

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	USCOM LIMITED
ABN	35 091 280 090
Financial Year Ended	30 June 2005
Previous Corresponding Reporting Period	30 June 2004

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	1,269,086	33.82%
Profit / (loss) from ordinary activities after tax attributable to members	(2,545,918)	(103.40%)
Net profit / (loss) for the period attributable to members	(2,545,918)	(103.40%)
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:		
Refer to commentary in Attachment 1.		

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	Previous corresponding period
Net tangible asset backing per ordinary security	30¢	37 ¢

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

Refer attached financial statements and commentary in Attachment 1.

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 Commentary in Attachment 1.

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

Refer Commentary and Note 19 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:

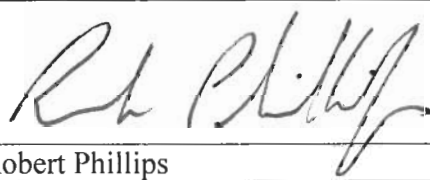
None.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>
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:			
N/A			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
N/A			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Financial Reports

Signed By Director	
Print Name	Robert Phillips
Date	18 August 2005



USCOM

Commentary to preliminary final report Year ending 30 June 2005

Revenue for FY'05 up 25% Targeting in excess of 100 units for FY'06

The Directors of USCOM Ltd are pleased to present the preliminary financial report for the financial year ending 30 June 2005.

It has been another year of tremendous progress in the company's mission to confirm the USCOM non-invasive cardiac monitor as a standard tool of medical practice.

The company has grown significantly during FY '05. Our staff numbers increased from 14 to 23, with 8 of the new personnel dedicated to sales and marketing in Australia, Europe and North America.

With almost 60 units sold worldwide since inception, we know there is demand for our product. However, USCOM represents a significant change to current medical practice. Although this brings challenges and frustrations in the selling process, it also highlights the true scale of our opportunity.

Financial Performance

The company ended the financial year with \$606,548 in cash receipts from customers. Having secured the sale of 30 USCOM units, revenues were up 25% on last year. With net operating cash outflow for the year of \$2.6 million, USCOM Ltd had \$10.5 million cash in hand at the end of June. The company has continued to carefully manage its cash resources, while at the same time, accelerating sales and marketing activity in all our priority territories.

ATTACHMENT 1

COMMENTARY TO APPENDIX 4E (CONTINUED)

Financial Highlights

Revenue	
Revenue from sales	\$480,107
Grants	\$150,000
Interest	\$637,411
Other	\$1,568
Total Revenue	\$1,269,086
Total Costs	\$3,815,004
Profit / (Loss)	(\$2,545,918)
Cash receipts from customers	\$606,548
Net operating cash outflow	\$2,588,370
Cash in hand at 30 June	\$10,545,218

Key Milestones

The company has achieved many important milestones for the year ending 30 June 2005.

Among the highlights of the year was the delivery of regulatory clearance allowing sales to commence in the United States. The company received its regulatory clearance (510K) from the Food & Drug Administration in February 2005 and we are delighted to report that our first US customer sale was secured in July 2005.

Outlook for FY 06

We are off to an encouraging start having already secured end user sales in the US and Europe this financial year and we are pleased to state a clear objective for the year of achieving in excess of 100 sales.

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED
Statement of Financial Performance
For the year ended 30 June 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	1,269,086	948,342
Raw materials and consumables used		(111,342)	(92,888)
Expenses from ordinary activities, excluding borrowing cost expenses	3	(3,996,122)	(2,257,070)
Borrowing cost expenses		(2,108)	(1,804)
Loss from ordinary activities before income tax		(2,840,486)	(1,403,420)
Income tax credit relating to ordinary activities		294,568	151,736
Net loss from ordinary activities after income tax	4	(2,545,918)	(1,251,684)
Total changes in equity		(2,545,918)	(1,251,684)
Basic earnings per share (cents per share)		(6.7)	(3.6)
Diluted earnings per share (cents per share)		(6.5)	(3.6)

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

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED
Statement of Financial Position
As at 30 June 2005

	<i>Note</i>	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	<i>5</i>	10,545,218	13,324,934
Receivables	<i>6</i>	158,167	293,868
Inventories	<i>8</i>	329,127	197,941
Current tax assets	<i>9</i>	14,435	22,981
Other assets	<i>12</i>	560,248	349,932
TOTAL CURRENT ASSETS		11,607,195	14,189,656
NON-CURRENT ASSETS			
Receivables	<i>6</i>	3,300	10,004
Other financial assets	<i>7</i>	100,030	100,030
Plant and equipment	<i>10</i>	155,504	158,461
Intangible assets	<i>11</i>	253,238	146,266
TOTAL NON-CURRENT ASSETS		512,072	414,761
TOTAL ASSETS		12,119,267	14,604,417
CURRENT LIABILITIES			
Payables	<i>13</i>	236,780	231,453
Provisions	<i>14</i>	88,261	37,314
Lease incentives	<i>15</i>	12,938	12,938
TOTAL CURRENT LIABILITIES		337,979	281,705
NON-CURRENT LIABILITIES			
Provisions	<i>14</i>	28,012	10,581
Lease incentives	<i>15</i>	6,469	19,406
TOTAL NON-CURRENT LIABILITIES		34,481	29,987
TOTAL LIABILITIES		372,460	311,692
NET ASSETS		11,746,807	14,292,725
EQUITY			
Contributed equity	<i>16</i>	16,644,265	16,644,265
Accumulated losses	<i>4</i>	(4,897,458)	(2,351,540)
TOTAL EQUITY		11,746,807	14,292,725

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

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED
Statement of Cash Flows
For the year ended 30 June 2005

	<i>Note</i>	2005	2004
		\$	\$
Cash flows from operating activities			
Receipts from customers		606,548	144,523
Grants received		150,000	122,830
Payments to suppliers and employees		(4,181,956)	(2,210,011)
Interest received		685,852	264,440
Interest and other costs of finance paid		(1,968)	(1,945)
Income tax receipt		151,586	213,060
Insurance recovery		1,568	-
Net operating cash flows	17b	(2,588,370)	(1,467,103)
Cash flows from investing activities			
Payments for purchase of plant and equipment		(59,096)	(85,493)
Payments for purchase of patents and trademarks		(132,250)	(104,963)
Net investing cash flows		(191,346)	(190,456)
Cash flows from financing activities			
Proceeds from issue of shares		-	16,029,990
Share issue cost		-	(1,354,990)
Repayment of non interest bearing liabilities		-	(77,093)
Net financing cash flows		-	14,597,907
Net increase/decrease in cash held		(2,779,716)	12,940,348
Cash at 1 July 2004		13,324,934	384,586
Cash at 30 June 2005	17a	10,545,218	13,324,934

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

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report and it has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the corporations Act 2001.

The financial report covers USCOM Ltd. USCOM Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies used by USCOM Ltd in the preparation of the financial report.

(a) Cash

For the purpose of the statement of cash flows, cash includes the following, net of bank overdrafts, all cash on hand, at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months.

(b) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the 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.

(c) 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.

(d) Plant and equipment

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

Plant & Equipment

Items of plant and equipment are measured on the basis of lower of cost or recoverable value and are depreciated over 2 to 7 years.

(e) 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) Investments

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

(h) Research & Development Expenditure

Research & Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

(i) Intangibles

Patents and Trademarks

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

(j) Foreign Currency Transactions and Balances

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

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

(k) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from 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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(l) Provisions

Employee Entitlements

Provision is made for the company liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements 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 outflow to be made for those benefits.

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

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 at the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the company's history of warranty claims.

Doubtful Debts

Amounts owing to the Company are assessed and a general provision is made to cover likely doubtful debts.

(m) Liabilities

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

(n) 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.

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES		
Operating revenue		
Sale of goods	480,107	384,390
Grants received	150,000	122,830
Exchange gains	-	11,989
Total operating revenue	630,107	519,209
Non-operating revenue		
Interest received	637,411	429,133
Insurance recovery	1,568	-
Total non-operating revenue	638,979	429,133
Total revenue from ordinary activities	1,269,086	948,342

NOTE 3: EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COST EXPENSES

Depreciation and amortisation expenses	87,331	57,127
Employee expenses	1,321,842	700,332
Research and development expenses	527,899	342,052
Advertising and marketing expenses	1,507,182	737,055
Occupancy expenses	166,847	139,506
Auditors remuneration (audit)	27,500	27,500
Auditors remuneration (audit review)	9,500	11,660
Regulatory expenses	24,331	91,825
Administrative expenses	296,374	142,724
Exchange losses	26,900	-
Other expenses from ordinary activities	416	7,289
Total expenses from ordinary activities, excluding borrowing cost expenses	3,996,122	2,257,070

NOTE 4: ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(2,351,540)	(1,099,856)
Net loss attributable to members of the company	(2,545,918)	(1,251,684)
Accumulated losses at the end of the financial year	(4,897,458)	(2,351,540)

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$
NOTE 5: CASH ASSETS		
Cash on hand	322	336
Bank: Cheque accounts	55,088	161,685
Bank: Cash management	1,463,339	2,136,444
Bank: Term deposits	9,026,469	11,026,469
Total cash assets	10,545,218	13,324,934

NOTE 6: RECEIVABLES

Current

Trade debtors	158,167	293,868
Total current receivables	158,167	293,868

Non-current

Rental bond	3,300	10,004
Total non-current receivables	3,300	10,004

NOTE 7: OTHER FINANCIAL ASSETS

Non-current

Shares in unlisted companies		
Coefficient Systems Pty Ltd (at cost)	100,030	100,030
Total other financial assets	100,030	100,030

Coefficient Systems operates in the distribution of medical equipment.

USCOM Ltd holds 10% of the issued shares in Coefficient Systems Pty Ltd. (Refer to Note 18)

NOTE 8: INVENTORIES

Current inventories at cost:

Raw materials	52,097	28,241
Finished products	277,030	169,700
Total inventories	329,127	197,941

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 9: CURRENT TAX ASSETS

GST receivable	14,435	22,981
Total current tax assets	14,435	22,981

NOTE 10: PLANT AND EQUIPMENT

Plant and equipment at cost	173,822	133,550
Less accumulated depreciation	66,944	28,851
	106,878	104,699
Office furniture and equipment at cost	46,211	42,997
Less accumulated depreciation	21,024	9,889
	25,187	33,108
Computer software at cost	19,328	9,788
Less accumulated depreciation	8,444	3,531
	10,884	6,257
Low value asset pool at cost	26,236	21,856
Less accumulated depreciation	13,681	7,459
	12,555	14,397
Total plant and equipment	155,504	158,461

Movements

	<u>Plant and equipment</u>	<u>Office furniture</u>	<u>Computer software</u>	<u>Low value asset pool</u>
	\$	\$	\$	\$
Useful life	2-7 years	2-7 years	3 years	3 years
Opening value 1/07/2004	104,699	33,108	6,257	14,397
Additions	41,964	3,214	9,540	4,378
Depreciation expense	(39,785)	(11,135)	(4,913)	(6,220)
Closing value 30/06/2005	106,878	25,187	10,884	12,555

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 11: INTANGIBLE ASSETS

Non-current

Patents at cost	297,928	165,678
Less accumulated amortisation	44,690	19,412
Total intangible assets	253,238	146,266

NOTE 12: OTHER ASSETS

Current

Income tax credit	294,718	151,736
Accrued interest income	116,123	164,694
Prepayments	149,407	33,502
Total other assets	560,248	349,932

NOTE 13: PAYABLES

Current

Trade creditors	98,988	151,141
Accruals and sundry creditors	39,160	32,486
Employee related payables	98,632	47,826
Total payables	236,780	231,453

NOTE 14: PROVISIONS

Current

Provision for annual leave	88,261	37,314
	88,261	37,314

Non-current

Provision for long service leave	28,012	10,581
	28,012	10,581

Aggregate employee entitlements	116,273	47,895
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 15: LEASE INCENTIVES

Current	12,938	12,938
Non-current	6,469	19,406
Total lease incentive	19,407	32,344

NOTE 16: CONTRIBUTED EQUITY

Issued capital

Ordinary shares	16,644,265	16,644,265
	16,664,265	16,664,265

Contributed equity movement

Shares on issue at beginning of the year	16,664,265	1,969,265
Proceeds of balance of partly paid shares	-	29,990
Proceeds of issues of shares on 10 December 2003	-	16,000,000
Costs relating to share issue	-	(1,354,990)
Shares on issue at end of the year	16,664,265	16,664,265

	2005	2004
	No.	No.

Ordinary Shares

Fully paid ordinary	12,272,500	9,075,000
Fully paid ordinary – escrow 12 months from 10 th December 2003	-	3,197,500
Fully paid ordinary – escrow 24 months from 10 th December 2003	25,727,500	25,727,500
Total fully paid ordinary shares	38,000,000	38,000,000

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.

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005 No.	2004 No.
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NOTE 16: CONTRIBUTED EQUITY (CONTINUED)

Options

Issued to directors in relation to IPO on 27 October 2003	200,000	200,000
Issued to medical advisory board and USCOM Ltd staff in relation to IPO on 27 October 2003	440,000	480,000
Issued to USCOM Ltd staff	484,000	215,000
Lapsed	-	(40,000)
Total outstanding options	1,124,000	855,000

There were no further options issued subsequent to the year end.

	2005 No.	2005 Exercise Price
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Options movement

Issued on 17 December 2004		
To USCOM Ltd staff	269,000	\$2.27
	269,000	

Options issued on 17 December 2004 expire on or before 17 December 2008. In accordance with the USCOM Ltd share option plan, their exercise price is based on the average price for the 5 days prior to offer / acceptance by the employee.

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at bank and on hand	10,545,218	13,324,934
Total cash at end of year	10,545,218	13,324,934

(b) Reconciliation of net cash provided by operating activities to loss from ordinary activities after income tax

Loss from ordinary activities after income tax	(2,545,918)	(1,251,684)
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Non cash flows in loss from ordinary activities

Depreciation	62,053	40,590
Amortisation	25,278	16,537

Change in assets and liabilities

(Increase)/Decrease in assets

Trade debtors	135,701	(264,229)
Inventories	(131,186)	(118,752)
Prepayments	(115,905)	(33,502)
Income tax	(142,982)	61,324
Accrued income	48,571	(164,694)
GST assets	8,546	8,624
Bond deposits	6,704	(4)

Increase/(Decrease) in liabilities

Trade creditors	(52,153)	132,677
Accruals and sundry creditors	6,674	7,335
Employee related payables	50,806	26,128
Employee provisions	68,378	40,203
Lease incentives	(12,937)	32,344

Net cash used by operating activities	(2,588,370)	(1,467,103)
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ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 18: RELATED PARTIES INFORMATION

Financial performance and position with Coefficient Systems Pty Ltd

Sales to Coefficient Systems Pty Ltd	180,115	43,341
	180,115	43,341
Current receivables	20,754	66,524
	20,754	66,524
Current payables	13,200	883
	13,200	883

NOTE 19: SEGMENT INFORMATION

USCOM operates in the health products industry

Geographic segment revenues

Australia/New Zealand	155,818	55,817
North Asia	80,723	250,102
South Asia	124,115	43,341
Europe	101,596	35,130
Others	17,855	-
Segment total	480,107	384,390

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$

NOTE 20: CONTINGENCIES

There are no contingencies as at 30 June 2005.

NOTE 21: COMMITMENTS

Operating lease commitments

Less than 1 year	103,158	103,158
Between 1 and 5 years	57,084	176,758
	160,242	279,916

NOTE 22: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Australian equivalents to International Financial Reporting Standards (AIFRS) will be adopted in USCOM Ltd for the year ending 30 June 2006 and the comparative information presented in the report for the year ending 30 June 2005. In preparation for the transition, opening balances as at 1 July 2004 for the comparative year ending 30 June 2005 have been converted to AIFRS in accordance with new accounting standard AASB 1 "First Time Adoption of Australian International Financial Reporting Standards".

The transition to Australian equivalents of IFRS's is being managed by Paul Butler, USCOM's General Manager. A timetable has been setup to manage the transition and is currently on time.

Set out below are current estimates of the quantitative impact made by management of the changes on equity as at 1 July 2004, changes on equity as at 30 June 2005 and reconciliation of the loss for year ended 30 June 2005.

Management estimates the quantitative impact of changes at the time of print 30 June 2005 annual report may differ from 30 June 2006 first annual report under AIFRS, due to ongoing analysis to AIFRS, and emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 22: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

The following reconciliations explain how it is estimated that the transition to AIFRS will affect reported financial position and financial performance.

Reconciliation of Financial Position As at 30 June 2004	Note	Current GAAP June 2004 \$	Effect of transition to AIFRSs \$	AIFRSs June 2004 \$
CURRENT ASSETS				
Cash assets		13,324,934	-	13,324,934
Receivables		293,868	-	293,868
Inventories		197,941	-	197,941
Current tax assets		22,981	-	22,981
Other assets		349,932	-	349,932
TOTAL CURRENT ASSETS		14,189,656	-	14,189,656
NON-CURRENT ASSETS				
Receivables		10,004	-	10,004
Other financial assets		100,030	-	100,030
Plant and equipment		158,461	-	158,461
Intangible assets		146,266	-	146,266
TOTAL NON-CURRENT ASSETS		414,761	-	414,761
TOTAL ASSETS		14,604,417	-	14,604,417
CURRENT LIABILITIES				
Payables		231,453	-	231,453
Provisions		37,314	-	37,314
Lease incentives		12,938	-	12,938
TOTAL CURRENT LIABILITIES		281,705	-	281,705
NON-CURRENT LIABILITIES				
Provisions		10,581	-	10,581
Lease incentives		19,406	-	19,406
TOTAL NON-CURRENT LIABILITIES		29,987	-	29,987
TOTAL LIABILITIES		311,692	-	311,692
NET ASSETS		14,292,725	-	14,292,725
EQUITY				
Contributed equity		16,644,265	-	16,644,265
Options reserve	1	-	199,547	199,547
Accumulated losses		(2,351,540)	(199,547)	(2,551,087)
TOTAL EQUITY		14,292,725	-	14,292,725

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 22: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

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

ATTACHMENT 1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

USCOM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 22: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

Reconciliation of Financial Performance For the year ended June 2005	Note	Current GAAP June 2005 \$	Effect of transition to AIFRSs \$	AIFRSs June 2005 \$
Revenues from ordinary activities		1,269,086	-	1,269,086
Raw materials and consumables used		(111,342)	-	(111,342)
Expenses from ordinary activities, excluding borrowing cost expenses	1	(3,996,122)	(300,205)	(4,296,327)
Borrowing cost expenses		(2,108)	-	(2,108)
Loss from ordinary activities before income tax		(2,840,486)	(300,205)	(3,140,691)
Income tax credit relating to ordinary activities	2	294,568	-	294,568
Net loss from ordinary activities after income tax		(2,545,918)	(300,205)	(2,846,123)
Total changes in equity	1	(2,545,918)	(300,205)	(2,846,123)

Notes

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

It is estimated that adjustments for share-base payments are \$199,547 and \$300,205 for the years ended 30 June 2004 and 30 June 2005 respectively. Therefore, as at 30 June 2005, contributed equity increases by \$499,752 with an equivalent increase in accumulated losses. Refer to note 16 for details of the share-base compensation provided by USCOM Ltd.

2. Currently, USCOM Ltd adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Management has estimated that the adoption of AASB 112 has no impact at 30 June 2005.