

# **USCOM LIMITED**

ABN: 35 091 028 090

## **HALF YEARLY REPORT**

**For The Period Ended 31 December 2003**

*Rules 4.1, 4.3*

# Appendix 4D

## Half yearly report

Introduced 1/1/2003.

<b>Name of Entity</b>	USCOM LIMITED
<b>ACN</b>	091 028 090
<b>Financial Period Ended</b>	31 DECEMBER 2003
<b>Previous Corresponding Reporting Period</b>	Not applicable

### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	106,878	N/A
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	(654,568)	N/A
<b>Net profit / (loss) for the period attributable to members</b>	(654,568)	N/A
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	N/A
<b>Interim Dividend</b>	Nil	N/A
<b>Previous corresponding period</b>	Nil	N/A
<b>Record date for determining entitlements to the dividends (if any)</b>		
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
The above loss is in line with the budget for operations during this period.		

+ See chapter 19 for defined terms.

**Dividends**

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

**NTA Backing**

	Current Period
Net tangible asset backing per ordinary security	39 ¢

**Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position**

Refer Attachment 1.
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+ See chapter 19 for defined terms.

### **Commentary on the Results for the Period**

**The earnings per security and the nature of any dilution aspects :**

Refer Statement of Financial Performance in Attachment 1.

**Returns to shareholders including distributions and buy backs :**

N/A

**Significant features of operating performance :**

Refer Attachment 1.

**The results of segments that are significant to an understanding of the business as a whole:**

Refer to Note 4 in Attachment 1.

**Discussion of trends in performance :**

Refer Attachment 1.

**Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:**

None.

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+ See chapter 19 for defined terms.

**Control Gained Over Entities Having Material Effect**

Name of entity (or group of entities)	Not Applicable
Date control gained	
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	

**Loss of Control Gained Over Entities Having Material Effect**

Name of entity (or group of entities)	Not Applicable
Date control lost	
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	

**Details of Associates and Joint Venture Entities**

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
Not Applicable				
<b>Aggregate Share of Net Profits</b>				

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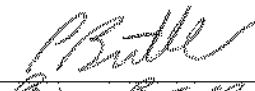
+ See chapter 19 for defined terms.

### Audit/Review Status

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited		The accounts have been subject to review	<input checked="" type="checkbox"/>
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
<b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b>  <p style="text-align: center;">Not Applicable</p>			
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>  <p style="text-align: center;">Not Applicable</p>			

#### Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Interim Financial Report

<b>Signed By</b>	
<b>Company Secretary</b>	
<b>Print Name</b>	P. Butler
<b>Date</b>	20 Feb 04

+ See chapter 19 for defined terms.

## **DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

### **Directors**

The names of directors who held office during or since the end of the half-year:

Mr Rob Phillips  
Mr Gary Davey  
Mr Luke Fay  
Dr Fred Berry  
Mr Roman Zwolenski

### **Review of Operations**

#### **Introduction**

USCOM Limited listed on the Australian Stock Exchange on December 10, 2003 (ASX Code: UCM).

The primary purpose of the listing was to ensure the company was adequately funded for a worldwide marketing campaign for the USCOM non-invasive cardiac monitor.

In the very brief time since the successful listing, the company has made an impressive start to fulfilling that goal and has already delivered extremely important milestones for the future growth of the company.

In addition, USCOM is broadening its base of clinical collaborators with additional clinical trials, an essential step in the process of selling the USCOM device to the medical community.

#### **Key Milestones**

On December 19, 2003, USCOM announced that it had secured CE Mark regulatory approval for the sale of USCOM devices in **Europe**. The CE certification was an essential part of the USCOM business model, since Europe will constitute the company's most important market in the short to medium term. This announcement was shortly followed by the appointment of a European Authorised Representative as USCOM's regulatory contact in Europe.

On January 19, 2004, USCOM announced that it had received an interim regulatory approval for the sale of USCOM systems in the People's Republic of **China**.

The special approval by the State Food and Drug Administration was fast-tracked, due to the potential for the USCOM device to be important in the management of SARS (Severe Accurate Respiratory Syndrome).

#### **Marketing**

On December 23, the company announced the launch of its global marketing campaign, with the USCOM cardiac output monitor on show at 3 important international events during January 2004.

Taking a profile at major conferences in Europe, the Middle East and Asia, USCOM was off to an aggressive start to 2004 as part of its worldwide marketing roll-out.

The 3 January conferences were:

**Singapore, January 13-14:** The Asia Pacific Congress of Cardiology. As part of the Asia Pacific Congress of Doppler Echocardiography, USCOM Chairman, Mr Rob Phillips presented two important scientific papers relating to clinical applications of the USCOM technology.

**London, January 14-16:** The Scientific Meeting of the GB & Ireland Association of Anaesthetics. USCOM Technical Manager, Mr Nick Schicht represented the company as an exhibitor at this event in association with USCOM's UK distribution partner, Beaver Medical.

**Dubai, January 18-21:** Arab Health. USCOM took a profile at the biggest medical event in the Middle East.

In addition, USCOM has secured a high profile position at further international events for early 2004, including the most important US critical care convention in Orlando, Florida during February and the World Congress of Anaesthesiology in Paris during April.

In the Australian market, USCOM has maintained its regular contacts with potential customers in Sydney, Brisbane, Adelaide, Perth and Brisbane. In order to support these activities, the company is currently recruiting additional marketing personnel in order to sustain high quality customer contact.

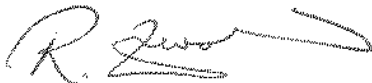
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+ See chapter 19 for defined terms.

**Summary**

In its first few weeks as a listed company, we believe USCOM has made important progress towards fulfilling its stated goals. In delivering key regulatory approvals, initiating aggressive international marketing activities and recruiting for the sensible growth of the company, our management team has made an impressive start. 2004 promises to be a challenging and exciting year for all of us. We are delighted with the support we have received from shareholders since our December 10 listing. And as a management team we are more committed than ever to achieving excellence in the delivery of our business model and building shareholder value as a result.

The report is signed in accordance with a resolution of the Board of Directors.



**Roman Zwolenski**

Dated: 20/2/04

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+ See chapter 19 for defined terms.

**USCOM LIMITED**  
**Statement of Financial Performance**  
**For the half year ended 31 December 2003**

	Note	31 Dec 2003 \$
Revenue from ordinary activities		-
Other revenues from ordinary activities	2	106,878
Expenses from ordinary activities, excluding borrowing cost expenses	3	(761,006)
Borrowing costs expenses		(440)
<b>Loss from ordinary activities before income tax expense</b>		<b>(654,568)</b>
Income tax expense relating to ordinary activities		-
<b>Loss from ordinary activities after income tax expense</b>		<b>(654,568)</b>
<b>Net Loss attributed to members of the parent entity at the end of the financial period</b>		<b>(654,568)</b>
Basic earnings per share (cents per share)		(2.1)
Diluted earnings per share (cents per share)		(2.1)

The Statement of Financial Performance is to be read in conjunction with the attached notes.

+ See chapter 19 for defined terms.

**USCOM LIMITED**  
**Statement of Financial Position**  
**As at 31 December 2003**

	<b>31 Dec 2003</b>
	<b>\$</b>
<b>CURRENT ASSETS</b>	
Cash	14,707,066
Receivables	96,000
Inventories	143,912
Current tax assets	46,353
<b>TOTAL CURRENT ASSETS</b>	<b>14,993,331</b>
<b>NON-CURRENT ASSETS</b>	
Receivables	10,004
Investments	100,030
Property, plant and equipment	110,547
Intangibles	108,606
<b>TOTAL NON-CURRENT ASSETS</b>	<b>329,187</b>
<b>TOTAL ASSETS</b>	<b>15,322,518</b>
<b>CURRENT LIABILITIES</b>	
Payables	411,864
Provisions	15,499
<b>TOTAL CURRENT LIABILITIES</b>	<b>427,363</b>
<b>NON-CURRENT LIABILITIES</b>	
Provisions	5,314
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,314</b>
<b>TOTAL LIABILITIES</b>	<b>432,677</b>
<b>NET ASSETS</b>	<b>14,889,841</b>
<b>EQUITY</b>	
Contributed equity	16,644,264
Accumulated Losses	(1,754,423)
<b>TOTAL EQUITY</b>	<b>14,889,841</b>

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

+ See chapter 19 for defined terms.

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**USCOM LIMITED**  
**Statement of Cash Flows**  
**For the half year ended 31 December 2003**

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	<b>31 Dec 2003</b>
	<b>\$</b>
<b>Cash flows from operating activities</b>	
Government Grants	50,000
Payments to suppliers and employees	(696,892)
Interest received	33,566
Interest and other costs of finance paid	(440)
Income taxes refunded	213,060
<b>Net operating cash flows</b>	<b>(400,706)</b>
<b>Cash flows from investing activities</b>	
Payments for purchase of property, plant and equipment	(8,777)
Payments for purchase of Patents and trademarks	(55,060)
<b>Net investing cash flows</b>	<b>(63,837)</b>
<b>Cash flows from financing activities</b>	
Proceeds from issue of shares	16,029,990
Share issue cost	(1,165,874)
Repayment of borrowings	(77,093)
<b>Net financing cash flows</b>	<b>14,787,023</b>
<b>Net increase (decrease) in cash held</b>	<b>14,322,480</b>
Cash at 1 July 2003	384,586
<b>Cash at 31 December 2003</b>	<b>14,707,066</b>

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

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+ See chapter 19 for defined terms.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1. Basis of preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction any public announcements made by USCOM Limited during the half-year in accordance with continuous disclosure requirements arising under Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The following is a summary of the material accounting policies adopted by USCOM Limited in the preparation of the half-year report.

**(a) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from rendering of a service is recognised upon the delivery of service to the customers. Interest revenue is recognised in the period in which it is derived. Dividend revenue is recognised when the right to receive a dividend has been established. Government grants revenue is recognised when earned.

**(b) Inventories**

Inventories are measured at the lower of cost or net realisable value. Cost is based on the weighted average principle. The cost of manufactured products includes direct materials (including contracted costs), direct labour and an appropriate portion of variable and fixed overheads. The costs are recognised when materials are delivered to the Company.

**(c) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Items of plant and equipment are measured on the basis of lower of cost or recoverable value.

**(d) Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated over the useful life of the asset to the Company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

**(e) 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.

Lease payments for operating leases are charged as expenses in the periods in which they are incurred.

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+ See chapter 19 for defined terms.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1. Basis of preparation (continued)**

**(f) Research & Development Expenditure**

Research and development costs are expensed in the period incurred.

**(g) Intangibles**

Patents and Trademarks

Patents and Trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

**(h) Investments**

Shares in listed companies held as current assets are valued at those shares' market value at balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are measured on the lower of cost or recoverable value. The recoverable amount is from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

**(i) Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amount receivable and payable in foreign currencies at balance date converted at the rates of exchange ruling at that date.

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

**(j) Income Tax**

The company adopts the liabilities method of tax-effect accounting whereby the income tax expense is based on the profit from the ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

**(k) Provisions**

Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees on balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave, and long service leave which will be settled after one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Other employee benefits later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employees' superannuation fund and are charged as expenses when incurred.

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+ See chapter 19 for defined terms.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1. Basis of preparation (continued)**

**(k) Provisions (continued)**

Provision for Warranties

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

Doubtful Debts

Amounts owing to the company are assessed at year-end and a general provision is made to cover likely doubtful debts.

**(l) Borrowings**

Borrowings are carried on the Statement of Financial Position at their principal amount. Interest expense is accrued at contracted rate and the accrued amount, if any, is included in sundry creditors.

**(m) 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.

	<b>31 Dec 2003 \$</b>
<b>NOTE 2: OTHER REVENUE FROM ORDINARY ACTIVITIES</b>	
Government Grants	50,000
Interest Revenue	56,878
<b>Total other revenue from ordinary activities</b>	<b>106,878</b>

**NOTE 3: EXPENSES FROM ORDINARY ACTIVITIES**

Expenses from ordinary activities excluding borrowing costs is comprised as follows:

Cost of sales	-
Employee Expenses	247,963
Depreciation and Amortisation Expenses	16,092
Research and Development Expense	88,450
Marketing and Advertising Expenses	74,734
Occupancy Expenses	37,388
Administrative Expenses	293,810
Other expenses from ordinary activities	2,569
<b>Total expenses from ordinary activities excluding borrowing cost expense</b>	<b>761,006</b>

**NOTE 4: SEGMENT INFORMATION**

USCOM Limited operates in the health products industry in Australia

+ See chapter 19 for defined terms.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 5: CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 December 2003 that are required to be reported in this note.

**NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE**

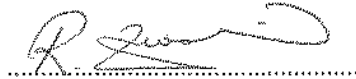
There are no events subsequent to 31 December 2003 that are required to be reported in this note.

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The accompanying interim financial statements and notes, as set out on pages 6 to 14:
  - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



.....  
Roman Zwolenski

Dated this <sup>20<sup>th</sup></sup> day of February 2004

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+ See chapter 19 for defined terms.



Chartered Accountants  
& Business Advisers

NSW Partnership  
ABN 83 236 985 726

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Liability is limited by the Accountants  
Scheme, approved under the  
Professional Standards Act 1994 (NSW)

## Independent Review Report

To the members of

**USCOM Limited**

### *Scope*

We have reviewed the financial report of USCOM Limited for the half-year ended 31 December 2003 as set out on pages 8 to 15. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### *Statement*

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

- (a) the Corporations Act 2001, including:
  - i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

PKF  
Chartered Accountants  
A New South Wales Partnership

Geoff Harris – Partner  
Sydney  
20 February 2004