax losses of $19,217,407 (2016: $18,959,811). The benefit of these losses of $5,100,599 (2016: $5,454,498) has not been brought to account as realisation is not probable. The benefit will only be obtained if:

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

	2017 $	2016 $
Note 6: Accumulated losses		
Accumulated losses at the beginning of the financial year	(27,533,620)	(25,618,591)
Net loss attributable to members of the Entity	(1,800,849)	(1,915,029)
Accumulated losses at the end of the financial year	(29,334,469)	(27,533,620)

	2017	2016
Note 7: Earnings per share		
Loss after tax used in calculation of basic and diluted EPS	(1,800,849)	(1,915,029)
	Number	Number
Weighted average number of ordinary shares during the year used in calculation of basic EPS	110,601,128	96,118,052
Weighted average number of options outstanding	4,980,545	5,630,323
Weighted average number of rights outstanding	4,155,480	5,859,902
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	119,737,153	107,608,277
Basic earnings per share (cents per share)	(1.6)	(2.0)
Diluted earnings per share (cents per share)	(1.6)	(2.0)

The options and rights in existence have an anti-dilutive effect on EPS, therefore there is no difference between basic earnings per share and diluted earnings per share as shown above.

	Consolidated 2017 $	Consolidated 2016 $
Note 8: Cash and cash equivalents		
Cash on hand	2,283	7,672
Bank: Cheque accounts	1,625,720	1,767,777
Bank: Cash management	35,562	23,906
Bank: Term deposits	-	1,040,418
Total cash and cash equivalents	1,663,565	2,839,773

Note 9: Trade and other receivables

	Consolidated 2017 $	Consolidated 2016 $
Current		
Trade receivables	196,063	267,751
Total current receivables	196,063	267,751

Trade receivables are non-interest bearing and on an average of 45 day terms. Details of trade receivables past due but not impaired are disclosed in note 21.

Note 10: Inventories

	Consolidated 2017 $	Consolidated 2016 $
Current inventories at cost		
Raw materials	305,686	239,745
Work in Progress	105,927	61,526
Finished products	80,596	117,436
Total inventories	492,209	418,707

Note 11: Tax asset

	Consolidated 2017 $	Consolidated 2016 $
Income tax credit	11,480	-
R & D tax incentive	491,732	429,516
Total tax asset	503,212	429,516

Note 12: Plant and equipment

	Consolidated 2017 $	Consolidated 2016 $
Plant and equipment at cost	709,437	645,943
Accumulated depreciation – including foreign exchange impact	(611,886)	(588,089)
	97,551	57,854
Office furniture and equipment at cost	71,052	71,027
Accumulated depreciation – including foreign exchange impact	(62,164)	(59,832)
	8,888	11,195
Computer software at cost	45,727	36,910
Accumulated depreciation – including foreign exchange impact	(34,473)	(32,337)
	11,254	4,573
Low value asset pool at cost	51,508	50,314
Accumulated depreciation – including foreign exchange impact	(50,530)	(49,041)
	978	1,273
Total plant and equipment	118,671	74,895

Note 12: Plant and equipment (continued)

Movements in carrying amounts	Plant and equipment	Office furniture and equipment	Computer software	Low value asset pool
Useful life	2-7 years	2-7 years	3 years	3 years
	$	$	$	$
Consolidated Entity				
Carrying amount at 1 July 2016	57,854	11,195	4,572	1,273
Additions	62,554	753	8,634	928
Disposals	-	(929)	-	-
Depreciation expense	(23,099)	(2,131)	(1,953)	(1,223)
Effects of foreign currency exchange differences	242	-	-	-
Carrying amount at 30 June 2017	97,551	8,888	11,254	978

		Consolidated	
		2017	2016
		$	$
Note 13: Intangible assets			
Non-current			
Patents at cost		1,845,687	1,797,260
Accumulated amortisation and impairment		(908,901)	(778,803)
Carrying amount at 30 June		936,786	1,018,457
Regulatory approvals -acquisitions through business combinations		630,730	630,730
Accumulated amortisation		(231,268)	(105,122)
Carrying amount at 30 June		399,462	525,608
Total intangible assets		1,336,248	1,544,065
Movements in carrying amounts			
Patents carrying amount at 1 July		1,018,457	1,065,812
Additions	(i)	48,427	93,647
Impairment		-	-
Amortisation		(130,098)	(141,002)
Patents carrying amount at 30 June		936,786	1,018,457
Regulatory approvals -acquisitions through business combinations	(i)	525,608	630,730
Additions		-	-
Impairment		-	-
Amortisation		(126,146)	(105,122)
Regulatory approvals carrying amount at 30 June		399,462	525,608

(i) Intangible Assets comprise Intellectual Property in the form of Patents and Regulatory approvals (FDA and CE). Patents and Regulatory approvals have finite useful lives. The current amortisation charge in respect of Patents and Regulatory approvals is included under Expenses from Continuing Activities in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS
Continued

	Consolidated 2017 $	Consolidated 2016 $
Note 14: Other assets		
Current		
Accrued income	1,623	-
GST/VAT receivable	72,018	92,311
Prepayments	61,065	44,728
Total other current assets	134,706	137,039
Note 15: Trade and other payables		
Current		
Trade payables	111,985	72,811
Sundry payables and accrued expenses	232,365	418,643
Employee related payables	101,999	54,445
Total payables	446,349	545,899
Note 16: Provisions		
Current		
Provision for annual leave	162,130	132,693
Provision for long service leave	74,200	77,209
	236,330	209,902
Non-current		
Provision for long service leave	9,752	4,354
Provision for warranties	15,800	13,600
	25,552	17,954
(a) Aggregate employee benefits	246,082	214,256
(b) Movement in employee benefits		
Balance at beginning of the year	214,256	215,870
Additional provision	142,919	143,421
Amounts used	(111,093)	(145,035)
Balance at end of the year	246,082	214,256
(c) Movement in warranties		
Balance at beginning of the year	13,600	13,300
Additional provision	5,000	942
Amounts used	(2,800)	(642)
Balance at end of the year	15,800	13,600

	Consolidated 2017 $	Consolidated 2016 $
Note 17: Issued capital		
Issued capital		
Fully paid ordinary shares	30,332,259	30,308,877
Total contributed equity	30,332,259	30,308,877
Movement in issued capital		
Shares on issue at the beginning of the year	30,308,877	26,019,429
9,666,669 ordinary shares issued at 15 cents on 23 July 2015	-	1,450,000
275,000 ordinary shares issued at 15 cents on 31 July 2015	-	41,250
12,500 ordinary shares issued at 5.95 cents on 31 July 2015	-	744
666,667 ordinary shares issued at 15 cents on 14 August 2015	-	100,000
3,963,319 ordinary shares issued at 15 cents on 21 August 2015	-	594,498
500,000 ordinary shares issued at 5.95 cents on 30 Sep 2015	-	29,750
75,000 ordinary shares issued at 5.95 cents on 23 March 2016	-	4,463
11,594,625 ordinary shares issued at 20 cents on 10 Jun 2016	-	2,318,925
500,000 ordinary shares issued at 5.95 cents on 18 August 2016	29,750	-
3,272,728 ordinary shares issued at nil cost on 23 December 2016	-	-
Share issue costs	(6,368)	(250,182)
Issued Equity at the end of the year	30,332,259	30,308,877

Fully paid ordinary shares	Number	Number
Ordinary shares at the beginning of the year	108,463,270	81,709,490
Ordinary shares issued at 15 cents by private placement on 23 July 2015	-	9,666,669
Ordinary shares issued at 15 cents by private placement on 31 July 2015	-	275,000
Ordinary shares issued at 5.95 cents by exercise of option on 31 July 2015	-	12,500
Ordinary shares issued at 15 cents by private placement on 14 August 2015	-	666,667
Ordinary shares issued by private placement on 21 August 2015	-	3,963,319
Ordinary shares issued by exercise of option on 30 September 201	-	500,000
Ordinary shares issued by exercise of option on 23 March 2016	-	75,000
Ordinary shares issued by private placement on 10 Jun 2016	-	11,594,625
Ordinary shares issued by exercise of option on 18 August 2016	500,000	-
Ordinary shares issued by exercise of rights on 23 December 2016	3,272,728	-
Total ordinary shares at the end of the year	112,235,998	108,463,270

The Company's authorised share capital amounted to 112,235,998 ordinary shares of no par value at 30 June 2017.

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

Note 18: Options and rights reserve

The Consolidated Entity has adopted a new Equity Incentive Plan for the benefit of an employee, contractor, consultant, executive director of the Group or any other person whom the Board determines to be eligible to participate in the Plans. The Board may impose conditions, including performance related conditions, on the right to exercise any options and rights granted under the Equity Incentive Plan.

The purpose of the Plan is to:

- provide Eligible Persons with an incentive plan which recognises ongoing contribution to the achievement by the Company of its strategic goals thereby encouraging the mutual interdependence of Participants and the Company;
- align the interests of Participants with shareholders of the Company through the sharing of a personal interest in the future growth and development of the Company as represented in the price of the Company's ordinary fully paid shares;
- encourage Eligible Persons to improve the performance of the Company and its total return to Shareholders; and
- provide a means of attracting and retaining skilled and experienced employees.

Under the Plan, the Consolidated Entity will be able to grant short-term incentive and long-term incentive awards to Eligible Employees (including Executive Directors). The Plan will provide the Board with the flexibility to grant equity incentives to Eligible Persons in the form of Plan Shares, rights or Options, will only vest on the satisfaction of appropriate hurdles.

	Consolidated	
	2017	2016
	$	$
Effect of share-based payment transactions		
Share Option Plan		
Options and rights reserve balance at the beginning of the year	2,099,893	1,806,732
Expenses arising from share-based payment transactions	608,405	293,161
Options and rights reserve balance for Share Option Plan at the end of the year	2,708,298	2,099,893

Movement in options during the financial year

Movement during the financial year	Number of Options 2017	Weighted average exercise price	Number of Options 2016	Weighted average exercise price
Opening number of options	5,440,544	0.21	1,912,500	0.06
Granted during the financial year – Consultant			4,765,544	0.25
Lapsed during the financial year	(100,000)	0.06	(650,000)	0.06
Exercised during the financial year	(500,000)	0.06	(587,500)	0.06
Closing number of options	4,840,544	0.23	5,440,544	0.21

Note 18: Options and rights reserve (continued)

Details of options outstanding as at end of the year

Holders No.	Grant date	Exercisable at 30 June 2017	Expiry date	30 June 2017 Outstanding Option	Exercise Price	Issued date fair value
		%		No.	$	$
1 (Consultant)	1 December 2014	67%	1 July 2018	75,000	0.1700	0.20
32 (Investors)	23 July 2015	100%	31 July 2017	3,222,211	0.2500	0.16
1 (Investor)	14 August 2015	100%	31 July 2017	222,222	0.2500	0.15
1 (Investor)	21 August 2015	100%	31 July 2017	888,889	0.2500	0.15
1 (Investor)	27 October 2015	100%	31 July 2017	432,222	0.2500	0.185
Total				4,840,544		

The options issued on 1 December 2014 were issued under the Equity Incentive plan. The options vest one third each on the issue day, 1 July 2015 and 1 July 2016 respectively.

Fair value

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

Weighted average share price	Range from $0.17 to $0.25
Exercise price	75,000 at $0.17 and 4,765,544 at $0.25
Option life	2-3 years
Risk-free interest rate	Range from 2.13% to 4.17%
Expected dividends	0
Expected volatility*	Range from 62% to 76%

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

Movement in rights during the financial year

	2017	2016
	Number	Number
Rights at the beginning of the period	5,859,092	5,859,092
Exercised during the period	(3,272,728)	-
Rights at the end of the period	2,586,364	5,859,092

5,409,902 Indeterminate rights were issued to Rob Phillips on the terms and conditions approved by shareholders at the AGM on 26 November 2014 under the Equity Incentive Plan, vesting dependent on performance hurdles. Consideration payable upon vesting is $nil. The Board may exercise its discretion to pay cash in lieu of issue of ordinary shares. Approved by the AGM on 30 November 2016, the vesting dates were amended to 30 November 2016 for Tranche 1 (1,136,364 rights) and 2 (2,136,364 rights), and 30 November 2017 for Tranche 3 (2,136,364 rights). Tranche 1 and Tranche 2 were exercised on 23 December 2016 upon meeting the performance hurdles.

450,000 Performance rights were issued to Nick Schicht on 26 November 2014 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2018, 1 July 2019 and 1 July 2020. Consideration payable upon vesting is $nil.

	2017	2016
	$	$
Note 19: Translation reserve		
Opening balance	62,841	81,091
Translation of financial statements of foreign Controlled Entities	9,083	(18,250)
Closing balance	71,924	62,841

Translation reserve is the movement of assets and liabilities' value for the foreign subsidiaries due to the fluctuation of foreign exchange.

	Consolidated 2017 $	Consolidated 2016 $
Note 20: Cash flow information		
(a) Reconciliation of cash		
Cash at bank and on hand	1,663,565	2,839,773
Total cash at end of year	1,663,565	2,839,773
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax		
Loss from continuing operations after income tax	(1,800,849)	(1,915,029)
Non cash flows in loss from continuing operations		
Depreciation	28,406	32,590
Amortisation	256,244	246,123
Options reserve	608,406	246,286
Translation reserve	9,083	(18,250)
(Increase)/decrease in assets		
Trade debtors	71,688	33,002
Inventories	(73,502)	106,965
Inventories transferred to PE	(15,318)	(1,060)
Prepayments	(16,337)	33,852
tax credit	(73,696)	(62,685)
Accrue income	(1,623)	-
GST/VAT assets	20,293	(66,071)
Increase/(decrease) in liabilities		
Trade payables	39,174	(107,004)
Sundry payables and accrued expenses	(85,591)	219,756
Employee related payables	47,554	(37,957)
Employee provisions	31,826	(1,614)
Other provisions	2,200	300
Net cash used in operating activities	(952,042)	(1,290,796)

Note 21: Financial instruments

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

(b) Capital risk management
The Consolidated Entity manages its capital to ensure that companies in the Consolidated Entity are able to continue as a going concern. The capital structure of the Entity consists of cash and cash equivalents (note 8 on page 35) and equity attributable to equity holders of the Parent Entity, comprising issued capital (note 17 on page 38), and accumulated losses (note 6 on page 34).

(c) Outstanding contracts
At 30 June 2017, there were no outstanding contracts.

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

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

Note 21: Financial instruments (continued)

(e) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Consolidated Entity does not have any forward foreign exchange contracts as at 30 June 2017 and is exposed to foreign currency risk on sales and purchases denominated in a currency other than Australian dollars.

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

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

	Consolidated	
	2017	2016
	US$	US$
Cash	1,065,122	656,326
Current trade debtors	104,830	199,456
Current trade creditors	19,411	20,707
	€	€
Cash	98,408	94,253
Current trade debtors	39,530	-
Current trade creditors	3,755	-

(f) Foreign currency sensitivity

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

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

	Consolidated	
	2017	2016
	$	$
Profit/Loss - increase 10% (US$) and 5% (€)	(226,898)	(205,126)
- decrease 10% (US$) and 5% (€)	226,898	205,126

(g) Interest rate risk management

The Consolidated Entity does not have any external loans or borrowings as at 30 June 2017 and is not exposed to interest rate risks related to debt.

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

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

Note 21: Financial instruments (continued)

(h) Interest rate sensitivity

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

	Consolidated	
	2017	2016
	$	$
Profit/Loss - increase 100 basis points	1,534	1,072
- decrease 100 basis points	(1,534)	(1,072)

(i) Credit risk management

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

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

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

	Consolidated	
Debtors outstanding but not impaired	2017	2016
	$	$
0 - 45 days	191,339	16,592
46 – 90 days	-	-
Over 90 days	-	18,736
Total	191,339	35,328

No bad debt was written off during the year (2016: $Nil). There was no doubtful debt provision as at 30 June 2017 (2016: Nil). The outstanding debts of $191,339 from four debtors are not past due to the reporting date, full recovery is expected based on communication with the debtors.

(j) Liquidity risk management

The objective for managing liquidity risk is to ensure the business has sufficient working capital or access to working capital as and when required. The Consolidated Entity limits its exposure to liquidity risk by holding the majority of its assets in cash or term deposits which can be quickly converted to cash if required.

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

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

Note 21: Financial instruments (continued)

Consolidated	Weighted Average effective interest Rate %	Floating interest $	Fixed interest rate maturing Within 1 year $	1 to 5 years $	Non-interest bearing $	Total $
2017						
Financial assets						
Cash	0.0	45,474	-	-	1,618,091	1,663,565
Term deposit	2.5	-	41,569	-	-	41,569
Trade receivables		-	-	-	196,063	196,063
Other receivables		-	-	-	73,641	73,641
Total financial assets		45,474	41,569	-	1,887,795	1,974,838
Financial liabilities						
Trade creditors		-	-	-	111,985	111,985
Payables		-	-	-	101,999	101,999
Total financial liabilities		-	-	-	213,984	213,984
Net financial assets		45,474	41,569	-	1,673,811	1,760,854

Consolidated	Weighted Average effective interest Rate %	Floating interest $	Fixed interest rate maturing Within 1 year $	1 to 5 years $	Non-interest bearing $	Total $
2016						
Financial assets						
Cash	1.3	718,349	1,040,418	-	1,081,006	2,839,773
Trade receivables		-	-	-	267,751	267,751
Other receivables	-	-	-	-	92,311	92,311
Total financial assets		718,349	1,040,418	-	1,441,068	3,199,835
Financial liabilities						
Trade creditors		-	-	-	72,811	72,811
Sundry payables		-	-	-	54,445	54,445
Total financial liabilities		-	-	-	127,256	127,256
Net financial assets		718,349	1,040,418	-	1,313,812	3,072,579

Reconciliation of net financial assets to net assets	2017 $	2016 $
Net financial assets as above	1,760,854	3,072,579
Non-financial assets and liabilities		
R & D tax incentive receivable	503,212	429,516
Inventories	492,209	418,707
Prepayments	61,065	44,728
Plant and equipment	118,671	74,895
Intangible assets	1,336,248	1,544,065
Accruals	(232,365)	(418,643)
Provisions	(261,882)	(227,856)
Net assets per Statement of Financial Position	3,778,012	4,937,991

The carrying amounts of the consolidated entity's financial assets and financial liabilities are assumed to approximate their fair values due to their short-term nature.

Note 22: Related party disclosures

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

Parent and Controlled Entity
Parent Entity

Significant investments in subsidiaries:	Uscom, Inc.
Country of subsidiary incorporation:	U.S.A
Proportion of ownership interest:	100%
Significant investments in subsidiaries:	Uscom Medical Ltd
Country of subsidiary incorporation:	U.K.
Proportion of ownership interest:	100%
Significant investments in subsidiaries:	Thor Laboratories KFT.
Country of subsidiary incorporation:	Hungary
Proportion of ownership interest:	100%

Consolidated
The Parent and Ultimate Parent Entity is Uscom Limited.

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

Non-Executive Directors
Sheena Jack, Non-Executive Director
Christian Bernecker, Non-Executive Director
Chao Xiao He, Non-Executive Director
Executive Directors
Rob Phillips, Executive Director, Chairman, Chief Executive Officer
Senior Executives
Nick Schicht, General Manager

For further remuneration information of key management personnel refer to the remuneration report in the Directors' report on pages 15-22.

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

	Consolidated	
	2017	2016
	$	$
Short-term employee benefits	491,325	525,325
Post-employment benefits	54,533	63,785
Share-based payment	646,730	254,940
Total key management personnel remuneration	1,192,588	844,050

Note 23: Parent entity information

	Parent	
	2017	2016
	$	$
Set out below is the supplementary information about the parent entity.		
Statement of comprehensive income		
Loss after income tax	(1,748,666)	(1,831,167)
Total comprehensive income	(1,748,666)	(1,831,167)
Statement of financial position		
Total current assets	2,659,841	3,828,705
Total assets	4,367,914	5,541,184
Total current liabilities	596,418	660,407
Total liabilities	621,970	678,361
Equity		
Contributed equity	30,332,259	30,308,877
Options reserve	2,708,298	2,099,893
Accumulated losses	(29,294,613)	(27,545,947)
Total equity	3,745,944	4,862,823

Contingent liabilities
The parent entity has provided a guarantee in respect of obligations under premises lease of $41,569 (2016: $40,418). No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee.

Other than the guarantee mentioned above, the parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

	Consolidated	
	2017	2016
	$	$
Note 24: Commitments		
Operating lease commitments		
Operating commitments represent payments due for office rentals and have an average term from 18 to 30 months and month to month thereafter.		
Less than 1 year	61,035	139,607
Between 1 and 5 years	-	71,321
Total operating commitments	61,035	210,928
Note 25: Auditors' remuneration		
a. Audit services		
BDO East Coast Partnership for Audit and review of financial reports	54,500	56,500
BDO Hungary Audit and review of financial reports	7,041	10,130
Total remuneration for audit services	61,541	66,630
b. Non-audit services		
BDO East Coast Partnership for Accounting advice	-	2,000
BDO Hungary for Due diligence service	-	2,501
BDO Hungary for Taxation advice	-	1,395
Total remuneration for Non-audit services	-	5,896
Total auditors' remuneration	61,541	72,526

Note 26: Operating segments

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

The Consolidated Entity sells two cardiovascular products, the USCOM 1A cardiac output monitor and the Uscom BP+ central blood pressure monitor and a series of pulmonary products the Uscom SpiroSonic spirometers.

Globally the Company has five geographic sales and distribution segments Australia, Asia, the Americas, Europe and Mid East and Africa, and other regions. For each segment, the CEO and General Manager review internal management reports on at least a monthly basis.

The largest customer group operates in Asia and accounts for 51% of the total sales. For the current period Uscom 1A comprised 78.4%, SpiroSonic spirometers 20.4% and BP+ 1.2% of the total Uscom sales revenue.

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

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

	Australia	Asia	Americas	Europe	Other regions	Consolidated
	$	$	$	$	$	$
2017						
Sales to external customers	47,504	1,830,924	240,014	585,100	19,817	2,723,359
Other income	652,300	-	-	123,300	-	775,600
Total segment revenue/income	699,804	1,830,924	240,014	708,400	19,817	3,498,959
Segment expenses	3,646,166	622,107	411,432	601,257	17,393	5,298,355
Segment result	(2,946,362)	1,208,817	(171,418)	107,143	2,424	(1,799,396)
Income tax				(1,453)		(1,453)
Consolidated loss from ordinary activities after income tax						(1,800,849)
Segment assets	2,540,403	110,622	549,512	1,285,706	-	4,486,243
Segment liabilities	621,970	-	7,840	78,421	-	708,231
Acquisition of property, plant and equipment and intangibles	69,056	-	24,954	27,286	-	121,296
Depreciation and amortisation	22,022	15,363	37,417	209,848	-	284,650

Note 26: Operating segments (continued)

	Australia	Asia	Americas	Europe	Other regions	Consolidated
	$	$	$	$	$	$
2016						
Sales to external customers	35,768	1,271,234	466,389	428,350	281,184	2,482,925
Other income	440,239	-	-	13,340	-	453,579
Total segment revenues/income	476,007	1,271,234	466,389	441,690	281,184	2,936,504
Segment expenses	3,014,003	355,941	649,810	710,858	109,331	4,839,943
Segment result	(2,537,996)	915,293	(183,421)	(269,168)	171,853	(1,903,439)
Income tax				(11,590)		(11,590)
Consolidated loss from ordinary activities after income tax						(1,915,029)
Segment assets	4,338,477	125,411	542,804	705,054	-	5,711,746
Segment liabilities	678,361	-	10,373	85,021	-	773,755
Acquisition of property, plant and equipment and intangibles	16,881	1,199	51,550	716,763	-	786,393
Impairment of patents	-	-	-	-	-	-
Depreciation and amortisation	27,904	18,684	32,895	199,230	-	278,713

Note 27: Contingencies

Other than the guarantee mentioned at Note 23, the consolidated entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

Note 28: Events after the reporting date

No matters or circumstances have arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the consolidated entity, the results of those activities or the state of affairs of the consolidated entity in the ensuing or any subsequent financial year.

DIRECTORS DECLARATION

Uscom Limited and its Controlled Entity

1. The directors of the company declare that: The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards and the Corporations Regulations 2001; and

    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The directors have been given the declarations required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Associate Professor Rob Phillips	Ms Sheena Jack
Executive Director - Chairman	Non-Executive Director

Sydney, 21 August 2017

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Uscom Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Uscom Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment and carrying value of intangible assets - Patents and regulatory approvals

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 13 of the financial report, the carrying value of the intangibles was considered significant to our audit as the carrying value of $1,336,248 at 30 June 2017 is material to the financial statements and requires considerable judgement by management based on uncertain outcomes of regulatory approvals. The intangibles relate to patents held in connection with the BP+ and Uscom 1A products and regulatory approvals of the SpiroThor products which were recognised as part of the acquisition of Thor Laboratories in September 2015.	Our audit procedures included amongst others: • Performance of a valuation assessment to determine whether the carrying value was impaired. This was done through the assessment of estimated future discounted cash flows. • Verified movements in the carrying value of intangibles. • Scrutinised the inputs of the forecasts provided by management and agreed to supporting documentation, such as historical data and distribution agreements, where appropriate. • Reviewed the status of regulatory submissions when assessing any potential impairment indicators.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

BDO

INDEPENDENT AUDIT REPORT

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Uscom Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 21 August 2017

SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 July 2017.

(a) Distribution Schedules of Shareholder

Holdings Ranges	Holders	Ordinary shares	
	Number	Number	%
1 – 1,000	110	67,293	0.06%
1,001 – 5,000	193	580,476	0.51%
5,001 – 10,000	83	685,810	0.61%
10,001 – 100,000	277	11,267,315	10.02%
100,001 – 99,999,999,999	137	99,885,104	88.80%
Total	800	112,485,998	100%

There were 214 holders of less than a marketable parcel of 2,777 ordinary shares.

(b) Class of shares and voting rights

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

(c) Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 31 July 2017 are:

DR ROBERT ALLAN PHILLIPS	21,352,794
DR STEPHEN FREDERICK WOODFORD	10,258,475
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,266,609
MR JOHN LIONEL GLEESON	3,100,000
JETAN PTY LTD	3,050,000

(d) Twenty largest registered holders – ordinary shares

Balance as at 31 July 2017	Ordinary shares	
	Number	%
DR ROBERT ALLAN PHILLIPS	21,352,794	18.983%
DR STEPHEN FREDERICK WOODFORD	10,258,475	9.120%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,266,609	5.571%
MR JOHN LIONEL GLEESON	3,100,000	2.756%
JETAN PTY LTD	3,050,000	2.711%
DONGJUN SUN	2,414,125	2.146%
DRP CARTONS (NSW) PTY LTD <DRP CARTONS (NSW) PL S/F A/C>	2,359,616	2.098%
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	2,116,636	1.882%
INVIA CUSTODIAN PTY LIMITED <RIVERBEL FAMILY NO 3 A/C>	2,088,118	1.856%
CORF CORPORATION PTY LIMITED <MADDISON FAMILY S/F A/C>	2,004,100	1.782%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,933,942	1.719%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,768,749	1.572%
EASTBOURNE ROAD PTY LTD <JACK BOYD SUPER FUND A/C>	1,603,410	1.425%
RAEWYN JANETTE LOVETT & STRUAN GRANT MCOMISH	1,477,640	1.314%
MR CHRISTOPHER JAMES WERE & LOCKHART TRUSTEE SERVICES	1,424,095	1.266%
MR FREDRIK HOLGER UDEN	1,285,860	1.143%
LINK TRADERS (AUST) PTY LTD	1,220,809	1.085%
QUERION PTY LTD	1,166,667	1.037%
MAK PLANNING AND DESIGN PTY LTD	1,010,001	0.898%
DR RUSSELL KAY HANCOCK	1,000,000	0.889%
MR DAVID LEROY BOYLES	1,000,000	0.889%
Total	69,901,646	62.143%

SHAREHOLDER INFORMATION

Continued

Registered office and principal place of office

Level 7, 10 Loftus Street
Sydney NSW 2000 Australia
Tel: 02 9247 4144
Fax: 02 9247 8157

Company Secretary

Brett Crowley

Registers of securities

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000 Australia

GPO Box 3993
Sydney NSW 2001 Australia

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

Stock exchange listing

Quotation has been granted for 108,463,270 ordinary shares of the Company as at 31 July 2017 on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities

Options and rights over unissued shares as at 31 July 2017

A total of 4,840,544 options over ordinary shares are on issue. 75,000 options are on issue to a consultant under the new Equity Incentive Plan. 4,765,544 options are on issue to investors.

A total of 2,586,364 rights over ordinary shares are on issue. 2,136,364 rights are on issue to a director and 450,000 are on issue to an executive under the new Equity Incentive Plan.