Uscom

Saving Lives

ANNUAL REPORT 2012

Saving Lives

CHAIRMANS LETTER

To fellow shareholders

Change: This year saw a significant change in direction of the Company with a fundamental re-organisation of the management at the direction of shareholders at the 2011 AGM. I am pleased to report the Company results of the 2012 financial year, and to update investors of the objectives, activities and early results of the new Company strategy. While much of this 6 months has been review and re-orientation, we are confident in the new Uscom direction and early signs are promising.

Strategy: Immediately following the 2011 AGM we reviewed operations and devised a new strategy with consideration to the then state of operations, the uncertain global economy, and the evolving unprecedented scientific recognition of the USCOM technology. The strategy focused on three points;

1. Restore operational soundness - increase sales and decrease spend and preserve cash.
2. Focus on incremental growth opportunities – licensing, product co-developments and transactions.
3. Realise the true capital value of the technology and company – the current capitalised value of the company is a fraction of similar entities despite the world leading and increasingly recognised technology.

Results: The FY 2012 results are weighed down by the poor Q1 and Q2 results of last year. However Q3 and Q4 have responded positively as new management has revived sales and reduced costs. Total revenue for the 2012 FY was $864k, down 2% on last year from $881k in 2011. The new cost containment strategy introduced in Q3 and Q4 has reduced the aggregate loss for FY 2012 by 32% from a $2.869m loss in 2011 to $1.825m in FY 2012.

Capital: To restore capital adequacy to the Company we have undertaken a successful private placement raising approximately $1m at 12c a share from sophisticated investors including both current and new investors. The offer was over subscribed, with some shares offered conditional to shareholder approval and will be voted on at the AGM. We will also receive a research and development tax rebate of approximately $400k. This, combined with our tightly managed spend, will ensure capital certainty in the year ahead as our current strategy is implemented. We have always valued capital and respect shareholder's investments, and while creating life saving technology is a mission of our company, we believe this good should be converted to significant shareholder rewards.
Last year the Auditor's review of the Uscom accounts included an emphasis of matter and comments regarding matters of going concern. This year, after the private placement and introduction of new budget measures the current financial position is much improved and recognised by an unmodified audit opinion. This reflects the new emphasis on controlled management and validates shareholders actions at last year's AGM.

Sales: It is taking time to re-motivate the previously alienated distributors, but we are seeing some up swing in both opportunities and sales, and we are optimistic this trend will continue as new international research promotes new markets, and current markets begin to grow again. While sales are unlikely to be spectacular, the cash needs of the Company are now tightly managed and increased revenue combined with a decreased cost will positively effect operations and we are optimistic for the year ahead.

Share price: The share price has more than doubled from 6c to 15c in the last 6 months on relatively high volume as the new management and strategy have been recognised by investors, and this has resulted in a more balanced shareholder register. Uscom Limited is currently capital valued at a fraction of that of our competitors and we are looking forward to new investor demand driving the retail market and restoring the share price to reasonable levels. Additionally the Company is well poised to achieve a significant value re-alignment as the implications of the world leading USCOM science is recognised and new partnerships are completed. The bioscience sector continues to gain investor attention and USCOM science is unequalled and represents an outstanding commercial opportunity, and we are now poised to realise the commercial value of the technology for shareholders.

Risks: The risks for the Company remain in sales and marketing in a particularly difficult market with limited resources. Resistance to change in clinical practice, despite outstanding clinical evidence, also remains an impediment to adoption; change is always difficult in the conservative field of medicine. The strategy of establishing partnerships, although promising, depends on the willingness and vision of prospective partners.

Science: This year the non-invasive USCOM was confirmed as the clinical gold standard cardiac monitor and a true platform technology across multiple applications, an objective on which the Company was founded. USCOM now has clinical proof in over 21 fields including paediatrics, sepsis, heart failure and hypertension, and the list is expanding. Each of these applications supports a potential licensing partnership and a unique and expansive business opportunity. The USCOM now has over 250 peer reviewed publications researching its clinical utility, and clinical adoption of Uscom technology continues with over 600 USCOM's in clinical sites throughout the world.

The scientific highlights for this year include:

- Professor Smith at Bathurst has demonstrated a reduced mortality in management of sepsis of 90% using USCOM. This evidence will influence clinical practice worldwide.
- USCOM was proven in a study at The Howard Florey Institute in Melbourne to be 6 to 8 times as sensitive as the pulmonary artery catheter which requires a catheter inserted directly into the heart. USCOM was founded to replace invasive and ineffective technologies with accurate and non-invasive alternatives; this study validates that objective and separates USCOM from its competitors.

With the increasing scientific validation, the pressure for adoption of USCOM as a global standard of care is increasing. The USCOM science is now unequalled, with lives being saved weekly, if not daily, worldwide.

Partnerships strategy: USCOM is a genuine gold standard, platform cardiac monitoring technology on the cusp of commercial recognition and our new strategy is to work with major medical device companies, which are known to USCOM, with specific market expertise and distribution channels to establish selective partnerships. It is envisaged that these partnerships will be based on co-development and distribution relationships and the partners multi-national organisations with sales and marketing scale and reach with sector specific focus. These partnerships are expected to add cost effectively to revenue and add incremental capital value to the Company. The increasing scientific recognition will drive USCOM into many new markets, all of which will require strategic partnerships to adequately capitalise. A single strong partnership has the potential to make the company profitable immediately. Current partnership opportunities include licensing USCOM technology into ultrasound devices, cardiac monitoring modules, ventilators, pacemakers and artificial hearts, pharmaceutical companies for guidance and optimisation of drugs for heart failure, hypertension and chemotherapy, and home care management. This will result in specialised USCOM devices for paediatrics, sepsis, heart failure, hypertension, electrophysiology, cardiac monitoring, and include our new cardioCARE management guidance software.

Conclusion: Uscom is doing genuinely important work; changing clinical practice and saving lives. Uscom remains a great Company with great technology and great people, poised to transition to a powerful multi-product and profitable global bio-device Company. I am proud of what we have done, excited about what we hope to do and delighted to have you as investors in Uscom Limited to share in the success as we improve global medical care and refine operations with a new strategy and company vision. I believe we can look forward to the coming year with optimism as we pursue the milestones which will incrementally grow the value of Uscom and reward investors.

Thank you.

Rob Phillips
Executive Chairman
Uscom Limited

"This machine is saving lives, there are no two ways about it."
Professor Brendan Smith, Anaesthetist, Intensivist and Emergency Physician, Bathurst Base Hospital, Australia

"I have used USCOM for over 5 years now on our very sick children, and use it to guide management. We are now beginning multi-centre, global research which will define the way USCOM is used in Paediatric Departments across the world."
Dr Joe Brierley, Consultant Intensivist, Great Ormond Street Hospital for Sick Children, London, UK

"To parents and doctors this machine, USCOM, is priceless. This machine is thought to have saved baby Abbie's life."
BBC Documentary "New machine helps save babies life", 2010, Nottingham Children's Hospital

"The USCOM device is a simple method of accurately and noninvasively measuring central circulation, a goal of cardiology for many years. ... the device may change the way we manage many cardiovascular diseases including sepsis, heart failure and hypertension."
Professor Malcolm West, Cardiologist, Mayne Professor of Medicine at The University of Queensland School of Medicine, Brisbane, Australia.

CORPORATE GOVERNANCE STATEMENT

As outlined in previous annual reports, Uscom is committed to continuing its high standards of corporate governance. Effective corporate governance aids the Company to set and achieve its objectives. Our Governance Statement for 2011/2012 outlines our policies and practices by reference to the Corporate Governance Principles and Recommendations with 2010 Amendment published by the ASX Corporate Governance Council ("ASX Principles").

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the Executive Chairman. For a copy of the Board Charter refer to Uscom Corporate Governance Documentation on the Company website.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.
The Chief Executive Officer and General Manager attend the scheduled board meetings and present to the Board regarding the Company's performance against its goals and objectives. The Board assesses the performance of the Senior Executives against their individual goals and objectives and those of the Company on a regular basis at these meetings. The Company conducts annual performance appraisals of all employees.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.
A performance evaluation of Senior Executives has taken place during the reporting period in accordance with the process disclosed above. A copy of the Board Charter is included with the Uscom Corporate Governance Documentation on the Company website.

Principle 2: Structure the board to add value

Uscom Ltd has the services of a Board with a wide range of professional experience in fields such as science, medicine, marketing and international business. Further information regarding the Directors is provided in the Directors' Report (refer to page 10).

Recommendation 2.1: A majority of the board should be independent directors.
The Board consists of three members, two of whom are Non-Executive Directors. The Company takes the view that the two Non-Executive Directors are also Independent Directors. In the interests of transparency, the Company discloses relationships or business associations which may impact a person's own interpretation of the definition of independent.

The Board believes that the composition is appropriate for the Company due to its small size and the nature of the business. The Board will continue to review this on an ongoing basis.

Recommendation 2.2: The chairperson should be an independent director.
The Chairman of Uscom Ltd, Mr Rob Phillips, is an executive director and is therefore not an independent director. The Board believes that an Executive Chairman is appropriate given the size of the Company and the nature of the business.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.
Mr Rob Phillips is the Executive Chairman and Chief Executive Officer. The Board believes this is appropriate given the size of the Company and the nature of the business.

Recommendation 2.4: Establish a nomination committee.
The Company believes that a nomination committee is not necessary at this stage of the Company's development. Issues relating to board membership will continue to be overseen by the full Board. The Company believes this to be justified given the relatively small size of the board and that significant growth in the number of Directors is not envisaged in the medium term.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.
A director's performance is evaluated informally by assessing their contribution and attendance at all Board meetings.

Recommendation 2.6: Provide the information indicated in the Guide to reporting on principle 2.

- The skills, experience and expertise relevant to the position of Director held by each director in office can be found in the Directors' Report.
- The names of the Directors considered by the Board to constitute Independent Directors and the Company's materiality threshold can be found in the Directors' Report.
- All Company Non-Executive Directors are considered independent, notwithstanding the existence of relationships stated in the Guide.
- The term of office held by each Director in office can be found in the Directors' Report.
- As set out above, the Company believes that a nomination committee is not necessary at this stage of the Company's development therefore does not hold nomination meetings.
- A statement detailing the procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company can be found in the Remuneration Report.
- The Board's membership and structure is selected for optimum efficiency while providing high levels of expertise in science, medicine and business. The Board as a whole considers nomination issues, including the mix of skills and diversity of the Board, in an ongoing, informal manner. As stated above the Board is not looking to significantly expand its membership in the medium term.
- A formal performance evaluation for the Board, its committees and Directors has not taken place in the reporting period however performance is measured as described in 2.5 above.

Principle 3: Promoting ethical and responsible decision-making

Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer and other key Executives as to:

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company has developed a Code of Conduct for Directors, management and staff, underlining the Company's commitment to high ethical standards in the conduct of the Company's business. The Board is responsible for ensuring the Company's compliance with the Code and the good and fair management of reports of any breaches.

For detailed Code of Conduct refer to Uscom Corporate Governance Documentation on the Company website.

Recommendation 3.2: Establish a policy concerning diversity and disclose the policy or a summary of that policy.
The Company has adopted a policy in relation to diversity. For details refer to Uscom Corporate Governance Documentation on the Company website.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
The Company has not established measurable objectives for achieving gender diversity at this time.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
The proportion of women within the organisation is: 42%

Women within whole organisation:	5
Women in senior executive positions:	8%
Women on the board:	1

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.
Information can be found in the Uscom Corporate Governance Documentation on the Company website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Establish an audit committee.
The Board has established an Audit and Risk Committee.

Recommendation 4.2: Structure the audit committee so that it consists of only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the board; at least three members.
The Company has appointed an Audit and Risk Committee ("Committee"), responsible for reporting to the full Board on issues relating to the Company's financial information and a regular review of the Company's risk environment.

The Committee is made up of two members, both independent Directors. The Chairman of the Committee is an independent director. The size of the Committee, although not in compliance with the ASX Principles, is considered appropriate for the size of the Company. The Committee will meet at least three times per year.

Recommendation 4.3: The audit committee should have a formal charter.
The Committee operates according to a formal charter.

Recommendation 4.4: Provide the information indicated in the Guide to reporting on Principle 4.
The qualifications of the Committee members are set out in the Directors' Report together with their attendance at Committee meetings.

The Committee charter, which includes information regarding the external auditor's engagement, is included in the Uscom Corporate Governance Documentation on the Company website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
The Company has produced and adopted a disclosure policy, which has been communicated to all Directors, managers and employees.

The Board, Company Secretary and senior executives are aware of the ASX Listing Rules and Corporations Act disclosure requirements, and take steps to actively monitor and ensure ongoing compliance.

The Executive Chairman in consultation with the Company Secretary, continually monitors developments in the Company and its business and reports any developments immediately to the Board for consideration.

Recommendation 5.2: Provide information indicated in the Guide to reporting on Principle 5.
Refer to the Uscom Corporate Governance documentation on the Company website.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
Uscom Ltd is committed to keeping shareholders fully informed of significant developments and activities at the Company.

The Company's primary communications tool is its website, and all announcements are posted on the site, immediately after they are released to the ASX through the appropriate electronic publication procedure.

Where information may be provided to market analysts or the media which is materially incremental to the announcements already published, this information would be treated as an announcement and published accordingly.

All announcements, dating back to May 2001, remain available on the website.

In addition, the website provides an "Investors" section, where more detailed information is available, including access to all of the Company's financial statements and the delayed share trading data produced by ASX.

Shareholders are encouraged to actively communicate with the Company through contact details provided on the website.

The Company also encourages shareholders to participate in the annual general meeting.

Ample notice of this meeting will be provided. All documents and presentations delivered to the annual general meeting will be posted immediately on the Company website.

Recommendation 6.2: Provide the information indicated in the Guide to reporting on Principle 6.
Refer to the Uscom Corporate Governance documentation on the Company website.

Principle 7: Recognise and manage risk

Recommendation 7.1: Establish policies for the oversight and management of material business risks and disclose a summary of those policies.
The Company has appointed an Audit and Risk Committee, which is charged with oversight of the Company's risk profile. The Committee assesses the adequacy of the Company's control and risk environment, including accounting, financial and operating controls and the appropriateness of its accounting policies and practices. The committee manages a dynamic checklist of potential risk components and reviews each component during the course of a year.

Recommendation 7.2: Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
The Board has required Management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Management has reported to the Board as to the effectiveness of the Company's management of its material business risk.

Recommendation 7.3: Disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
The Board has received assurance from the Chief Executive Officer and the General Manager that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Provide the information indicated in the Guide to reporting on Principle 7.
The Board has received the report from management under recommendation 7.2 and the assurance from the Chief Executive Officer and the General Manager under recommendation 7.3.

Refer to the Audit and Risk Committee Charter included in Uscom Corporate Governance on the Company website for further information regarding the Company's policies on risk oversight and management of material business risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Establish a Remuneration Committee.
Given the relatively small size of the Uscom board, the Company does not currently see the need for a separate remuneration committee.

Uscom Ltd has adopted a remuneration policy based on performance and contribution.

Recommendation 8.2: The remuneration committee should be structured so that it:

- Consists of a majority of independent directors
- Is chaired by an independent chair
- Has at least three members.

As set out above, given the relatively small size of the Uscom board, the Company does not currently see the need for a separate remuneration committee.

Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
Information regarding the remuneration of non-executive Directors, executive Directors and Senior Executives is provided in the Company's Remuneration Report from pages 13 to 17.

Recommendation 8.4: Companies should provide the information indicated in the guide to reporting on Principle 8.
There are no schemes for retirement benefits, other than superannuation, for non-executive directors. Non-executive directors do not receive options or bonus payments.

The Company's departure from Recommendations 8.1 and 8.2 are explained above.

DIRECTORS' REPORT

The Directors present their report on Uscom Ltd and its Controlled Entity for the financial year ended 30 June 2012.

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.

Mr R A Phillips	Executive Director - Chairman
Ms S Jack	Non-Executive Director (Appointed on 25th November 2011)
Mr C Bernecker	Non-Executive Director (Appointed on 25th November 2011)
Mr P Kiely	Executive Chairman (Ceased on 22nd November 2011)
Mr B Rathie	Non-Executive Director (Resigned on 30th August 2011)
Mr J Bonitz	Non-Executive Director (Ceased on 22nd November 2011)

Directors' qualifications and experience

Mr Rob Phillips

Rob Phillips is the founder of Uscom Ltd, the Chief Executive Officer, Executive Director and Chief Scientist of the Company. Rob has 9 years experience as Executive Chairman of the Company, having taken the Company to IPO in 2003, and has over 20 years in executive corporate management. The Company received the Frost and Sullivan Global Entropolis Award for the Emerging Medical Device Company of the Year in 2007. He has a Master of Philosophy in Medicine from The University of Queensland and is currently completing his PhD. He is an Australian Post Graduate Award recipient and was a finalist in the Time-CNN 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 teacher and examiner in the field of echocardiography.

Ms Sheena Jack

Ms Sheena Jack was appointed Non-Executive Director of Uscom Ltd on 25th November 2011 and is also the Chairman of the Audit and Risk Committee.
Sheena is currently the Chief Financial Officer of HCF and has 26 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. She is a Director of Moneytime Health Pty Ltd and Treytell Pty Ltd. Sheena is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

Mr Christian Bernecker

Mr Christian Bernecker was appointed Non-Executive Director of Uscom Ltd on 25th November 2011 and is also a member of the Audit & Risk Committee.
Christian is Managing Director of Nightingale Partners Pty Limited, an active investment company which provides expansion capital to small cap companies. He is currently a Non-Executive Director of LongReach Group Limited, DSQ Holdings Limited, Australis Music Group Pty Limited, Creditorwatch Pty Limited, Mayfield Industries Pty Limited, Stream Group Holdings Pty Limited and a number of other private companies.
Christian is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce from Ballarat University.

Mr Phil Kiely (Ceased on 22nd November 2011)

Mr Kiely was the Executive Chairman for Uscom Ltd until 22nd November 2011. Mr Kiely holds a Bachelor of Commerce/Law degree from the University of NSW.
Phil Kiely has over 25 years in the ICT sector working in leading global companies most recently establishing an investment company, Matrix Capital Corporation, which has developed and commercialised innovative product & services organisations. Prior to Matrix Phil spent seven years at Oracle Corporation, the world's largest database company. His last role at Oracle was as Vice President Oracle Online, Asia Pacific. Prior to joining Oracle, Phil was one of the pioneers of IT outsourcing in Australia. He held positions as General Manager, Continuum Australia later acquired by CSC and General Manager, Computations.

Mr Bruce Rathie (Resigned on 30th August 2011)

Mr Rathie was a Non-Executive Director of Uscom Ltd until 30th August 2011. He holds degrees in law, commerce and business and has considerable experience as a lawyer having practiced as a solicitor and partner in a major Brisbane based legal firm and then as Senior in-house Counsel to Bell Resources Limited from 1980 to 1985 in aggregate. He studied for his MBA in Geneva and then went into investment banking in 1986 which subsequently took him to New York for over 2 years returning to Sydney in 1990. He spent the 90's in investment banking in

DIRECTORS' REPORT continued

Sydney, the last 5 years as a Director of Investment Banking at Salomon Brothers/ Salomon Smith Barney where he was responsible for the firm's activities/ roles in the industrial sector and the Federal Government's privatisation of Qantas, Commonwealth Bank (CBA3) and Telstra (T1). Mr Rathie currently holds board positions with a number of Australian companies.

During the past three years Mr Rathie held senior positions of the following listed companies:

• DataDot Technology Limited	Non-Executive & Chairman	December 2006 – January 2009 & October 2009 - present
• Anteo Diagnostics Limited	Chairman and Non-Executive Director	July 2006 – August 2009
• Calzada Limited	Non- Executive Director	April 2010 - present
• Mungana Goldmines Limited	Non- Executive Director	October 2010 - present

Mr Rathie was a member of the Audit and Risk Committee until 30th August 2011.

Mr Jochen Bonitz (Ceased on 22nd November 2011)
Mr Bonitz was a Non-Executive Director of Uscom Ltd until 22nd November 2011. He holds a Bachelor of Science degree from the University of NSW and a MBA from the Australian Graduate School of Management.
Mr Bonitz was a former Director at KPMG Corporate Finance with over 20 years experience in the technology sector spanning a career in programming, consulting and Mergers & Acquisitions advisory.
Having focused initially in the technical field and consulting at Logica and IBM, Mr Bonitz started and developed a communication company which he merged into Pacnet where he was then the CEO for the Australian subsidiary. He later worked with the Commonwealth Bank and at KPMG as a corporate M&A adviser with a specific focus on the ICT and telecoms sectors. Most recently he has been on the direction panel for the Federal Government's National Broadband Network (NBN).
Mr Bonitz was a member of the Audit and Risk Committee until 22nd November 2011.

Company Secretary's qualifications and experience

Mr Tom Rowe
Mr Rowe was appointed the Company Secretary of Uscom Ltd on 7th December 2011. He is a Corporate and Commercial Lawyer with a specialty in listed company secretarial practice. Mr Rowe holds a BA LLB (Hons) from the University of Adelaide and is an Associate of the Chartered Institute of Secretaries. He is the current Principal of Company Matters, a specialist provider of legal, governance and company secretarial services. Previously, he held the position of Legal Counsel and Company Secretary at CSR Ltd.

Meetings of Directors

Directors	Board of Directors		Audit and Risk Committee	
	Meetings held while a Director	No. of meetings attended	Meetings held while a Director	No. of meetings attended
R A Phillips	13	12	-	-
S Jack **	8	8	1	1
C Bernecker **	8	6	1	1
P Kiely *	4	4	-	-
B Rathie ***	2	2	1	1
J Bontiz *	4	4	1	1

* Ceased on 22nd November 2011
** Appointed on 25th November 2011
*** Resigned on 30th August 2011

Principal activities

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

Operating result

The loss of the Consolidated Entity after providing for income tax amounted to $1,824,547 (2011: $2,685,913)

Dividends

No dividends were declared or recommended for the financial year ended 30 June 2012.

DIRECTORS' REPORT continued

Significant changes in state of affairs

There were no significant changes in state of affairs during the financial year apart from the change of Board of Directors and Management following the AGM in November 2011.

Operating and financial review

The operating and financial review is stated on pages 2 to 3 of this report.

Events after the reporting date

Apart from the items disclosed in note 29 to the financial statements, no other 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 Review of Operations, 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 issues

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.

During the year, $2,956 was paid to PKF California for tax consulting services provided to the Consolidated Entity. The Directors are of the opinion that the provision of non-audit services as disclosed in note 26 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 26 of the financial statements on page 42 for details of auditors' remuneration.

The auditor's independence declaration under section 307C of the Corporation Act is set out on page 18 and forms part of the Directors' Report.

Remuneration report

This remuneration report has been prepared by the Directors of Uscom Ltd to comply with the 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 (commenced on 25th November 2011)
Christian Bernecker, Non-Executive Director (commenced on 25th November 2011)
Bruce Rathie, Non-Executive Director (ceased on 30th August 2011)
Jochen Bonitz, Non-Executive Director (ceased on 22nd November 2011)

Executive Directors
Rob Phillips, Executive Director, Chairman, Chief Executive Officer
Phil Kiely, Executive Chairman (ceased on 22nd November 2011)

Senior Executives
Tom Rowe, Company Secretary (commenced on 7th December 2011)
Nick Schicht, General Manager
Daniel Fah, Chief Financial Officer, Company Secretary (ceased on 30th November 2011)
Deb Johnson, VP Sales and Marketing (ceased on 8th June 2012)
Joe Trygar, Chief Executive Officer (from 16th September 2011 to 2nd December 2011)

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 Member and Senior Executives. The objective of these policies is to:

- Make Uscom Ltd and its Controlled Entity 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 in 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 at 9% of wages and salaries.

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

Long-term incentives
The Consolidated Entity has adopted a Share Option Plan for the benefit of Executive Directors, full-time and part-time staff members employed by the Consolidated Entity.

In accordance with the employee option plan, options issued under the employee option plan, have an exercise price based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options. Each option is issued for a period of 4 years, which vest 25% in tranches throughout the period.

An Executive Share Option Plan has also been developed for approved participants.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan and the Executive Share Option Plan to Senior Executives. The vesting of options 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 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.

During the year, 400,000 options were issued to employees under the Employee Share Option Plan at an exercise price of 5.95 cents per option and 400,000 options were issued to executives under the Executive Share Option Plan at an exercise price of 5.95 cents per option.

Service agreements

The Consolidated Entity has entered into a service agreement with the Chairman that

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

Details of the service agreement are as follows:

Term
The Executive Employment Agreements are for a term of 3 years. The term of employment may be extended by the Consolidated Entity after the expiration of the initial 3 year term.

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

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 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.

Directors and Executives remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2012.

	Short term benefits			Post employment benefits	Equity		Total remuneration
	Directors' Base Fee $	Base salary $	Other payments $	Superannuation $	Share-based payment $	% of total	$
Non-Executive Director							
S Jack (from 25 Nov 2011)	-	-	-	-	-	-	-
C Bernecker (from 25 Nov 2011)	-	-	-	-	-	-	-
B Rathie (to 30 Aug 2011)	5,833	-	-	525	-	-	6,358
J Bonitz (to 22 Nov 2011)	-	-	-	-	-	-	-
Executive Director							
R Phillips	-	171,090	-	46,281(1)	-	-	217,371
P Kiely (to 22 Nov 2011)	-	-	60,000(2)	-	-	-	60,000
Senior Executive							
T Rowe (from 7 Dec 2011)	-	-	1,965(3)	-	-	-	1,965
N Schicht	-	166,000	-	14,940	642	0.4%	181,582
D Fah (to 30 Nov 2011)	-	-	26,360(4)	-	-	-	26,360
D Johnson (to 8 Jun 2012)	-	139,640	14,323	-	564	0.4%	154,527
J Trygar (from 15 Jul to 2 Dec 2011)	-	58,145	-	-	-	-	58,145
Total	5,833	534,875	102,648	61,746	1,206	-	706,308

(1) $28,333 of Directors' salary was sacrificed to post employment benefit during FY2012
(2) Payments were made to Ecrucis Pty Ltd for the services provided by Mr Kiely.
(3) Payments were made to Company Matters Pty Ltd for the services provided by Mr Rowe.
(4) Payments were made to CFO Strategic Chartered Accountants for the services provided by Mr Fah.

Directors and Executives remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2011.

	Short term benefits			Post employment benefits	Equity		Total remuneration
	Directors' Base Fee $	Base salary $	Other payments $	Superannuation $	Share-based payment $	% of total	$
Non-Executive Director							
R Zwolenski (to 22 Dec 2010)	17,500	-	-	1,575	-	-	19,075
B Rathie	35,000	-	-	3,150	-	-	38,150
J Bonitz (from 4 Jan 2011)	-	-	-	-	29,440	100.0%	29,440
Executive Director							
R Phillips	-	155,000	-	13,950	-	-	168,950
P Kiely (from 22 Dec 2010)	-	-	108,000(1)	-	294,400	73.2%	402,400
Senior Executive							
D Fah	-	-	65,994(2)	-	1,297	1.9%	67,291
N Schicht	-	157,900	-	14,211	2,594	1.5%	174,705
A Hughes-Jones (to 10 Dec 2010)	-	43,080	-	23,101	-	-	66,181
D Johnson	-	143,174	13,412	-	-	-	156,586
Total	52,500	499,154	187,406	55,987	327,731	-	1,122,778

(1) Payments were made to Ecrucis Pty Ltd for the services provided by Mr Kiely.
(2) Payments were made to CFO Strategic Chartered Accountants for the services provided by Mr Fah.

Employee Share Option Plan

The Consolidated Entity 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. At the date of this Report the following options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 4 years and vest in tranches of 25% after 9 months, 12 months, 24 months and 36 months.

Exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options, in accordance with the Employee Share Option Plan.

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.

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

	Balance	Granted	Exercised	Lapsed / Transferred out	Balance	Total vested
	1 July 2011 No.	During FY2012 No.	During FY2012 No.	During FY2012 No.	30 June 2012 No.	& exercisable 30 June 2012 No.
Non-Executive Director						
S Jack (from 25 Nov 2011)	-	-	-	-	-	-
C Bernecker (from 25 Nov 2011)	-	-	-	-	-	-
B Rathie (to 30 Aug 2011)	-	-	-	-	-	-
J Bonitz (to 22 Nov 2011)	400,000	-	-	(400,000)	-	-
Executive Director						
R Phillips	-	-	-	-	-	-
P Kiely (to 22 Nov 2011)	4,000,000	-	-	(4,000,000)	-	-
Senior Executive						
T Rowe (from 7 Dec 2011)	-	-	-	-	-	-
N Schicht	100,000	300,000	-	-	400,000	100,000
D Fah (to 30 Nov 2011)	50,000	-	-	(50,000)	-	-
D Johnson (to 8 Jun 2012)	-	150,000	-	(150,000)	-	-
J Trygar (to 2 Dec 2011)	-	-	-	-	-	-
Total	4,550,000	450,000	-	(4,600,000)	400,000	100,000

Details of options outstanding as at end of year

Holders No.	Grant date	Exercisable at 30 June 2012 %	Expiry date	30 June 2012 Outstanding Option No.	Exercise Price $	Issued date fair value $
7 (Employees)	20 November 2008	100%	20 November 2012	260,000	0.29	0.19
1 (Investor)	17 December 2008	100%	17 December 2013	2,000,000	0.375	0.12
10 (Employees & Executive)	29 March 2012	0%	29 March 2016	1,300,000	0.0595	0.06
Total				3,560,000		

Further details of the options are disclosed in note 19 of the financial statements.

Number of shares held by Directors and Senior Executives (including indirect interest)

	Balance 1 July 2011 No.	Received as Remuneration No.	Options Exercised No.	Net change Other* No.	Balance 30 June 2012 No.
Non-Executive Director					
S Jack (from 25 Nov 2011)	-	-	-	80,000	80,000[1]
C Bernecker (from 25 Nov 2011)	-	-	-	-	-
B Rathie (to 30 Aug 2011)	93,809	-	-	(93,809)	-[2]
J Bonitz (to 22 Nov 2011)	-	-	-	-	-
Executive Director					
R Phillips	16,996,733	-	-	-	16,996,733[3]
P Kiely (to 22 Nov 2011)	333,333	-	-	(333,333)	-[4]
Senior Executive					
T Rowe (from 7 Dec 2011)	-	-	-	-	-
N Schicht	18,200	-	-	-	18,200[5]
D Fah (to 30 Nov 2011)	5,000	-	-	(5,000)	-[6]
D Johnson (to 8 Jun 2012)	5,100	-	-	(5,100)	-[7]
J Trygar (to 2 Dec 2011)	-	-	-	-	-
Total	17,452,175	-	-	(357,242)	17,094,933

*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) Bruce Rathie ceased to be key management personnel on 30 August 2011.

(3) 382,924 of these ordinary shares are held by Australian Cardiac Sonography Pty Ltd as trustee for the Phillips Superannuation.

(4) Phil Kiely ceased to be key management personnel on 22 November 2011.

(5) 10,000 of these ordinary shares are held by family associate.

(6) Daniel Fah ceased to be key management personnel on 30 November 2011.

(7) Deb Johnson ceased to be key management personnel on 8 June 2012.

This Director's report is signed in accordance with a resolution of the Board of Directors.

Rob Phillips

Executive Director - Chairman

Sheena Jack

Non-Executive Director

Sydney, 30 August 2012

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Level 10, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of Uscom Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

Tim Sydenham

Partner

BDO East Coast Partnership

Sydney, 30 August 2012

INCOME STATEMENT
For the financial year ended 30 June 2012

		Consolidated	
Continuing operations		2012	2011
	Note	$	$
Revenue	3	864,099	880,873
Raw materials and consumables used		(212,924)	(251,541)
Expenses from continuing activities	4	(2,881,975)	(3,660,141)
Loss before income tax credit		(2,230,800)	(3,030,809)
Income tax credit	5	406,253	344,896
Loss after income tax credit	6	(1,824,547)	(2,685,913)
Earnings per share (EPS)			
Basic earnings per share (cents per share)	7	(3.5)	(5.8)
Diluted earnings per share (cents per share)	7	(3.5)	(5.8)

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

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2012

	Consolidated	
	2012	2011
	$	$
Loss for the year	(1,824,547)	(2,685,913)
Other comprehensive income		
Foreign currency translation difference for foreign operations	2,830	8,143
Other comprehensive income for the year	2,830	8,143
Total comprehensive loss for the year	(1,821,717)	(2,677,770)
Attributable to:		
Owners of the Company	(1,821,717)	(2,677,770)
Total comprehensive loss for the year	(1,821,717)	(2,677,770)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		Consolidated	
		2012	2011
	Note	$	$
Current assets			
Cash and cash equivalents	8	544,463	2,125,156
Trade and other receivables	9	140,936	163,991
Inventories	10	191,030	213,882
Tax asset	11	406,253	344,896
Other assets	14	41,946	72,589
Total current assets		1,324,628	2,920,514
Non-current assets			
Plant and equipment	12	68,258	93,289
Intangible assets	13	435,472	510,487
Total non-current assets		503,730	603,776
Total assets		1,828,358	3,524,290
Current liabilities			
Trade and other payables	15	108,357	148,273
Short term provisions	16	122,983	142,269
Total current liabilities		231,340	290,542
Non-current liabilities			
Long term provisions	16	126,952	98,143
Total non-current liabilities		126,952	98,143
Total liabilities		358,292	388,685
Net assets		1,470,066	3,135,605
Equity			
Issued capital	17	21,376,920	21,376,920
Unissued capital	18	150,000	-
Options reserve	19	1,379,673	1,373,495
Accumulated losses	6	(21,510,754)	(19,686,207)
Translation reserve	20	74,227	71,397
Total equity		1,470,066	3,135,605

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2012

Consolidated	Issued Capital $	Options Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2010	18,345,462	1,041,613	(17,000,294)	63,254	2,450,035
Loss for the year	-	-	(2,685,913)	-	(2,685,913)
Other Comprehensive Income	-	-	-	8,143	8,143
Total Comprehensive Income for the year	-	-	(2,685,913)	8,143	(2,677,770)
Transactions with Owners in their capacity as owners					
Shares Issued	3,096,132	-	-	-	3,096,132
Transaction costs on Shares Issued	(64,674)	-	-	-	(64,674)
Share-based payments	-	331,882	-	-	331,882
Balance at 30 June 2011	21,376,920	1,373,495	(19,686,207)	71,397	3,135,605
Loss for the year	-	-	(1,824,547)	-	(1,824,547)
Other Comprehensive Income	-	-	-	2,830	2,830
Total Comprehensive Income for the year	-	-	(1,824,547)	2,830	(1,821,717)
Transactions with Owners in their capacity as owners					
Unissued share capital	150,000	-	-	-	150,000
Share-based payments	-	6,178	-	-	6,178
Balance at 30 June 2012	21,526,920	1,379,673	(21,510,754)	74,227	1,470,066

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

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		817,190	726,135
Interest received		61,400	41,323
Payments to suppliers and employees		(2,888,232)	(3,337,048)
Grant and other income received		8,564	4,737
Income tax receipt		344,896	370,529
Net cash used in operating activities	21(b)	(1,656,182)	(2,194,324)
Cash flows from investing activities			
Purchase of patents and trademarks		(74,148)	(65,941)
Purchase of plant and equipment		(363)	(22,082)
Net cash used in investing activities		(74,511)	(88,023)
Cash flows from financing activities			
Issue of shares	17	-	3,031,459
Share application monies received from private placement	18	150,000	-
Net cash provided by financing activities		150,000	3,031,459
Net (decrease) / increase in cash held		(1,580,693)	749,112
Cash and cash equivalents at the beginning of the year		2,127,265	1,372,843
Exchange rate adjustment for opening balance		(2,109)	3,201
Cash and cash equivalents at the end of the year	21 (a)	544,463	2,125,156

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

Note 1: Adoption of new and revised accounting standards

As at the date of this report there are a number of new accounting standards and interpretations that have been issued but are not yet effective as detailed below:

Australian Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 – 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013

Australian Interpretations

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
20	Stripping Costs in the Production Phase of a Surface Mine	Nov 2011	1 Jan 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Consolidated Entity.

These Standards and Interpretations will be first applied in the financial statements of the Consolidated Entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

Note 1: Adoption of new and revised accounting standards (continued)

New Standards Adopted During the Year

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

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

Note 2: Statement of significant accounting policies

(a) Introduction

The financial report covers the Consolidated Entity of Uscom Ltd and its Controlled Entity. Uscom Ltd is a listed public company, incorporated and domiciled in Australia.

Operations and principal activities

Uscom Ltd is engaged in the development, design, manufacture and marketing of non-invasive cardiac monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations.

Scope of financial statements

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

Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Consolidated Entity financial report conforms with International Financial Reporting Standards (IFRS).

Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Consolidated Entity has been able to secure additional funding subsequent to the Balance Sheet date and this is commented on further in note 29. Based on anticipated levels of operational cash flow requirements, the Consolidated Entity has sufficient cash to fund current operations for more than one year.

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 2012. The comparative reporting period was for the year ended 30 June 2011.

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 30 August 2012 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.

Note 2: Statement of significant accounting policies (continued)

(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.

(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 Income Statement.

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 balance date plus, where applicable, any accrued interest.

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

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 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 and 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 and 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.

Note 2: Statement of significant accounting policies (continued)

(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 23 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 income statement 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 Income Statement.

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.

(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 income statement. 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 Income Statement as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

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

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

(q) 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.

Note 2: Statement of significant accounting policies (continued)

Deferred tax is accounted for using the Balance Sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settle. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the 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.

(r) 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.

(s) 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 and Non-Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. Refer note 19 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.

(t) 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.

(u) 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.

Note 2: Statement of significant accounting policies (continued)

(v) 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.

(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 29 to the financial statements.

	Consolidated	
	2012	2011
	$	$
Note 3: Revenue		
Operating revenue		
Sale of goods	794,135	834,813
Other revenue		
Interest received	61,400	41,323
Grants received - VAT return	4,928	1,555
Miscellaneous income	3,636	3,182
Total other income	69,964	46,060
Total revenues from continuing operations	864,099	880,873
Note 4: Expenses from continuing activities, excluding finance costs		
Depreciation and amortisation expenses	103,465	103,412
Impairment of patents	80,497	11,731
Employee benefits expense	944,173	1,254,616
Research and development expenses	509,858	502,037
Advertising and marketing expenses	544,746	913,149
Occupancy expenses	152,531	153,683
Auditors remuneration (audit)	39,000	39,000
Auditors remuneration (audit review)	18,000	17,000
Regulatory expenses	55,577	70,424
Administrative expenses	427,832	444,602
Exchange losses	6,296	150,487
Total expenses from continuing activities, excluding finance costs	2,881,975	3,660,141
Operating lease expenses of $139,544 in 2012 (2011: $131,849) are included in occupancy expenses above		

	Consolidated 2012 $	Consolidated 2011 $
Note 5: Income tax credit		
Major components of income tax credit		
Current income tax credit	406,253	344,896
Income tax credit	406,253	344,896
Reconciliation between income tax credit and prima facie tax on accounting loss		
Accounting loss before income tax	2,230,800	3,030,809
Tax benefit at 30% in Australia, 15% in USA (2011: 30% in Australia)	678,128	902,660
Tax effect on non deductible expenses	(289,844)	(372,527)
Temporary differences	(37,077)	(19,611)
Deferred tax asset not brought to account	(351,207)	(510,522)
Research and development tax offset - current year	406,253	344,896
Income tax credit	406,253	344,896

As at 30 June 2012, the Consolidated Entity had estimated unrecouped operating income tax losses of $14,923,319 (2011: $13,832,400). The benefit of these losses of $4,300,155 (2011: $3,957,157) 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.

	2012 $	2011 $
Note 6: Accumulated losses		
Accumulated losses at the beginning of the financial year	(19,686,207)	(17,000,294)
Net loss attributable to members of the Entity	(1,824,547)	(2,685,913)
Accumulated losses at the end of the financial year	(21,510,754)	(19,686,207)
Note 7: Earnings per share		
Loss after tax used in calculation of basic and diluted EPS	(1,824,547)	(2,685,913)
	Number	Number
Weighted average number of ordinary shares during the year used in calculation of basic EPS	52,124,488	46,103,168
Weighted average number of options outstanding	2,594,795	4,708,356
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	54,719,283	50,811,524
Basic earnings per share (cents per share)	(3.5)	(5.8)
Diluted earnings per share (cents per share)	(3.5)	(5.8)

The options 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. After the reporting date, 2,000,000 ordinary shares were issued on 2 July 2012 which have not been included in the calculations of basic and dilutive EPS.

	2012 $	2011 $
Note 8: Cash and cash equivalents		
Cash on hand	185	185
Bank: Cheque accounts	463,633	747,600
Bank: Cash management	28,758	34,745
Bank: Term deposits	35,230	1,235,230
Bank: Deposit at call	16,657	107,396
Total cash and cash equivalents	544,463	2,125,156

	Consolidated 2012 $	Consolidated 2011 $
Note 9: Trade and other receivables		
Current		
Trade receivables	140,936	163,991
Total current receivables	140,936	163,991

Trade receivables are non-interest bearing and on an average of 45 day terms. Details of trade receivables due but not impaired are disclosed in note 22.

	Consolidated 2012 $	Consolidated 2011 $
Note 10: Inventories		
Current inventories at cost		
Raw materials	113,367	148,903
Finished products	77,663	64,979
Total inventories	191,030	213,882
Note 11: Tax asset		
Income tax credit	406,253	344,896
Total tax asset	406,253	344,896
Note 12: Plant and equipment		
Plant and equipment at cost	556,216	546,714
Accumulated depreciation	(492,603)	(459,480)
	63,613	87,234
Office furniture and equipment at cost	59,166	59,166
Accumulated depreciation	(56,326)	(55,825)
	2,840	3,341
Computer software at cost	22,120	22,120
Accumulated depreciation	(21,505)	(20,981)
	615	1,139
Low value asset pool at cost	32,089	31,726
Accumulated depreciation	(30,899)	(30,151)
	1,190	1,575
Total plant and equipment	68,258	93,289

Movements in carrying amounts	Plant and equipment	Office furniture	Computer software	Low value asset pool
Useful life	2-7 years $	2-7 years $	3 years $	3 years $
Consolidated Entity				
Carrying amount at 1 July 2011	87,234	3,341	1,139	1,575
Additions	9,397	-	-	363
Disposals	-	-	-	-
Depreciation expense	(33,027)	(501)	(524)	(748)
Effects of foreign currency exchange differences	9	-	-	-
Carrying amount at 30 June 2012	63,613	2,840	615	1,190

	Consolidated 2012 $	2011 $
Note 13: Intangible assets		
Non-current		
Patents at cost	839,505	785,795
Additions	74,147	65,941
Impairment at cost	(151,322)	(12,232)
Accumulated amortisation, net of impairment	(326,858)	(329,017)
Carrying amount at 30 June 2012	435,472	510,487
Movements in carrying amounts		
Carrying amount at 1 July 2011	510,487	525,486
Additions	74,147	65,941
Amortisation	(68,665)	(69,209)
Impairment	(80,497)	(11,731)
Carrying amount at 30 June 2012	435,472	510,487

Intangible Assets comprise Intellectual Property in the form of Patents. The Patents have finite useful lives. The current amortisation charge in respect of Patents is included under Expenses from Continuing Activities in the Income Statement. An impairment charge of $80,497 has been recognised in the current year (2011: $11,731) in relation to Patents carried in Australia where there have been no sales for several years. The impairment charge is recorded under Expenses from Continuing Activities.

	Consolidated 2012 $	2011 $
Note 14: Other assets		
Current		
GST receivable	11,067	19,811
Prepayments	30,879	52,778
Total other current assets	41,946	72,589
Note 15: Trade and other payables		
Current		
Trade payables	37,584	54,387
Sundry payables and accrued expenses	41,019	62,051
Employee related payables	29,754	31,835
Total payables	108,357	148,273
Note 16: Provisions		
Short term		
Provision for annual leave	122,983	142,269
	122,983	142,269
Long term		
Provision for long service leave	119,734	91,248
Provision for warranties	7,218	6,895
	126,952	98,143
(a) Aggregate employee benefits	242,717	233,517
(b) Movement in employee benefits		
Balance at beginning of the year	233,517	205,132
Additional provision	129,767	98,264
Amounts used	(120,567)	(69,879)
Balance at end of the year	242,717	233,517
	Number	Number
(c) Number of employees at year-end	11	14

	Consolidated	
	2012	2011
	$	$
Note 17: Issued capital		
Issued capital		
Fully paid ordinary shares	21,376,920	21,376,920
Total contributed equity	21,376,920	21,376,920
Movement in issued capital		
Shares on issue at the beginning of the year	21,376,920	18,345,462
9,437,835 ordinary shares issued at 30 cents	-	2,831,350
882,606 ordinary shares issued at 30 cents	-	264,782
Share issue costs	-	(64,674)
Ordinary shares at the end of the year	21,376,920	21,376,920
Fully paid ordinary shares	Number	Number
Ordinary shares at the beginning of the year	52,124,488	41,804,047
9,437,835 ordinary shares issued by private placement	-	9,437,835
882,606 ordinary shares issued by SPP	-	882,606
Total ordinary shares at the end of the year	52,124,488	52,124,488

The Company's authorised share capital amounted to 52,124,488 ordinary shares of no par value.

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

After the reporting date, 2,000,000 ordinary shares were issued on 2 July 2012.

	Consolidated	
	2012	2011
	$	$
Note 18: Unissued capital		
Unissued capital		
Application monies received in advance for share allotment	150,000	-
Total contributed equity	150,000	-
Movement in unissued capital		
Balance at the beginning of the year	-	-
Application monies received in advance for share allotment	150,000	-
Unissued capital at the end of the year	150,000	-

After the reporting date, 2,000,000 ordinary shares were issued on 2 July 2012 at 7.5 cents.

Note 19: Options reserve

The Consolidated Entity has adopted an Employee Share Option Plan and an Executive Share Option Plan for the benefit of Executive Directors and full-time or part-time staff members employed by the Consolidated Entity. At the date of this Report the following options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 4 years and vest in tranches of 25% after 9 months, 12 months, 24 months and 36 months. Exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options, in accordance with the Employee Share Option Plan and the Executive Share Option Plan. The Board may impose conditions, including performance related conditions, on the right to exercise any options granted under the Executive Share Option Plan.

During the year, 400,000 options were granted to employees under the Employee Share Option Plan and 900,000 options were granted to executives and consultants under the Executive Share Option Plan.

	Consolidated 2012 $	Consolidated 2011 $
Note 19: Options reserve (continued)		
Effect of share-based payment transactions		
Share Option Plan		
Options reserve balance at the beginning of the year	1,373,494	1,041,612
Expenses arising from share-based payment transactions	6,178	331,882
Options reserve balance for Share Option Plan at the end of the year	1,379,672	1,373,494
OSI Systems		
Right to participate in options	1	1
Option reserve at the end of the year	1,379,673	1,373,495

Movement during the financial year	Number of Options 2012	Weighted average exercise price	Number of options 2011	Weighted average exercise price
Opening number of options	7,710,000	1.10	3,780,000	0.36
Granted during the financial year – Directors Option Deed	-	-	4,400,000	1.69
Granted during the financial year – Employees & Executives	1,300,000	0.06	-	-
Lapsed during the financial year	(5,450,000)	1.40	(470,000)	0.65
Closing number of options	3,560,000	0.25	7,710,000	1.10

Details of options outstanding as at end of the year

Holders No.	Grant date	Exercisable at 30 June 2012 %	Expiry date	30 June 2012 Outstanding Option No.	Exercise Price $	Issued date fair value $
7 (Employees)	20 November 2008	100%	20 November 2012	260,000	0.29	0.19
1 (Investor)	17 December 2008	100%	17 December 2013	2,000,000	0.375	0.12
10 (Employees & Executives)	29 March 2012	0%	29 March 2016	1,300,000	0.0595	0.06
Total				3,560,000		

Fair value

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

Weighted average share price	Range from $0.06 to $1.10
Exercise price	260,000 at $0.29; 2,000,000 at $0.375; 1,300,000 at $0.0595
Option life	4-5 years
Risk-free interest rate	Range from 4.17% to 4.6%
Expected dividends	0
Expected volatility*	Range from 62% to 65%

* 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.

	Consolidated 2012 $	Consolidated 2011 $
Note 20: Translation reserve		
Opening balance	71,397	63,254
Translation of financial statements of foreign Controlled Entity	2,830	8,143
Closing balance	74,227	71,397

	Consolidated 2012 $	Consolidated 2011 $
Note 21: Cash flow information		
(a) Reconciliation of cash		
Cash at bank and on hand	544,463	2,125,156
Total cash at end of year	544,463	2,125,156
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax		
Loss from continuing operations after income tax	(1,824,547)	(2,685,913)
Non cash flows in loss from continuing operations		
Depreciation	34,800	34,203
Amortisation	68,665	69,209
Impairment of patents	80,497	11,731
Options reserve	6,178	331,882
Translation reserve	2,822	8,213
(Increase)/Decrease in assets		
Trade debtors	23,055	(108,678)
Inventories	13,455	105,657
Prepayments	21,899	1,547
Income tax	(61,357)	25,633
GST assets	8,744	4,890
Increase/(Decrease) in liabilities		
Trade payables	(16,803)	(37,854)
Sundry payables and accrued expenses	(21,032)	16,936
Employee related payables	(2,081)	(1,780)
Employee provisions	9,200	28,385
Other provisions	323	1,615
Net cash used in operating activities	(1,656,182)	(2,194,324)

Note 22: 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 31) and equity attributable to equity holders of the Parent, comprising issued capital (note 17 on page 34), and accumulated losses (note 6 on page 31).

(c) Financial instruments
At 30 June 2012, 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 22: 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 2012 and is exposed to foreign currency risk on sales and purchases dominated in a currency other than Australian dollars.

The currencies given rise to this risk is primarily the US Dollar, Euro and British Pound. 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	
	2012	2011
	US$	US$
Cash	211,041	90,224
Current trade debtors	136,890	146,410
Current trade creditors	20,385	10,434
	€	€
Cash	63,323	45,555
Current trade debtors	5,350	9,150
Current trade creditors	2,052	5,891
	£	£
Current trade debtors	-	10,200

(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 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	
	2012	2011
	$	$
Profit/Loss - increase 10% (US$) and 5% (€) & (£)	(73,584)	(74,279)
- decrease 10% (US$) and 5% (€) & (£)	73,584	74,279

(g) Interest rate risk management

The Consolidated Entity does not have any external loans or borrowings as at 30 June 2012 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 monitor its cash requirements through forecasts and cash flow projections and move 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 22: 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	
	2012	2011
	$	$
Profit/Loss - increase 100 basis points	6,140	4,132
- decrease 100 basis points	(6,140)	(4,132)

(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 have been 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 deposit is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

	Consolidated	
Past due but not impaired	2012	2011
	$	$
0 - 45 days	17,035	10,662
46 – 90 days	-	-
Over 90 days	15,821	-
Total	32,856	10,662

No bad debt was written off during the year (2011: $Nil). There was no doubtful debt provision as at 30 June 2012 (2011: Nil).

Management considers the above debts to be recoverable based on the continuing work with the parties involved and the progress they have made in the market, and the recognised long lead time associated with selling capital item, hence no impairment allowance is required.

(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 22: Financial instruments (continued)

Consolidated	Weighted Average effective interest Rate %	Floating interest $	Fixed interest rate maturing: Within 1 year $	Fixed interest rate maturing: 1 to 5 years $	Non-interest bearing $	Total $
2012						
Financial assets						
Cash	1.3	509,233	35,230	-	-	544,463
Trade receivables		-	-	-	140,936	140,936
Other receivables	-	-	-	-	11,067	11,067
Total financial assets		509,233	35,230	-	152,003	696,466
Financial liabilities						
Trade creditors		-	-	-	37,584	37,584
Payables		-	-	-	29,754	29,754
Total financial liabilities		-	-	-	67,338	67,338
Net financial assets		509,233	35,230	-	84,665	629,128
2011						
Financial assets						
Cash	4.9	889,926	1,235,230	-	-	2,125,156
Trade receivables		-	-	-	163,991	163,991
Other receivables	-	-	-	-	19,811	19,811
Total financial assets		889,926	1,235,230	-	183,802	2,308,958
Financial liabilities						
Trade creditors		-	-	-	54,387	54,387
Payables		-	-	-	31,835	31,835
Total financial liabilities		-	-	-	86,222	86,222
Net financial assets		889,926	1,235,230	-	97,580	2,222,736

Reconciliation of net financial assets to net assets	2012 $	2011 $
Net financial assets as above	629,128	2,222,736
Non financial assets and liabilities		
Current tax receivable	406,253	344,896
Inventories	191,030	213,882
Prepayments	30,879	52,778
Plant and equipment	68,258	93,289
Intangible assets	435,472	510,487
Accruals	(41,019)	(62,051)
Provisions	(249,935)	(240,412)
Net assets per Statement of Financial Position	1,470,066	3,135,605

Note 23: 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%
Consolidated
The Parent and Ultimate Parent Entity is Uscom Ltd.

	Consolidated	
	2012	2011
	$	$
Note 23: Related party disclosures (continued)		
Transactions between related parties		
Other related parties		
Company Matters Pty Limited		
As a Company Secretary of Uscom Ltd, Mr Tom Rowe provides services to the Company through Company Matters Pty Limited.		
Services rendered	1,965	-
CFO Strategic Chartered Accountants		
As a Company Secretary and Chief Financial Officer of Uscom Ltd up to 30th November 2011, Mr Daniel Fah provided services to the Company through CFO Strategic Chartered Accountants.		
Services rendered	26,360	65,994
Ecrucis Pty Limited		
As a Director of Uscom Ltd up to 22nd November 2011, Mr Phil Kiely provided services to the Company through Ecrucis Pty Limited.		
Services rendered	60,000	108,000
3 Pools Pty Limited		
Rent received from 3 Pools Pty Limited, a company owned by Mr Jochen Bonitz who was a director of Uscom Limited up to 22nd November 2011.	3,636	3,182

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
Bruce Rathie, Non-Executive Director (ceased on 30th August 2011)
Jochen Bonitz, Non-Executive Director (ceased on 22nd November 2011)
Sheena Jack, Non-Executive Director (commenced on 25th November 2011)
Christian Bernecker, Non-Executive Director (commenced on 25th November 2011)
Executive Directors
Rob Phillips, Executive Director, Chairman, Chief Executive Officer
Phil Kiely, Executive Chairman (ceased on 22nd November 2011)
Senior Executives
Daniel Fah, Chief Financial Officer, Company Secretary (ceased on 30th November 2011)
Tom Rowe, Company Secretary (commenced on 7th December 2011)
Nick Schicht, General Manager
Deb Johnson, VP Sales and Marketing (ceased on 8th June 2012)
Joe Trygar, Chief Executive Officer (from 16th September 2011 to 2nd December 2011)

For further remuneration information of key management personnel refer to the remuneration report in the Directors' report on pages 13 to 17.

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	
	2012	2011
	$	$
Short-term employee benefits	540,708	551,654
Post-employment benefits	61,746	55,987
Other payments	102,648	187,406
Share-based payment	1,206	327,731
Total key management personnel remuneration	706,308	1,122,778

Note 23: Related party disclosures (continued)

Number of options over ordinary shares held by Key Management Personnel

	Balance	Granted	Exercised	Lapsed / Transferred out	Balance	Total vested
	1 July 2011	During FY2012	During FY2012	During FY2012	30 June 2012	& exercisable 30 June 2012
	No.	No.	No.	No.	No.	No.
Non-Executive Director						
S Jack (from 25 Nov 2011)	-	-	-	-	-	-
C Bernecker (from 25 Nov 2011)	-	-	-	-	-	-
B Rathie (to 30 Aug 2011)	-	-	-	-	-	-
J Bonitz (to 22 Nov 2011)	400,000	-	-	(400,000)	-	-
Executive Director						
R Phillips	-	-	-	-	-	-
P Kiely (to 22 Nov 2011)	4,000,000	-	-	(4,000,000)	-	-
Senior Executive						
T Rowe (from 7 Dec 2011)	-	-	-	-	-	-
N Schicht	100,000	300,000	-	-	400,000	100,000
D Fah (to 30 Nov 2011)	50,000	-	-	(50,000)	-	-
D Johnson (to 8 Jun 2012)	-	150,000	-	(150,000)	-	-
J Trygar (to 2 Dec 2011)	-	-	-	-	-	-
Total	4,550,000	450,000	-	(4,600,000)	400,000	100,000

Number of shares held by Key Management Personnel (including indirect interest)

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net change Other*	Balance 30 June 2012
	No.	No.	No.	No.	No.
Non-Executive Director					
S Jack (from 25 Nov 2011)	-	-	-	80,000	80,000(1)
C Bernecker (from 25 Nov 2011)	-	-	-	-	-
B Rathie (to 30 Aug 2011)	93,809	-	-	(93,809)	-(2)
J Bonitz (to 22 Nov 2011)	-	-	-	-	-
Executive Director					
R Phillips	16,996,733	-	-	-	16,996,733(3)
P Kiely (to 22 Nov 2011)	333,333	-	-	(333,333)	-(4)
Senior Executive					
T Rowe (from 7 Dec 2011)	-	-	-	-	-
N Schicht	18,200	-	-	-	18,200(5)
D Fah (to 30 Nov 2011)	5,000	-	-	(5,000)	-(6)
D Johnson (to 8 Jun 2012)	5,100	-	-	(5,100)	-(7)
J Trygar (to 2 Dec 2011)	-	-	-	-	-
Total	17,452,175	-	-	(357,242)	17,094,933

*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) Bruce Rathie ceased to be key management personnel on 30 August 2011.

(3) 382,924 of these ordinary shares are held by Australian Cardiac Sonography Pty Ltd as trustee for the Phillips Superannuation.

(4) Phil Kiely ceased to be key management personnel on 22 November 2011.

(5) 10,000 of these ordinary shares are held by family associate.

(6) Daniel Fah ceased to be key management personnel on 30 November 2011.

(7) Deb Johnson ceased to be key management personnel on 8 June 2012.

	Parent	
	2012	2011
	$	$
Note 24: Parent entity information		
Set out below is the supplementary information about the parent entity.		
Statement of comprehensive income		
Loss after income tax credit	(1,877,967)	(2,702,672)
Total comprehensive loss	(1,877,967)	(2,702,672)
Statement of financial position		
Total current assets	1,274,021	2,870,703
Total assets	1,711,184	3,445,954
Total current liabilities	227,635	269,424
Total liabilities	354,587	367,567
Equity		
Contributed equity	21,526,920	21,376,920
Options reserve	1,379,673	1,373,495
Accumulated losses	(21,549,996)	(19,672,028)
Total equity	1,356,597	3,078,387

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.
Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2012 and 30 June 2011.
Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

	Consolidated	
	2012	2011
	$	$
Note 25: Commitments		
Operating lease commitments		
Operating commitments represent payments due for office rentals and have an average term from 18 to 30 months.		
Less than 1 year	64,136	123,337
Between 1 and 5 years	-	64,136
Total operating commitments	64,136	187,473
Note 26: Auditors' remuneration		
Remuneration of BDO / PKF East Coast Practice for		
Audit of financial report	39,000	39,000
Review of financial report	18,000	17,000
Non-audit services	-	2,000
Remuneration of PKF California for		
Tax consulting services	2,956	2,409
Total auditors' remuneration	59,956	60,409

Note 27: Operating segments

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

The Consolidated Entity sells a single product, the A1 monitor. Geographical segment reporting is therefore the appropriate method of reporting operating segments.

Globally the Company has five geographic sales and distribution segments as shown below. For each segment, the CEO and CFO / General Manager review internal management reports on at least a monthly basis.

Note 27: Operating segments (continued)

The largest customer group which operates in Asia accounts for 49% of the total sales revenue. The businesses 2nd largest customer accounts for over 17% of the total sales revenues and operates in Europe.

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	USA	Europe	Other region	Unallocated	Eliminated	Consolidated
	$	$	$	$		$	$	$
2012								
Sales to external customers	220	392,266	150,990	235,735	14,924	-	-	794,135
Other revenues	65,036	-	-	4,928	-	-	-	69,964
Total segment revenues	65,256	392,266	150,990	240,663	14,924	-	-	864,099
Segment expenses	115	134,994	742,031	165,171	18,003	2,665,478	(630,893)	3,094,899
Segment result	65,141	257,272	(591,041)	75,492	(3,079)	(2,665,478)	630,893	(2,230,800)
Income tax credit	406,253	-	-	-	-	-	-	406,253
Consolidated loss from ordinary activities after income tax credit								(1,824,547)
Segment assets	258,407	-	307,602	199,970	-	1,129,826	(67,447)	1,828,358
Segment liabilities	422,034	-	3,705	-	-	-	(67,447)	358,292
Acquisition of property, plant and equipment and intangibles	17,403	15,199	30,011	21,294	-	-	-	83,907
Impairment of patents	65,706	14,791	-	-	-	-	-	80,497
Depreciation and amortisation	52,057	408	16,071	27,769	-	7,160	-	103,465

Note 27: Operating segments (continued)

	Australia $	Asia $	USA $	Europe $	Other region	Unallocated $	Eliminated $	Consolidated $
2011								
Sales to external customers	715	291,963	444,875	87,026	10,234	-	-	834,813
Other revenues	44,505	-	-	1,555	-	-	-	46,060
Total segment revenues	45,220	291,963	444,875	88,581	10,234	-	-	880,873
Segment expenses	326	87,133	1,012,180	282,815	6,870	3,220,747	(698,389)	3,911,682
Segment result	44,894	204,830	(567,305)	(194,234)	3,364	(3,220,747)	698,389	(3,030,809)
Income tax credit	344,896	-	-	-	-	-	-	344,896
Consolidated loss from ordinary activities after income tax credit								(2,685,913)
Segment assets	381,660	-	254,744	206,445	-	2,710,777	(29,336)	3,524,290
Segment liabilities	396,903	-	21,118	-	-	-	(29,336)	388,685
Acquisition of property, plant and equipment and intangibles	36,595	12,231	8,961	40,153	-	-	-	97,940
Impairment of patents	-	11,731	-	-	-	-	-	11,731
Depreciation and amortisation	44,804	500	25,386	25,223	-	7,499	-	103,412

Note 28: Contingencies
There were no contingencies as at 30 June 2012.

Note 29: Events after the reporting date
On 2 July 2012, 2 million shares were issued at 7.5 cents each under a private placement. The issue raised an additional $150,000 in new capital and does not require shareholder approval as it is below the limit of 15% of issued capital which a company can issue within a 12 month period without shareholder approval per Listing Rule 7.1. In August 2012, the company offered to issue 5.8 million shares at 12 cents each raising $696,000 as part of a private placement to sophisticated investors. The offer was over-subscribed. 5.8 million shares which represent the balance of the company's 15% capacity under Listing Rule 7.1 will be issued at the close of the placement and any additional shares will be issued subject to shareholder approval.

Apart from that, no other 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.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Rob Phillips	Sheena Jack
Executive Director - Chairman	Non-Executive Director

Sydney, 30 August 2012

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Uscom Limited

Report on the Financial Report

We have audited the accompanying financial report of Uscom Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

BDO

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Uscom Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Uscom Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Tim Sydenham
Partner
Sydney, 30 August 2012

Uscom

SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 July 2012.

(a) Distribution Schedules of Shareholder

Holdings Ranges	Holders Number	Ordinary shares Number	%
1 – 1,000	112	80,749	0.149
1,001 – 5,000	208	619,718	1.145
5,001 – 10,000	76	606,082	1.120
10,001 – 100,000	118	4,268,734	7.887
100,001 – 99,999,999,999	44	48,549,205	89.699
Total	558	54,124,488	100

There were 269 holders of less than a marketable parcel of 451,871 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 2012 are:

Robert Allan Phillips	16,996,733
Gary Desmond Davey	6,219,000
Dr Stephen Frederick Woodford	3,459,590
DRP Cartons (NSW) Pty Ltd	2,175,458

(d) Twenty largest registered holders – ordinary shares

Balance as at 31 July 2012	Ordinary shares Number	%
Robert Allan Phillips	16,996,733	31.40%
Gary Desmond Davey	6,219,000	11.49%
Dr Stephen Frederick Woodford	3,459,590	6.39%
DRP Cartons (NSW) Pty Ltd <DRP Cartons (NSW) PL S/F A/C>	2,175,458	4.02%
Bell Potter Nominees Ltd <BB Nominees A/C>	2,124,836	3.93%
Merrill Lynch (Australia) Nominees Pty Limited	2,014,982	3.72%
Stream Group Holdings Pty Ltd	2,000,000	3.70%
Invia Custodian Pty Limited <Riverbel Family No 3 A/C>	1,688,118	3.12%
Arinya Investments Pty Ltd	1,050,000	1.94%
Stream Group Aust Pty Ltd	954,111	1.76%
Mr Rutherford James Browne & Mrs Sheba Elizabeth Marjorie Browne	829,792	1.53%
Mr Alister John Forsyth	768,809	1.42%
Gailforce Marketing & PR Pty Ltd <Hale Agency S/F A/C>	553,809	1.02%
Apollan Pty Ltd	547,700	1.01%
DRP Cartons (NSW) Pty Ltd	507,876	0.94%
Jules Flach	500,000	0.93%
Ross Planning Pty Ltd <S Alston Superannuation A/C>	421,269	0.78%
Dr Russell Kay Hancock	400,800	0.74%
Citicorp Nominees Pty Limited	375,535	0.69%
Hinona Pty Ltd	357,159	0.66%
Total	43,945,577	81.19%

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
Tom Rowe

Registers of securities
Boardroom Pty Limited

Level 7, 207 Kent 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 54,124,488 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities
Options over unissued shares
A total of 3,560,000 options over ordinary shares are on issue. 2,000,000 options are on issue to OSI System. and 1,560,000 options are on issue to ten employees and executives under the Uscom Employee Share Option Plan and Uscom Executive Share Option Plan.

Uscom Ltd, Suite 1, Level 7, 10 Loftus Street, Sydney NSW 2000 Australia T +612 9247 4144