Uscom

ASX:UCM

ANNUAL REPORT 2014

The measure of life.

"Uscom is a de-risked medical device company, with two validated and approved products, growing global revenues, with a clear focus on building a real business with global impact, in real markets, doing global good, and making real profits."

Fellow shareholders, it gives me great pleasure to present the Company results for the 2014 financial year; a year in which we consolidated the foundations for commercial success and corporate profitability by growth and acquisition. The year ahead is focused on completing this commercialisation by growing sales, distribution and revenue by feeding the Uscom products into our growing distribution channels, growing revenues, generating new revenues and growing shareholder value.

2014 Headlines:

1. Operations - Revenues from activities up 67%, and cash on hand up 192%
2. Outcomes - Shareholder equity up 41%, and Uscom capitalised value up 55%
3. Growth - Successful integration of Pulsecor IP, systems and assets
4. Milestones - Manufacture and sale of the first Uscom BP+, new USA BP+ patent, and CE approval
5. Distribution - Increased Uscom BP+ and USCOM 1A distributors by 12 to 27
6. Science - 36 new publications for USCOM 1A and BP+

Overview 2014: This year has been a year of consolidation and positioning for Uscom with the Company completing the acquisition of the BP+ technology, integrating the Pulsecor operations and IP into Uscom, manufacturing the first BP+ devices, receiving a new USA BP+ patent, and CE Mark for BP+, and significantly growing the number of global distributors while increasing revenues by 67%.

As part of the Uscom strategy distribution partnerships have been significantly increased by 12 to 27, with a number awaiting execution. These distributors have been brought on to both distribute the newly manufactured Uscom BP+ and expand the current USCOM 1A distribution. The new distributors are from China, Germany, the UK, Europe and the USA, and the accompanying revenue growth is expected as their market activities accelerate over the coming 12 to 18 months. We have also strengthened user and distributor support processes in anticipation of this increased demand allowing us to cost-effectively support these incoming partners and an expanded user installation base.

Results: Revenue for 2014 increased by 67% from 2013 as a result of increased demand for USCOM 1A devices. There was a small increase in cost of operations associated with the costs of integrating BP+ assets including IP transfers, regulatory re-registrations and preparation for BP+ manufacture leading to a 5% increased loss before income tax.

Importantly cash on hand at the end of the period increased by 192% from 2013 as a result of the capital raising. This cash will be used to fund operations as the sales distribution networks for USCOM 1A and the Uscom BP+ become effective and operations profitable.

Total assets of the Company increased in 2014 by 34% to $3.77m, while total shareholder equity increased by 41% in the period.

It is envisaged that with many of the one off BP+ acquisition costs behind us, combined with increasing USCOM 1A revenues from a significantly expanded distribution network, and early BP+ sales, the financial position for Uscom in 2015 should significantly improve on the current reported results.

Capital: Uscom had $1,582,834 cash on hand at the end of the period and intends to manage expenditure cautiously as the expected revenue pick up continues.

Sales: This year saw the appointment of a global sales manager based in the UK and this was associated with a significant increase in distribution partners. Sales were up 67% for the year, and this was from the USCOM 1A as the Uscom BP+ was being prepared for manufacture and market. It is anticipated that with the increased sales and distribution channels there will be a significant increases in revenues as their activities are reflected in customer sales. This increase in revenue will be further impacted as the Uscom BP+ is fed into global sales channels and new distributors are activated.

Share price: The capitalised value of the Company increased by 55% during the reporting period to $17.9m. The three year VWAP has increased by an average 50% pa over the last three years from the lows of 2012. Lodge partners have a buy recommendation and a 45c target price on the Company for 2015.

As the newly manufactured BP+ devices are fed into our new and expanded distribution channels over the next 12-18mths, directly growing revenue, it is anticipated that the commercial value of the BP+ acquisition will be recognised by the market.

Science: The Uscom BP+ and the USCOM 1A are breakthrough cardiovascular technologies, representing the best of blood pressure and cardiac output monitoring technology, and this year saw further evidence supporting the expanded clinical utility of these technologies. There were 36 new publications supporting the utility of USCOM 1A and the BP+ in 2014, taking the USCOM evidence to greater than 450 papers in the fields of hypertension, heart failure and sepsis in adults, children and neonates.

New evidence supporting the adoption of central blood pressure, or pressure at the heart has become wide spread. This heart pressure is measured by the supra-systolic Uscom BP+, and is gaining recognition as superior to sub-systolic cuff based blood pressure measured in the arm or pressure pulse measures in the wrist, These studies establish the Uscom BP+ as a cost effective standard of care technology for measurement in hypertension and a viable new technology compared to more expensive alternatives.

The scientific highlights for this year include:

- Independent global hypertension experts from Cambridge University, Cambridge, UK, Wales Heart Institute, Cardiff, UK, Weill Cornell Medical College, New York, USA and the University of California, Irvine, USA, review 10 central blood pressure devices and found BP+ the most clinically applicable technology.
- Central blood pressure was found to better predict cardiovascular risk, achieving lower blood pressures using fewer drugs and was proposed as the possible new gold standard method for hypertension management.
- BP+ was found to be an improved method for measuring central blood pressure in children when compared to current gold standard which was found to be difficult to use.
- New research from two separate leading centres in London demonstrated the importance of USCOM 1A for management of sepsis in children.

With the increasing scientific validation, the pressure for adoption of USCOM and BP+ is increasing and will support current increased sales and marketing programmes. Uscom is a company founded on sound and clinically useful science, and this year confirms the success of this founding mission.

Partnerships: A cornerstone of the expanded Uscom distribution was the execution of the partnership with Pioneer Medical, Shanghai in a 5 year $7m deal. The deal will yield revenue upon the CFDA approval of BP+ expected in 2015. The partnership is a fast-track to the rapidly growing Chinese medical device market (25.3% annual growth rate). Pioneer is a Hong Kong listed, Shanghai based medical distribution company with excellent channels to the Chinese medical device market.

This year saw Uscom partner with UK Doppler company Deltex Medical to access their capable and well connected distribution, particularly in the UK. The partnership sets a platform for ongoing relationships to better grow global Doppler markets under the banner of "to Doppler or not to Doppler". Deltex and Uscom have complimentary technologies with common science in complimentary critical care markets. The potential and rationale for developing the partnership with Deltex to better access the increasing recognition of Doppler monitoring remains strong.

Discussions are on going with a number of major distribution partners for various territories world wide for both USCOM and BP+, and we look forward to consolidating these partners and improving our path to market, building revenue and establishing profitability. For Uscom these distribution partners hold the key to our future, and the growing number and quality of these partners will be reflected in future financial results.

Strategy 2015: Uscom now owns and manufactures two practice leading premium cardiovascular devices with validation and global approvals. The strategy for Uscom is now to complete the commercialisation of these world leading technologies by increasing sales and distribution, and thus revenue to achieve enduring profitability.

In FY 2015 we are planning to further grow both reach and depth of distribution by appointing more and larger distributors.

We also intend to deliver the BP+ device into currently approved international markets via direct sales, distribution and licensing partnerships. To ensure optimal market penetration and profitability, Uscom is investigating new and more cost effective, high volume manufacturing strategies for the BP+ and USCOM 1A device to meet potential rapid growth in demand. Global marketing of the BP+ will be focused on hypertension, medical clinics, home care and hypertension research centres. We are also in discussions to bring the BP+ technology to market via strategic and licensing partnerships.

For the future Uscom will develop and acquire new products that can be fed into the rapidly growing Uscom distribution channels, to fulfil the Uscom vision of providing increased shareholder value off the back of improved cardiovascular care.

Incremental growth by acquisition is always a strategic opportunity and valuable partnership targets are continually being assessed. The potential to acquire additional premium non-invasive cardiovascular devices is clearly part of the Uscom future.

We believe the business is well prepared to accelerate growth in the coming year, and the Company management are committed to a strategy of increased distribution and growth to meet the anticipated demand. These developments will result in a changed operational environment for Uscom; one that should immediately reward shareholders.

Risks: While commercial success is anticipated for the year ahead, Uscom is exposed to risks which may impair operations and impact predicted outcomes.

Global markets, while showing signs of early recovery may not continue to recover as anticipated and as such predicted revenues may not be achieved. Partnering risks relates to the under performance of distribution partners, particularly where best endeavours contracts are in place, may also impact forecast revenues. The appointment of Mr Steven Haken as global sales manager reduces this risk by providing hands on distributor management and continual monitoring of results.

Regulatory risks relevant to medical devices are associated with delayed or declined approvals to specific jurisdictions. While both USCOM 1A and BP+ are non-invasive and already have major approvals, it is possible that new approvals, and re-approvals associated with changed and inefficient regulatory systems may delay approvals and subsequently revenue.

Key personnel risk; currently there is a small and vital team working on the Uscom project to ensure and manage growth and commercial success. Development of an executive remuneration plan to ensure adequate compensation for executives for extra-ordinary contributions may mitigate the risk of untimely resignations that have the potential to damage operations and impede commercial momentum, and is an important task going forward.

Other risks include competitive risks and patent breach risks in global markets, and the risk associated with impending rapid growth which may become significant if predicted anticipated sales are achieved. Substantial unpredicted product demand and growth may generates scale up stress on the business, thus challenging cash flow management and equity adequacy may need focused management.

Conclusion: 2014 has been a great year for Uscom as we consolidated the foundations of an influential and profitable global medical device business. We have now acquired and integrated a new technology, new IP and operations, and manufactured our second ground breaking cardiovascular product, while increasing overall sales revenues by 67% and significantly expanding global distribution.

This year has seen us position ourselves for approaching commercial success; success that will create significant shareholder value and provide us with the momentum to develop and acquire additional technologies to deliver into our growing distribution channels. Achieving profitability from this enhanced distribution will drive strategic and operational changes that ensure Uscom transitions to a global leader in medical device development, manufacture and distribution.

Uscom has a history of meeting corporate milestones and the Uscom focus for 2015 is marketing, sales and revenue, and we are grateful for the on going support of shareholders as we execute this strategy. Uscom is a real company, with real products, in real markets, earning real revenue, for real investors, and preparing for real growth and we can all look forward to the year ahead.

Thank you.

Rob Phillips
PhD(med), MPhil(med), FASE, DMU(cardiol)
Executive Chairman
Uscom Limited

CORPORATE GOVERNANCE STATEMENT

Uscom is committed to maintaining high standards of corporate governance. Effective corporate governance aids the Company to set and achieve its objectives. Our Governance Statement for 2013/2014 outlines our policies and practices by reference to the ASX Corporate Governance Principles and Recommendations (2nd Edition) (**ASX Principles**). Uscom will report against the 3rd Edition of the Principles in the next financial year.

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, and those delegated to the Executive Chairman. The Board Charter is available in the Uscom Corporate Governance section of the Company website.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.

The Chief Executive Officer presents to the Board at each Board Meeting regarding the Company's performance against its goals and objectives, including the contribution of senior management to that performance. The Board assesses the performance of senior management 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, including senior management.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.

A performance evaluation of Executives and senior management has taken place during the reporting period in accordance with the process disclosed above. A copy of the Board Charter is available in the Corporate Governance section of the Uscom website.

Principle 2: Structure the board to add value

Uscom Ltd has the services of a Board with an experience at senior levels encompassing fields such as science, medicine, marketing and international business. Further information regarding the Directors is provided in the Directors' Report at 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, taking into account its , stage of development and nature of its operations. 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, Dr Rob Phillips, is an executive director and is therefore not an independent director. The Board believes that an Executive Chairman is appropriate taking into account the size of the Company, its stage of development and the nature of its operations.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

Dr 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 its business, and taking into account Mr Phillips' qualifications, knowledge and experience in the field of the Company's operations, and his exceptional knowledge of the Company.

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 is appropriate given the relatively small size of the Board and that it is not intended to increase the size of the Board in the medium term.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of Directors is evaluated informally by assessing each Director's 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 [on Page 10].
- 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 on page 10.
- 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 on page 10.
- 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. Matters relating to Board composition and membership will continue to be overseen by the full Board.
- 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 on page 12.
- 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.

Uscom's Securities Trading Policy applies to all Directors, officers and employees of Uscom – it sets out the prohibition against insider trading and prescribes certain requirements for dealing in the Company's securities. The Securities Trading Policy is available in the Corporate Governance section of the Uscom website.

Uscom's Code of Conduct is available in the Corporate Governance section of the Uscom 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, which is available in the Corporate Governance section of the Uscom 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. The Company believes this is appropriate taking into account the size of the Company and its stage of development.

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.

Women within whole organisation:	4 (36%)
Women in senior management positions:	0%
Women on the board:	1 (33%)

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

This information can be found in the Corporate Governance section of the Company website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Establish an audit committee.

During the reporting period, the Board determined that taking into account the size of the Company and the Board, and the nature of the Company's operations, it was not necessary to have a separate Audit Committee, and the Audit Committee was dissolved. The functions that would be undertaken by an Audit Committee are primarily carried out by the two independent Directors. Ms Sheena Jack, an independent Director, is an experienced financial professional who has held senior positions in that capacity.

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 functions that would ordinarily be the responsibility of an Audit Committee, including issues relating to the Company's financial information and regular review of the Company's risk environment, are undertaken primarily by the two independent Directors.

Recommendation 4.3: The audit committee should have a formal charter.

Not applicable.

Recommendation 4.4: Provide the information indicated in the Guide to reporting on Principle 4.

The Company does not have an Audit Committee.

The attendance of the Committee members at Audit Committee meetings held during the Reporting Period are set out on page 10.

The Company has not established a formal procedure for the selection, appointment and rotation of the external auditor. The performance of the external auditor is reviewed on an ongoing basis by the Board and any changes implemented where the Board considers changes are required.

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 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 Company's obligations under the ASX Listing Rules and Corporations Act disclosureframework, and 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 Corporate Governance section of the Uscom 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 of the Company.

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

All announcements, dating back to May 2001, are 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 (**AGM**). Provision is made for shareholders to submit written questions to the Company and/or the auditor prior to the AGM. Any presentations made at a general meeting are made available immediately after the meeting, by first releasing to ASX, and then posting the presentation on the Uscom website.

Ample notice of the Annual General Meeting and any other General Meetings will be provided to shareholders. All documents and presentations general meetings will be posted immediately on the Company website.

The auditor attends the Annual General Meeting and is available to answer shareholders' questions on:

- The conduct of the audit;
- The preparation and conduct of the Auditor's Report;
- The accounting policies adopted by Uscom in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

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 Board is charged with oversight of the Company's risk profile. The Board 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 Board 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 in respect of the financial statements and notes for the financial year that the declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) 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 also received assurance from the CEO and General Manager in respect of its half-year financials that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Establish a Remuneration Committee.

The Company does not believe that it is necessary to have a separate Remuneration Committee, taking into account the size of the Company, the stage of its development, and the nature of its operations. Issues relating to board membership will continue to be overseen by the full Board.

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.**

Not applicable

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 12 to 16.

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 2014.

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.

Dr R A Phillips	Executive Director - Chairman
Ms S Jack	Non-Executive Director
Mr C Bernecker	Non-Executive Director

Directors' qualifications and experience

Dr Rob Phillips

Dr Rob Phillips is the founder of Uscom Ltd, the Chief Executive Officer, Executive Director and Chief Scientist of the Company. Rob has 10 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 and capital raising. The Company received the Frost and Sullivan Global Entropolis Award for the Emerging Medical Device Company of the Year in 2007. He has a Doctor of Philosophy and a Master of Philosophy in Cardiovascular Medicine from The University of Queensland. He is an Australian Post Graduate Award recipient and was a finalist in the Time-Google-CNN-Science-NYSE World Health and Medicine Technology Awards in 2004. Rob has pioneered novel clinical approaches to cardiovascular assessment having authored over 30 patents and patent applications and is an internationally recognised teacher and examiner in the field of cardiac ultrasound, cardiovascular function and circulation.

Ms Sheena Jack

Ms Sheena Jack is a Non-Executive Director of Uscom Ltd since November 2011 and was also the Chairman of the Audit and Risk Committee until the Audit and Risk Committee was dissolved on 21 February 2014.
Sheena was until recently the Chief Financial Officer of HCF when she took up the role of HCF Chief Strategy Officer. Sheena has 25+ years' experience as a finance professional and corporate executive. She has had experience across a range of corporate organisations including ASX listed companies, government and not for profit in both mature and start-up businesses. Sheena has significant experience in mergers and acquisitions, business integration, strategy development and implementation, capital markets and organisational transformation. She has been a Director of Moneytime Health Pty Ltd since January 2007. Sheena is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

Mr Christian Bernecker

Mr Christian Bernecker is a Non-Executive Director of Uscom Ltd since November 2011 and was also a member of the Audit & Risk Committee until the Audit and Risk Committee was dissolved on 21 February 2014.
Christian is Executive Chairman of Stream Group Limited since February 2014 and was Director of Stream Group Holdings Pty Limited since August 2010. He is Director of a number of other private companies.
Christian has more than 10 years of broad investment experience across capital raising, merge and acquisition.
Christian is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce from Ballarat University.

Company Secretary's qualifications and experience

Ms Catherine Officer

Ms Catherine Officer was appointed the Company Secretary of Uscom Ltd on 18th July 2013. Catherine Officer is an experienced Company Secretary and Corporate Lawyer with over 20 years experience. She has previously held senior positions at ASX Limited and Macquarie Group. She has a Bachelor of Laws from the University of Melbourne.

Meetings of Directors

Directors	Board of Directors		Audit and Risk Committee	
	Meetings held while a Director	No. of meetings attended	Meetings held while a Director	No. of meetings attended
R A Phillips	8	8	-	-
S Jack	8	8	2	2
C Bernecker	8	7	2	2

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 $1,520,500 (2013: $1,371,683)

Dividends

No dividends were declared or recommended for the financial year ended 30 June 2014 (2013: nil).

Significant changes in state of affairs

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

Operating and financial review

The operating and financial review is stated per the Chairman's letter on pages 2 to 4.

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 Operating and Financial Review, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the Consolidated Entity.

Environmental 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, there were no non-audit 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 40 for details of auditors' remuneration.

The auditor's independence declaration as required under section 307C of the Corporation Act is set out on page 17 and forms part of the Directors' Report.

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

Remuneration report

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

Key management personnel

The following were key management personnel of the Entity at the start of the financial year to the date of this report unless otherwise stated:
Non-Executive Directors
Sheena Jack, Non-Executive Director
Christian Bernecker, Non-Executive Director
Executive Directors
Rob Phillips, Executive Director, Chairman, Chief Executive Officer
Senior Executives
Nick Schicht, General Manager

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

Remuneration policies

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

The Consolidated Entity has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of Board 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 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, 2,000,000 options owned by Dr Rob Phillips were cancelled at Dr Rob Phillips request. These options were issued to Dr Rob Phillips under the Executive Share Option Plan in November 2012.

Service agreements

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

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

Details of the employment agreement are as follows:

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

Due to the small number of Executives the remuneration committee comprises the Board of Directors which is made up of two Non-Executive Directors. Reference is made to external market information in order to retain the most suitable Executives for meeting the entity's goals. Executive Directors are excluded from discussions on their remuneration. The remuneration of key Executives are not linked with the Consolidated Entity's performance as the focus is on retention of key Executives to ensure growth and traction in what is a new market. The Board of Directors will consider linking executive remuneration to 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 2014.

	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	33,000	-	-	5,238	-	-	38,238
C Bernecker	38,238	-	-	-	-	-	38,238
Executive Director							
R Phillips	-	170,000	-	37,869	42,345[1]	16.9%	250,214
Senior Executive							
N Schicht	-	166,000	-	15,355	2,927	1.6%	184,282
Total	71,238	336,000	-	58,462	45,272	-	**510,972**

(1) In addition to the above, an expense of $70,210 resulted from the cancellation of 2,000,000 options for R Phillips in accordance with Australian Accounting Standards. No actual benefit accrued to R Phillips as a result of the cancellation.

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2013.

	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	55,417	-	-	4,987	-	-	60,404
C Bernecker	60,404	-	-	-	-	-	60,404
Executive Director							
R Phillips	-	170,000	-	15,300	91,538	33.1%	276,838
Senior Executive							
T Rowe (to 7 Nov 2012)	-	-	9,501(1)	-	-	-	9,501
S Prince (from 7 Nov 2012)	-	-	8,149(2)	-	-	-	8,149
N Schicht	-	166,000	-	14,940	12,665	6.5%	193,605
Total	115,821	336,000	17,650	35,227	104,203	-	608,901

(1) Payments were made to Company Matters Pty Ltd for the services provided by Mr Rowe.
(2) Payments were made to Company Matters Pty Ltd for the services provided by Ms Prince.

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 1 July 2013 No.	Granted During FY2014 No.	Exercised During FY2014 No.	Lapsed / Cancelled During FY2014 No.	Balance 30 June 2014 No.	Total vested 30 June 2014 No.	Total unexercisable 30 June 2014 No.
Non-Executive Director							
S Jack	-	-	-	-	-	-	-
C Bernecker	-	-	-	-	-	-	-
Executive Director							
R Phillips	3,000,000	-	-	(2,000,000)	1,000,000	500,000	500,000
Senior Executive							
N Schicht	300,000	-	-	-	300,000	225,000	75,000
Total	3,300,000	-	-	(2,000,000)	1,300,000	725,000	575,000

Details of options outstanding as at end of year

Holders No.	Grant date	Exercisable at 30 June 2014 %	Expiry date	30 June 2014 Outstanding Option No.	Exercise Price $	Issued date fair value $
8 (Employees & Executive)	29 March 2012	75%	29 March 2016	1,100,000	0.0595	0.06
1 (Director)	7 November 2012	50%	7 November 2016	1,000,000	0.0595	0.07
Total				2,100,000		

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

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

	Balance 1 July 2013 No.	Received as Remuneration No.	Options Exercised No.	Net change Other* No.	Balance 30 June 2014 No.
Non-Executive Director					
S Jack	630,000	-	-	166,667	796,667(1)
C Bernecker	-	-	-	-	-
Executive Director					
R Phillips	17,046,733	-	-	-	17,046,733(2)
Senior Executive					
N Schicht	18,200	-	-	-	18,200(3)
Total	17,694,933	-	-	166,667	17,861,600

*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) 6,432,924 of these ordinary shares are held by Australian Cardiac Sonography Pty Ltd as trustee for the Phillips Superannuation.

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

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

Dr Rob Phillips

Executive Director - Chairman

Sydney, 15 August 2014

Ms Sheena Jack

Non-Executive Director

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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF USCOM LIMITED AND ITS CONTROLLED ENTITY

As lead auditor of Uscom Limited and its controlled entity for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Uscom Limited and the entity it controlled during the period.

Tim Sydenham
Partner

BDO East Coast Partnership

Sydney, 15 August 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2014

		Consolidated	
Continuing operations		2014	2013
	Note	$	$
Revenue and other income	3	1,064,666	638,734
Raw materials and consumables used		(235,308)	(140,644)
Expenses from continuing activities	4	(2,662,908)	(2,241,981)
Loss before income tax credit from continuing operations		(1,833,550)	(1,743,891)
Income tax credit	5	313,050	372,208
Loss after income tax credit from continuing operations	6	(1,520,500)	(1,371,683)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations		(893)	4,246
Other comprehensive income for the year, net of tax		(893)	4,246
Total comprehensive income for the year		(1,521,393)	(1,367,437)
Attributable to:			
Owners of the Company		(1,521,393)	(1,367,437)
Total comprehensive income for the year		(1,521,393)	(1,367,437)
Earnings per share from continuing operations attributable to the owners of the Company			
Earnings per share (EPS)			
Basic earnings per share (cents per share)	7	(2.0)	(2.2)
Diluted earnings per share (cents per share)	7	(2.0)	(2.2)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		Consolidated	
		2014	2013
	Note	$	$
Current assets			
Cash and cash equivalents	8	1,582,834	541,195
Trade and other receivables	9	325,514	98,436
Inventories	10	216,870	190,654
Tax asset	11	313,050	372,208
Other assets	14	70,384	54,472
Total current assets		2,508,652	1,256,965
Non-current assets			
Plant and equipment	12	38,039	51,589
Intangible assets	13	1,222,518	1,506,634
Total non-current assets		1,260,557	1,558,223
Total assets		3,769,209	2,815,188
Current liabilities			
Trade and other payables	15	255,770	196,107
Short term provisions	16	172,474	241,797
Total current liabilities		428,244	437,904
Non-current liabilities			
Long term provisions	16	21,572	22,617
Total non-current liabilities		21,572	22,617
Total liabilities		449,816	460,521
Net assets		3,319,393	2,354,667
Equity			
Issued capital	17	26,006,168	23,638,157
Options reserve	18	1,638,582	1,520,474
Accumulated losses	6	(24,402,937)	(22,882,437)
Translation reserve	19	77,580	78,473
Total equity		3,319,393	2,354,667

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 2014

Consolidated	Issued Capital $	Options Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2012	21,526,920	1,379,673	(21,510,754)	74,227	1,470,066
Loss for the year	-	-	(1,371,683)	-	(1,371,683)
Other Comprehensive Income	-	-	-	4,246	4,246
Total Comprehensive Income for the year	-	-	(1,371,683)	4,246	(1,367,437)
Transactions with Owners in their capacity as owners:					
Shares Issued	2,284,944	-	-	-	2,284,944
Unissued share capital	(150,000)	-	-	-	(150,000)
Transaction costs on Shares Issued	(23,707)	-	-	-	(23,707)
Share-based payments	-	140,801	-	-	140,801
Balance at 30 June 2013	23,638,157	1,520,474	(22,882,437)	78,473	2,354,667
Loss for the year	-	-	(1,520,500)	-	(1,520,500)
Other Comprehensive Income	-	-	-	(893)	(893)
Total Comprehensive Income for the year	-	-	(1,520,500)	(893)	(1,521,393)
Transactions with Owners in their capacity as owners:					
Shares Issued	2,513,207	-	-	-	2,513,207
Transaction costs on Shares Issued	(145,196)	-	-	-	(145,196)
Share-based payments	-	118,108	-	-	118,108
Balance at 30 June 2014	26,006,168	1,638,582	(24,402,937)	77,580	3,319,393

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 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		829,424	621,253
Interest received		8,090	11,741
Payments to suppliers and employees (inclusive of GST)		(2,445,534)	(2,015,036)
Grant and other income received		74	4,213
Income tax receipt		372,208	406,253
Net cash used in operating activities	20(b)	(1,235,738)	(971,576)
Cash flows from investing activities			
Purchase of patents and trademarks		(87,726)	(92,929)
Purchase of plant and equipment		(2,908)	-
Net cash used in investing activities		(90,634)	(92,929)
Cash flows from financing activities			
Issue of shares (net of share issue cost)	17	2,368,011	1,061,237
Net cash provided by financing activities		2,368,011	1,061,237
Net increase/(decrease) in cash held		1,041,639	(3,268)
Cash and cash equivalents at the beginning of the year		540,600	548,238
Exchange rate adjustment for opening balance		595	(3,775)
Cash and cash equivalents at the end of the year	20 (a)	1,582,834	541,195

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

Note 1: Adoption of new and revised accounting standards

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The impact of these Accounting Standards or Interpretations is not expected to have significant impact with the exception of IFRS 15 Revenue from Contracts with customers, where the impact has not yet been assessed.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

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).

Note 2: Statement of significant accounting policies (continued)

Going Concern

The consolidated entity incurred an operating cash outflow of $1,235,738 for the year ended 30 June 2014 (2013: $971,576). The loss for the year ended 30 June 2014 was $1,520,500 (2013: $1,371,683), and the Company finished the year with $1,582,834 cash in the bank, up from $541,195 at end of FY 2013.

These conditions indicate the existence of a material uncertainty which may cast doubt over the consolidated entity's continuance as a going concern.

The FY 2014 operations report reflect the costs of acquisition, integration and manufacture of the BP+ device while receipts from the first Uscom BP+ devices, which are currently being manufactured, are scheduled to begin in Q2 of FY 2015. This new manufacture is expected to impact revenues in the proceeding 12-18mths. As part of this preparation the entity has significantly increased distribution capacity during the current period. Currently executed distributor contracts are targeted to boost revenue by an average of $2.3M pa, with Pioneer to begin selling in China following CFDA approval, which may be granted in the second half of FY 2015.

FY 2014 delivered a significant increase in USCOM sales, resulting in a 67% increase in revenue from ordinary activities, up from $638,734 to $1,064,666, and it is anticipated that this growth trend will continue as new distributors ramp up to target volumes.

Our budget forecasts have been predicated on conservative assumptions and cautious cash management. While China, our main market, remains strong, there remains a potential for markets to perform at the lower end of expectations, and we are well poised should they improve more rapidly.

If regulatory approvals are timely, current sales trends continue, new distributors achieve targets, and revenues increase over the next 12 to 18mths as anticipated, then current cash will meet requirements. However accurate forecasting of operating cash flows is difficult. Consequently should the timing of these cash flows be significantly different to those forecast, the consolidated entity may need to seek alternative financing options to enable it to settle its liabilities as they fall due.

The Directors are satisfied that adequate plans and strategies have been formulated and will be adopted as required to allow the company to have sufficient cash to meet its obligations through to 31st of August 2015 (12 months from date of audit report). On this basis the financial report has been prepared on the going concern basis.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

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 2014. The comparative reporting period was for the year ended 30 June 2013.

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 15 August 2014 by the Directors.

Note 2: Statement of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets, other than those at fair value through profit or loss, are reassessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Note 2: Statement of significant accounting policies (continued)

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.

(e) Principles of consolidation

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

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

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

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

(f) Foreign currency transactions and balances

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

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

(g) Revenue recognition

- Sale of goods

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and when the other contractual obligations of the Entity are performed.

- Revenue from rendering of services

Rendering of services consists of training, repair and product maintenance supplied to customers. Revenue is recognised when contractual obligations are expired and services are provided.

- Interest revenue

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

- Government grants

Government grants revenue is recognised at fair value when there is reasonable assurance that the grant will be received and the grant conditions will be met.

(h) Inventories

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

(i) Property, plant and equipment

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

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

Note 2: Statement of significant accounting policies (continued)

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%

(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 statement of profit or loss and other comprehensive income. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

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

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

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

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

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

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

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

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

The charge for current income tax expense/credit is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is credited using tax rates that have been enacted or are substantively enacted by the reporting date.

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 settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

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

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

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Consolidated Entity has a present obligation to pay resulting from employee services provided up to reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

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

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

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

(s) Share-based payment arrangement
Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share based payment transaction.

For equity-settled share based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

(t) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of

Note 2: Statement of significant accounting policies (continued)

the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(u) Receivables
Trade receivables and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts. An estimated doubtful debt is made when collection of the full amount is no longer probable.

(v) 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.

(w) 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.

(x) 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	
	2014	2013
	$	$
Note 3: Revenue and other income		
Operating revenue		
Sale of goods	1,056,502	578,753
Other revenue		
Interest received	8,090	11,741
Other income		
Grants received - VAT return	74	684
Exchange gain	-	44,027
Miscellaneous income	-	3,529
Total other income	8,164	48,240
Total revenues and other income from continuing operations	1,064,666	638,734
Note 4: Expenses from continuing activities, excluding finance costs		
Depreciation and amortisation expenses	210,030	79,022
Impairment of patents	178,269	15,161
Employee benefits expense	793,120	866,313
Research and development expenses	396,522	531,395
Advertising and marketing expenses	494,900	216,769
Occupancy expenses	134,442	149,733
Auditors remuneration (audit)	41,000	46,000
Auditors remuneration (audit review)	19,500	18,500
Regulatory expenses	83,188	70,817
Administrative expenses	287,056	248,271
Exchange losses	24,881	-
Total expenses from continuing activities, excluding finance costs	2,662,908	2,241,981

Operating lease expenses of $120,140 in 2014 (2013: $135,677) are included in occupancy expenses above.

Share based expenses of $118,108 in 2014 (2013: $140,801) are included in employee benefits expenses above.

	Consolidated 2014 $	2013 $
Note 5: Income tax credit		
Major components of income tax credit		
Current income tax credit	313,050	372,208
Income tax credit	313,050	372,208
Reconciliation between income tax credit and prima facie tax on accounting loss		
Accounting loss before income tax	1,833,550	1,743,891
Tax benefit at 30% in Australia, 15% in USA (2013: 30% in Australia)	551,615	524,782
Tax effect on non-deductible expenses	(225,377)	(279,507)
Temporary differences	(8,060)	(10,015)
Deferred tax asset not brought to account	(318,178)	(235,260)
Research and development tax offset - current year	313,050	372,208
Income tax credit	313,050	372,208

As at 30 June 2014, the Consolidated Entity had estimated unrecouped operating income tax losses of $17,017,122 (2013: $15,821,412). The benefit of these losses of $4,910,427 (2013: $4,570,418) 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.

	2014	2013
Note 6: Accumulated losses		
Accumulated losses at the beginning of the financial year	(22,882,437)	(21,510,754)
Net loss attributable to members of the Entity	(1,520,500)	(1,371,683)
Accumulated losses at the end of the financial year	(24,402,937)	(22,882,437)

	2014	2013
Note 7: Earnings per share		
Loss after tax used in calculation of basic and diluted EPS	(1,520,500)	(1,371,683)
	Number	Number
Weighted average number of ordinary shares during the year used in calculation of basic EPS	74,712,512	61,174,959
Weighted average number of options outstanding	4,400,068	5,227,226
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	79,112,580	66,402,185
Basic earnings per share (cents per share)	(2.0)	(2.2)
Diluted earnings per share (cents per share)	(2.0)	(2.2)

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.

	2014	2013
Note 8: Cash and cash equivalents		
Cash on hand	215	177
Bank: Cheque accounts	725,523	438,960
Bank: Cash management	16,340	33,749
Bank: Term deposits	840,756	35,230
Bank: Deposit at call	-	33,079
Total cash and cash equivalents	1,582,834	541,195

	Consolidated	
	2014	2013
	$	$
Note 9: Trade and other receivables		
Current		
Trade receivables	325,514	98,436
Total current receivables	325,514	98,436

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 21.

	2014 $	2013 $
Note 10: Inventories		
Current inventories at cost		
Raw materials	139,933	163,029
Work in Progress	39,912	-
Finished products	37,025	27,625
Total inventories	216,870	190,654
Note 11: Tax asset		
Income tax credit	313,050	372,208
Total tax asset	313,050	372,208
Note 12: Plant and equipment		
Plant and equipment at cost	564,251	562,158
Accumulated depreciation	(529,431)	(514,028)
	34,820	48,130
Office furniture and equipment at cost	59,166	59,166
Accumulated depreciation	(57,114)	(56,752)
	2,052	2,414
Computer software at cost	22,120	22,120
Accumulated depreciation	(21,939)	(21,819)
	181	301
Low value asset pool at cost	32,871	32,089
Accumulated depreciation	(31,885)	(31,345)
	986	744
Total plant and equipment	38,039	51,589

Movements in carrying amounts	Plant and equipment	Office furniture and equipment	Computer software	Low value asset pool
Useful life	2-7 years	2-7 years	3 years	3 years
	$	$	$	$
Consolidated Entity				
Carrying amount at 1 July 2013	48,130	2,414	301	744
Additions	2,128	-	-	782
Disposals	-	-	-	-
Depreciation expense	(15,438)	(362)	(120)	(540)
Effects of foreign currency exchange differences	-	-	-	-
Carrying amount at 30 June 2014	34,820	2,052	181	986

		Consolidated 2014 $	2013 $
Note 13: Intangible assets			
Non-current			
Patents at cost		1,889,364	762,330
Additions		87,726	1,142,928
Impairment		(203,460)	(15,894)
Accumulated amortisation, net of impairment		(551,112)	(382,730)
Carrying amount at 30 June		1,222,518	1,506,634
Movements in carrying amounts			
Carrying amount at 1 July		1,506,634	435,472
Additions	(i)	87,726	1,142,928
Impairment		(178,269)	(15,161)
Amortisation		(193,573)	(56,605)
Carrying amount at 30 June		1,222,518	1,506,634

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 Statement of Profit or Loss and Other Comprehensive Income. An impairment charge of $178,269 has been recognised in the current year (2013: $15,161) in relation to Patents carried in Australia where there has not yet been sufficient sales generated to support the full carrying value. The remaining carrying value of Australian patents after impairment is $62,137. The impairment charge is recorded under Expenses from Continuing Activities (refer to note 4).

(i) $1,106,497 of additions in the year ended 30 June 2013 related to the acquisition of Pulsecor Limited's assets – refer to note 24 for more details.

	2014 $	2013 $
Note 14: Other assets		
Current		
GST receivable	29,136	20,547
Deposit paid	26,327	17,331
Prepayments	14,921	16,594
Total other current assets	70,384	54,472
Note 15: Trade and other payables		
Current		
Trade payables	61,508	107,976
Sundry payables and accrued expenses	165,404	55,652
Employee related payables	28,858	32,479
Total payables	255,770	196,107
Note 16: Provisions		
Current		
Provision for annual leave	85,390	115,819
Provision for long service leave	87,084	125,978
	172,474	241,797
Non-current		
Provision for long service leave	12,672	14,936
Provision for warranties	8,900	7,681
	21,572	22,617
(a) Aggregate employee benefits	185,146	256,733

		Consolidated 2014 $	2013 $
Note 16: Provisions (continued)			
(b) Movement in employee benefits			
Balance at beginning of the year		256,733	242,717
Additional provision		46,220	95,383
Amounts used		(117,807)	(81,367)
Balance at end of the year		185,146	256,733
Note 17: Issued capital			
Issued capital			
Fully paid ordinary shares		26,006,168	23,638,157
Total contributed equity		26,006,168	23,638,157
Movement in issued capital			
Shares on issue at the beginning of the year		23,638,157	21,376,920
2,000,000 ordinary shares issued at 7.5 cents	(i)		150,000
9,034,997 ordinary shares issued at 12 cents			1,084,200
12,500 ordinary shares issued at 5.95 cents			744
5,000,000 ordinary shares issued at 21 cents			1,050,000
87,500 ordinary shares issued at 5.95 cents	(ii)	5,206	
150,000 ordinary shares issued at 20 cents	(ii)	30,000	
7,266,668 ordinary shares issued at 15 cents	(ii)	1,090,000	
5,783,337 ordinary shares issued at 24 cents	(ii)	1,388,001	
Share issue costs	(ii)	(145,196)	(23,707)
Issued Equity at the end of the year		26,006,168	23,638,157

(i) Cash received in prior year (refer to note 18).
(ii) Cash received / (paid) in current year totalling $2,368,011

Fully paid ordinary shares	Number	Number
Ordinary shares at the beginning of the year	68,171,985	52,124,488
2,000,000 ordinary shares issued by private placement		2,000,000
9,034,997 ordinary shares issued by private placement		9,034,997
12,500 ordinary shares issued by exercise of options		12,500
5,000,000 ordinary shares issued for acquisition of assets		5,000,000
25,000 ordinary shares issued by exercise of options on 30 July 2013	25,000	
150,000 ordinary shares issued by private placement on 6 August 2013	150,000	
62,500 ordinary shares issued by exercise of options on 18 September 2013	62,500	
7,100,001 ordinary shares issued by private placement on 18 September 2013	7,100,001	
166,667 ordinary shares issued by private placement on 14 November 2013	166,667	
5,783,337 ordinary shares issued at by private placement on 24 May 2014	5,783,337	
Total ordinary shares at the end of the year	81,459,490	68,171,985

The Company's authorised share capital amounted to 81,459,490 ordinary shares of no par value at 30 June 2014.

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.

	Consolidated	
	2014	2013
	$	$

Note 18: 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.

	2014	2013
Effect of share-based payment transactions		
Share Option Plan		
Options reserve balance at the beginning of the year	1,520,474	1,379,672
Expenses arising from share-based payment transactions	118,108	140,801
Options reserve balance for Share Option Plan at the end of the year	1,638,582	1,520,473
OSI Systems		
Right to participate in options	-	1
Option reserve at the end of the year	1,638,582	1,520,474

Movement during the financial year	Number of Options 2014	Weighted average exercise price	Number of Options 2013	Weighted average exercise price
Opening number of options	6,287,500	0.16	3,560,000	0.25
Granted during the financial year – Director	-	-	3,000,000	0.06
Granted during the financial year – Employees & Executives	-	-	-	-
Lapsed during the financial year	(2,050,000)	0.37	(260,000)	0.29
Cancelled during the financial year	(2,050,000)	0.06		
Exercised during the financial year	(87,500)	0.06	(12,500)	0.06
Closing number of options	2,100,000	0.06	6,287,500	0.16

Details of options outstanding as at end of the year

Holders No.	Grant date	Exercisable at 30 June 2014	Expiry date	30 June 2014 Outstanding Option	Exercise Price	Issued date fair value
		%		No.	$	$
8 (Employees & Executives)	29 March 2012	75%	29 March 2016	1,100,000	0.0595	0.06
1 (Director)	7 November 2012	50%	7 November 2016	1,000,000	0.0595	0.07
Total				2,100,000		

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 $0.17
Exercise price	2,100,000 at $0.0595
Option life	4-5 years
Risk-free interest rate	Range from 3.15% to 4.17%
Expected dividends	0
Expected volatility*	Range from 62% to 76%

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

	Consolidated	
	2014	2013
	$	$
Note 19: Translation reserve		
Opening balance	78,473	74,227
Translation of financial statements of foreign Controlled Entity	(893)	4,246
Closing balance	77,580	78,473
Note 20: Cash flow information		
(a) Reconciliation of cash		
Cash at bank and on hand	1,582,834	541,195
Total cash at end of year	1,582,834	541,195
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax		
Loss from continuing operations after income tax	(1,520,500)	(1,371,683)
Non cash flows in loss from continuing operations		
Depreciation	16,457	22,417
Amortisation	193,573	56,605
Impairment of patents	178,269	15,161
Options reserve	118,108	140,801
Translation reserve	(893)	4,246
(Increase)/decrease in assets		
Trade debtors	(227,078)	42,500
Inventories	(26,216)	(5,365)
Prepayments	(7,323)	(3,046)
Income tax	59,158	34,045
GST assets	(8,589)	(9,480)
Increase/(decrease) in liabilities		
Trade payables	(46,468)	70,392
Sundry payables and accrued expenses	109,752	14,633
Employee related payables	(3,621)	2,725
Employee provisions	(71,587)	14,016
Other provisions	1,220	457
Net cash used in operating activities	(1,235,738)	(971,576)

Note 21: Financial instruments

(a) Significant accounting policies

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

(b) Capital risk management

The Consolidated Entity manages its capital to ensure that companies in the Consolidated Entity are able to continue as a going concern. The capital structure of the Entity consists of cash and cash equivalents (note 8 on page 29) and equity attributable to equity holders of the Parent Entity, comprising issued capital (note 17 on page 32), and accumulated losses (note 6 on page 29).

(c) Outstanding contracts

At 30 June 2014, there were no outstanding contracts.

(d) Financial risk management objectives

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

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

Note 21: Financial instruments (continued)

(e) Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Consolidated Entity does not have any forward foreign exchange contracts as at 30 June 2014 and is exposed to foreign currency risk on sales and purchases denominated in a currency other than Australian dollars.

The currencies giving rise to this risk is primarily the US Dollar, 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	
	2014	2013
	US$	US$
Cash	290,166	304,132
Current trade debtors	258,745	70,525
Current trade creditors	1,365	17,400
	€	€
Cash	50,961	17,252
Current trade debtors	20,300	-
	£	£
Current trade debtors	11,860	13,600

(f) Foreign currency sensitivity

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

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

	Consolidated	
	2014	2013
	$	$
Profit/Loss - increase 10% (US$) and 5% (€) & (£)	(99,371)	(54,055)
- decrease 10% (US$) and 5% (€) & (£)	99,371	54,055

(g) Interest rate risk management

The Consolidated Entity does not have any external loans or borrowings as at 30 June 2014 and is not exposed to interest rate risks related to debt.

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

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

Note 21: Financial instruments (continued)

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

	Consolidated	
	2014	2013
	$	$
Profit/Loss - increase 100 basis points	809	1,174
- decrease 100 basis points	(809)	(1,174)

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

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

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

	Consolidated	
Debtors past due but not impaired	2014	2013
	$	$
0 - 45 days	141,566	-
46 – 90 days	5,974	-
Over 90 days	44,603	-
Total	192,143	-

No bad debt was written off during the year (2013: $Nil). There was no doubtful debt provision as at 30 June 2014 (2013: Nil). All the past due debts of $192,143 have been received (except $108) subsequent to the reporting date.

(j) Liquidity risk management
The objective for managing liquidity risk is to ensure the business has sufficient working capital or access to working capital as and when required.

The Consolidated Entity limits its exposure to liquidity risk by holding the majority of its assets in cash or term deposits which can be quickly converted to cash if required.

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

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

Note 21: Financial instruments (continued)

Consolidated	Weighted Average effective interest Rate %	Floating interest $	Fixed interest rate maturing: Within 1 year $	Fixed interest rate maturing: 1 to 5 years $	Non-interest bearing $	Total $
2014						
Financial assets						
Cash	2.3	742,078	840,756	-	-	1,582,834
Trade receivables		-	-	-	325,514	325,514
Other receivables	-	-	-	-	29,136	29,136
Total financial assets		742,078	840,756	-	354,650	1,937,484
Financial liabilities						
Trade creditors		-	-	-	61,508	61,508
Payables		-	-	-	28,858	28,858
Total financial liabilities		-	-	-	90,366	90,366
Net financial assets		742,078	840,756	-	264,284	1,847,118
2013						
Financial assets						
Cash	0.5	505,965	35,230	-	-	541,195
Trade receivables		-	-	-	98,436	98,436
Other receivables	-	-	-	-	20,547	20,547
Total financial assets		505,965	35,230	-	118,983	660,178
Financial liabilities						
Trade creditors		-	-	-	107,976	107,976
Payables		-	-	-	32,479	32,479
Total financial liabilities		-	-	-	140,455	140,455
Net financial assets		505,965	35,230	-	(21,472)	519,723

Reconciliation of net financial assets to net assets	2014 $	2013 $
Net financial assets as above	1,847,118	519,723
Non financial assets and liabilities		
Current tax asset	313,050	372,208
Inventories	216,870	190,654
Deposit paid	26,327	17,331
Prepayments	14,921	16,594
Plant and equipment	38,039	51,589
Intangible assets	1,222,518	1,506,634
Accruals	(165,404)	(55,652)
Provisions	(194,046)	(264,414)
Net assets per Statement of Financial Position	3,319,393	2,354,667

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

Uscom

Note 22: Related party disclosures

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

Parent and Controlled Entity
Parent Entity

Significant investments in subsidiaries:	Uscom, Inc.
Country of subsidiary incorporation:	U.S.A
Proportion of ownership interest:	100%

Consolidated
The Parent and Ultimate Parent Entity is Uscom Ltd.

	Consolidated	
	2014	2013
	$	$
Transactions between related parties		
Other related parties		
Company Matters Pty Limited		
As a Company Secretary of Uscom Ltd from 7th November 2012, Ms Sarah Prince provides services to the Company through Company Matters Pty Limited.		
Services rendered	-	8,149
Company Matters Pty Limited		
As a Company Secretary of Uscom Ltd up to 7th November 2012, Mr Tom Rowe provided services to the Company through Company Matters Pty Limited.		
Services rendered	-	9,501

Company Matters Pty Limited continues to provide company secretary services to the company. The services were carried out by Sarah Prince up to 18 July 2013 and by Catherine Officer from this day onwards. The management of the Consolidated Entity no longer considers the services provided by Company Matters Pty Limited as transactions between related parties.

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

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

For further remuneration information of key management personnel refer to the remuneration report in the Directors' report on pages 10 to 16.

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	
	2014	2013
	$	$
Short-term employee benefits	407,238	451,821
Post-employment benefits	58,462	35,227
Other payments	-	17,650
Share-based payment	115,482	104,203
Total key management personnel remuneration	581,182	608,901

	Parent	
	2014	2013
	$	$
Note 23: Parent entity information		
Set out below is the supplementary information about the parent entity.		
Statement of comprehensive income		
Loss after income tax credit	(1,535,874)	(1,382,447)
Total comprehensive income	(1,535,874)	(1,382,447)
Statement of financial position		
Total current assets	2,484,085	1,212,639
Total assets	3,622,481	2,683,950
Total current liabilities	424,474	435,145
Total liabilities	446,046	457,762
Equity		
Contributed equity	26,006,168	23,638,157
Options reserve	1,638,582	1,520,474
Accumulated losses	(24,468,315)	(22,932,443)
Total equity	3,176,435	2,226,188

Contingent liabilities
The parent entity has provided a guarantee in respect of obligations under premises lease of $40,418.01 (2013: nil). No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee.

Other than the guarantee mentioned above, the parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

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

Note 24: Asset acquisition

On 17 June 2013, Uscom Limited acquired the assets of Pulsecor Limited, a New Zealand company which has developed novel non-invasive central blood pressure measurement methods pioneered at the Weill Cornell Medical College in New York. The acquired assets include all Pulsecor technology, products and 34 global patents and patent applications and 4 trademarks related to measurement and monitoring of blood pressure. Uscom Limited has issued 5 million fully paid ordinary Uscom shares as consideration for the acquisition.

Details of the acquisition are as follows:	Fair Value
	$
Patents	1,106,497
Acquisition-date fair value of the total consideration transferred	1,106,497
Representing:	
Shares issued	1,050,000
Legal fees paid	56,497
	1,106,497

There was no cash used in the acquisition apart from the legal fees paid.

	Consolidated	
	2014	2013
	$	$
Note 25: Commitments		
Operating lease commitments		
Operating commitments represent payments due for office rentals and have an average term from 18 to 30 months and month to month thereafter.		
Less than 1 year	131,862	-
Between 1 and 5 years	67,334	-
Total operating commitments	199,196	-
Note 26: Auditors' remuneration		
Remuneration of BDO East Coast Partnership for		
Audit of financial report	41,000	46,000
Review of financial report	19,500	18,500
Total auditors' remuneration	60,500	64,500

Note 27: Operating segments

Segment information

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

The Consolidated Entity sells two cardiovascular products, the USCOM A1 cardiac output monitor and the Uscom BP+ central blood pressure monitor.

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

The largest customer group operates in Asia and accounts for 35% of the total sales. The second largest customer accounts for 16% of the total sales revenues and operates in Europe. For the current period BP+ comprised 5% of the total Uscom sales revenue.

Basis of accounting for purposes of reporting by operating segments

Accounting policies

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

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

Note 27: Operating segments (continued)

	Australia $	Asia $	Americas $	Europe $	Other regions	Consolidated $
2014						
Sales to external customers	2,950	407,150	153,916	441,588	50,898	1,056,502
Other revenues	8,090	-	-	74	-	8,164
Total segment revenues	11,040	407,150	153,916	441,662	50,898	1,064,666
Segment expenses	2,015,246	140,538	455,907	261,891	24,634	2,898,216
Segment result	(2,004,206)	266,612	(301,991)	179,771	26,264	(1,833,550)
Income tax credit	313,050	-	-	-	-	313,050
Consolidated loss from ordinary activities after income tax credit						(1,520,500)
Segment assets	2,508,325	156,604	417,815	686,466	-	3,769,210
Segment liabilities	446,046	-	3,770	-	-	449,816
Acquisition of property, plant and equipment and intangibles	19,080	6,212	41,516	23,828	-	90,636
Impairment of patents	178,141	-	128	-	-	178,269
Depreciation and amortisation	56,327	22,288	33,728	97,687	-	210,030

	Australia $	Asia $	Americas $	Europe $	Other regions	Consolidated $
2013						
Sales to external customers	-	316,186	37,298	162,417	62,852	578,753
Other revenues	59,297	-	-	684	-	59,981
Total segment revenues	59,297	316,186	37,298	163,101	62,852	638,734
Segment expenses	1,949,598	99,809	199,981	107,963	25,274	2,382,625
Segment result	(1,890,301)	216,377	(162,683)	55,138	37,578	(1,743,891)
Income tax credit	372,208	-	-	-	-	372,208
Consolidated loss from ordinary activities after income tax credit						(1,371,683)
Segment assets	1,487,679	172,681	394,504	760,324	-	2,815,188
Segment liabilities	457,762	-	2,759	-	-	460,521
Acquisition of property, plant and equipment and intangibles	287,409	177,454	97,459	586,347	-	1,148,669
Impairment of patents	10,631	4,530	-	-	-	15,161
Depreciation and amortisation	28,114	244	24,671	25,993	-	79,022

Note 28: Contingencies

Other than the guarantee mentioned at Note 23, the consolidated entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

Note 29: Events after the reporting date

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

The directors of the company declare that:

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

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

    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.

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

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

Dr Rob Phillips

Executive Director - Chairman

Ms Sheena Jack

Non-Executive Director

Sydney, 15 August 2014

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Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Uscom Limited and its controlled entity

Report on the Financial Report

We have audited the accompanying financial report of Uscom Limited and its controlled entity, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 entity 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.

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 and its controlled entity, 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 and its controlled entity 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 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the consolidated entity incurred a net loss after tax of $1,520,500 and incurred net operating cash outflows of $1,235,738 for the year ended 30 June 2014.

These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2014. 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 and its controlled entity for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Tim Sydenham
Partner

Sydney, 15 August 2014

SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 July 2014.

(a) Distribution Schedules of Shareholder

Holdings Ranges	Holders Number	Ordinary shares Number	%
1 – 1,000	107	75,460	0.09%
1,001 – 5,000	188	543,920	0.67%
5,001 – 10,000	74	593,645	0.73%
10,001 – 100,000	126	4,931,115	6.05%
100,001 – 99,999,999,999	61	75,315,350	92.46%
Total	556	81,459,490	100%

There were 182 holders of less than a marketable parcel of 208,423 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 2014 are:

Dr Robert Allan Phillips	17,046,733
Dr Stephen Frederick Woodford	10,268,475
Hsbc Custody Nominees (Australia) Limited - A/C 2	6,266,609
Hsbc Custody Nominees (Australia) Limited	3,338,333
Narodni Podnik Ltd	2,746,218

(d) Twenty largest registered holders – ordinary shares

Balance as at 31 July 2014	Ordinary shares Number	%
Dr Robert Allan Phillips	17,046,733	20.93%
Dr Stephen Frederick Woodford	10,268,475	12.61%
Hsbc Custody Nominees (Australia) Limited - A/C 2	6,266,609	7.69%
Hsbc Custody Nominees (Australia) Limited	3,338,333	4.10%
Narodni Podnik Ltd	2,746,218	3.37%
Drp Cartons (Nsw) Pty Ltd <Drp Cartons (Nsw) Pl S/F A/C>	2,359,616	2.90%
Corf Corporation Pty Limited <Maddison Family S/F A/C>	2,266,667	2.78%
Bell Potter Nominees Ltd <Bb Nominees A/C>	2,121,836	2.61%
Invia Custodian Pty Limited <Riverbel Family No 3 A/C>	2,088,118	2.56%
Merrill Lynch (Australia) Nominees Pty Limited	2,014,982	2.47%
Moore Family Nominee Pty Ltd <Moore Family Super Fund A/C>	1,900,000	2.33%
Mr Fredrik Holger Uden	1,544,970	1.90%
Link Traders (Aust) Pty Ltd	1,220,809	1.50%
Ubs Nominees Pty Ltd	1,197,834	1.47%
Big Macs Pty Ltd <Madmacs Super Fund A/C>	1,169,111	1.44%
Mr John Lionel Gleeson	1,145,819	1.41%
Ubs Wealth Management Australia Nominees Pty Ltd	1,125,000	1.38%
Sandhurst Trustees Ltd <Australian New Horizons A/C>	1,041,667	1.28%
Arinya Investments Pty Ltd	1,022,101	1.26%
Ross Planning Pty Ltd <S Alston Superannuation A/C>	1,000,001	1.23%
Total	62,884,899	77.22%

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
Catherine Officer (commenced on 18th July 2013)

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 81,459,490 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities
Options over unissued shares
A total of 2,100,000 options over ordinary shares are on issue. 1,000,000 options are on issue to a director and 1,100,000 options are on issue to eight employees and executives under the Uscom Employee Share Option Plan and Uscom Executive Share Option Plan.