



Uscom

ASX Media Release

Uscom Limited and its controlled entities

ABN 35 091 028 090

ASX Appendix 4D Half yearly report – 31 December 2021

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Uscom

ASX Media Release

Reporting period ended:
Previous corresponding reporting period:

31 December 2021
31 December 2020

Results for announcement to the market

Revenue and other income	down	41%	to	\$1,604,604
Loss from ordinary activities after tax attributable to members	up	250%	to	\$943,290
Net Loss for the period attributable to members	up	250%	to	\$943,290

Dividends per share

It is not proposed to pay a dividend.

Net Tangible Asset per ordinary share

	31 December 2021	31 December 2020
NTA backing	3.9c	1.0c

Status of review

The consolidated entity's Half-Year Report contains an independent review report that is not subject to a modified conclusion, emphasis of matter or other matter paragraph.

Commentary

Refer Executive Chairman review of operations in page 2-3.

Financial highlights

Revenue and other income	\$1,604,604
Loss from ordinary activities	\$943,290
Sales revenue	\$1,100,569
Net operating cash outflow	\$243,431
Net increase in cash held	\$3,799,988
Cash held at end of the period	\$5,537,036

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DIRECTORS' REPORT

Your directors present the financial report of Uscom Ltd and its controlled entities for the half-year ended 31 December 2021.

Directors

The names of directors who held office during the whole of the half-year and up to the date of this report are:

Dr Rob Phillips

Mr Christian Bernecker

Mr Brett Crowley

Mr Xianhui Meng

Pandemic impacts H1 global markets with H2 recovery underway.

Results

Uscom results for H1 were generally healthy but below forecast and established growth rates. H1 was a difficult period globally, impacted by the Delta and Omicron waves of the pandemic just as markets showed promise of recovery from the original COVID-19. This resulted in a decrease in sales and receipts and an increase in after tax losses, while cash on hand was significantly increased.

China

The Chinese market is transitioning rapidly with the introduction and national adoption of domestic manufacturing regulations and guide-lines impacting sales opportunities and forecasts. Additionally, the stringent zero-COVID policy continues to restrict health spending. Uscom is responding to these challenges with plans to immediately activate local manufacturing and to expand Uscom China's operations and distribution networks. Uscom has developed a strategic pathway for the Chinese market, and is in conversation with major partners for development and expansion of our China operations. Australia's geopolitical conflict with China is also increasingly impacting Australian businesses in the Chinese market, and creating significant commercial headwinds.

SE Asia

Uscom has now established its SE Asian regional HQ in Singapore, Uscom SNG, to utilise the healthy global commercial relationships Singapore has with China, Asia, Europe and the US. Uscom's intention is to continue to grow Uscom SNG as a sales distribution hub to better access the 1.4B Chinese market and the SE Asia population of ~680m. From this new SNG hub we plan to deliver China manufactured goods to the world with significantly reduced costs and improved geographical access.

Europe

Our strategic consolidation of European operations continues to be impaired by the intermittent waves of the COVID pandemic. The European response to the pandemic has been neither uniform nor predictable with episodic shut downs effecting product demonstrations and customer visits. This has resulted in a significant loss of sales for the period and a small operating loss for Uscom Europe in H1. A pragmatic "living with the pandemic" approach to business operations has begun in Europe which is re-opening customer access and restoring Uscom sales pipelines.

US

Sales for H1 in the US have also been significantly impacted by the pandemic, but the market is rapidly transitioning to growth mode with increased sales activity, new distributors and growing pipelines. This is being driven by the rapid strengthening of the Maternal Health applications of the USCOM 1A. This trend of recovery should be augmented by the impending FDA approval of the SpiroSonic devices, which includes our newly released and sector leading digital health spirometer; the SpiroSonic AIR.

Risks

Uscom's optimism for the period ahead is predicated on the recovery of normal sales activities, and the absence of new waves of COVID variants which may impact our commercial forecasts. China is also in flux and Australian geopolitics continues to impair healthy business relationships with China and SE Asia. We believe our increasing focus on local manufacturing in China and expansion of Uscom SNG may mitigate these risks. We will also continue to remain focused on our activities in the recovering global markets of Europe and the US as the pandemic recedes.

Summary

Uscom's results for H1 FY22 are healthy considering the global headwinds, and despite falling short of our forecasts. The half has been a challenge characterised by an unpredictable and unprecedented global pandemic, with the superimposed complications of Australia's geopolitical excursions into China and SE Asia. Regardless, our results demonstrate a resilient performance with healthy sales and sales pipelines, and significant cash reserves. Further our growth strategy is sound, and is in mid execution. Our new Asian focused strategy shifts Uscom into the epicentre of the world's fastest growing economies, equipped with an expanding quiver of sector leading cardiovascular and pulmonary technologies, positioning Uscom perfectly for the predicted growth in these regions over the foreseeable years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Professor Rob Phillips
Chairman
Sydney, 23 February 2022

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Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF USCOM LIMITED

As lead auditor for the review of Uscom Limited for the half-year ended 31 December 2021, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J. Bresolin', is written over a light grey watermark that says 'For personal use only'.

John Bresolin
Director

BDO Audit Pty Ltd

Sydney, 23 February 2022

Uscom Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2021

Continuing operations

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Revenue and other income	2	1,604,604	2,737,950
Raw materials and consumables used		(127,179)	(396,558)
Expenses from continuing activities	3	(2,401,106)	(2,600,871)
Loss before income tax from continuing operations		(923,681)	(259,479)
Income tax expense		(19,609)	(10,182)
Loss after income tax from continuing operations		(943,290)	(269,661)

Other comprehensive income

Items that may be reclassified subsequently to profit or loss

Foreign currency translation difference for foreign operations		9,161	83,407
Other comprehensive income for the period		9,161	83,407
Total comprehensive (loss) for the period		(934,129)	(186,254)

Attributable to:

Owners of the Company		(934,129)	(186,254)
Total comprehensive (loss) for the period		(934,129)	(186,254)

Earnings per share (EPS)

Basic (loss) per share (cents per share)	(0.6)	(0.2)
Diluted (loss) per share (cents per share)	(0.6)	(0.2)

This Consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the annual financial report for the year ended 30 June 2021 and the attached notes.

Interim Financial Report

Appendix 4D Half Yearly Report

Uscom Limited and its controlled entities
Consolidated statement of financial position
as at 31 December 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Current assets			
Cash and cash equivalents		5,537,036	1,710,554
Trade and other receivables		299,524	404,366
Inventories		997,336	894,877
Tax assets		219,207	441,283
Total current assets		7,053,103	3,451,080
Non-current assets			
Bank guarantee		83,457	83,457
Plant and equipment		70,616	99,310
Intangible assets	4	510,860	469,684
Right-of-use assets		1,156,266	1,231,438
Total non-current assets		1,821,199	1,883,889
Total assets		8,874,302	5,334,969
Current liabilities			
Trade and other payables		575,103	556,020
Provisions		178,558	203,765
Lease liabilities		192,848	189,050
Total current liabilities		946,509	948,835
Non-current liabilities			
Provisions		76,702	67,652
Lease liabilities		1,186,371	1,240,884
Total non-current liabilities		1,263,073	1,308,536
Total liabilities		2,209,582	2,257,371
Net assets		6,664,720	3,077,598
Equity			
Issued capital	5	39,070,613	34,665,560
Options and rights reserve	6(i)	3,384,447	3,268,249
Accumulated losses		(35,883,658)	(34,940,368)
Foreign currency translation reserve		93,318	84,157
Total equity		6,664,720	3,077,598

This Consolidated statement of financial position is to be read in conjunction with the annual financial report for the year ended 30 June 2021 and the attached notes.

Interim Financial Report

Appendix 4D Half Yearly Report

Uscom Limited and its controlled entities
Consolidated statement of changes in equity
for the half year ended 31 December 2021

	Issued capital \$	Options and rights reserve \$	Other reserves \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1 July 2020	34,197,430	2,907,072	300,000	(34,016,125)	33,968	3,422,345
Loss for the period	-	-	-	(269,661)	-	(269,661)
Other comprehensive income	-	-	-	-	83,407	83,407
Total comprehensive loss for the period				(269,661)	83,407	(186,254)
<i>Transactions with owners in their capacity as owners:</i>						
Shares Issued	309,000	-	-	-	-	309,000
Transaction costs on Shares Issued	(7,026)	-	-	-	-	(7,026)
Share-based payments	95,000	114,937	-	-	-	209,937
Unissued equity	-	-	(300,000)	-	-	(300,000)
Total transactions with owners	396,974	114,937	(300,000)	-	-	211,911
Balance at 31 December 2020	34,594,404	3,022,009	-	(34,285,786)	117,376	3,448,002
Balance at 1 July 2021	34,665,560	3,268,249	-	(34,940,368)	84,157	3,077,598
Loss for the period	-	-	-	(943,290)	-	(943,290)
Other comprehensive income	-	-	-	-	9,161	9,161
Total comprehensive income for the period	-	-	-	(943,290)	9,161	(934,129)
<i>Transactions with owners in their capacity as owners:</i>						
Shares Issued	4,301,390	-	-	-	-	4,301,390
Transaction costs on Shares Issued	(33,837)	-	-	-	-	(33,837)
Share-based payments	137,500	116,198	-	-	-	253,698
Total transactions with owners	4,405,053	116,198	-	-	-	4,521,251
Balance at 31 December 2021	39,070,613	3,384,447	-	(35,883,658)	93,318	6,664,720

This Statement of Changes in Equity is to be read in conjunction with the annual financial report for the year ended 30 June 2021 and the attached Notes.

Uscom Limited and its controlled entities
Consolidated statement of cash flows
for the half year ended 31 December 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Receipts from customers		1,344,567	2,811,544
Payments to suppliers and employees		(2,292,125)	(2,877,582)
Grants received		694,537	579,018
Interest received		9,590	17,941
Net cash used in operating activities		(243,431)	530,921
Cash flows from investing activities			
Purchase of patents and trademarks	4	(90,906)	(22,508)
Purchase of plant and equipment		(1,258)	(6,774)
Net cash used in investing activities		(92,164)	(29,282)
Cash flows from financing activities			
Proceeds from issue of shares and options	5	4,301,390	-
Share issue costs	5	(33,837)	(7,026)
Repayment of lease liability		(131,970)	(137,111)
Net cash provided by (used in) financing activities		4,135,583	(144,137)
Net increase in cash and cash equivalents		3,799,988	357,502
Net cash and cash equivalents at the beginning of the period		1,710,554	1,920,657
Foreign exchange impact on cash flows		26,494	-
Net cash and cash equivalents at the end of the period		5,537,036	2,278,159

This Consolidated statement of cash flows is to be read in conjunction with the attached Notes.

Uscom Limited and its controlled entities
Selected Explanatory Notes to the Financial Statements
For the half year ended 31 December 2021

Note 1 – Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the Consolidated Entity of Uscom Ltd and its Controlled Entities. Uscom Ltd is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial report for the half year ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001 and was approved by the Board of Directors on 23 February 2022.

This half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the annual financial report.

Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by the Company in accordance with the continuous disclosure obligations arising under ASX listing rules.

New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 30 June 2021.

	31 Dec 2021	31 Dec 2020
	\$	\$
Note 2 – Revenue and other income		
Sale of goods	1,100,569	2,269,744
Other revenue		
Interest received	9,524	17,832
Other income		
Grants	452,714	450,374
Exchange gain	41,797	-
Total other income	494,511	450,374
Total revenue and other income	1,604,604	2,737,950

Note 3 – Expenses from ordinary activities

Depreciation and amortisation expenses	80,492	74,896
Depreciation – right-of-use assets	131,970	137,111
Employee expenses	1,470,169	1,019,451
Research and development expenses	7,364	395,619
Advertising and marketing expenses	339,663	282,369
Occupancy expenses	(6,776)	9,228
Regulatory expenses	84,620	70,133
Administrative expenses	259,576	557,176
Finance costs	34,028	54,888
Total expenses from ordinary activities	2,401,106	2,600,871

Interim Financial Report

Appendix 4D Half Yearly Report

	31 Dec 2021	30 Jun 2021
	\$	\$
Note 4 – Intangible assets		
Patents	510,860	469,684
Total intangible assets	510,860	469,684

	Patents	Total
	\$	\$
<i>Movements in carrying amounts</i>		
Opening balance	469,684	469,684
Additions	90,906	90,906
Impairment	-	-
Amortisation	(49,730)	(49,730)
Intangible assets at the end of the period	510,860	510,860

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Number	Number	\$	\$
Note 5 – Issued Capital				
Ordinary shares				
Fully paid ordinary shares	195,943,936	154,384,643	39,070,613	34,665,560
Total contributed equity	195,943,936	154,384,633	39,070,613	34,665,560

Movement in issued capital				
Opening balance	154,384,643	149,828,334	34,665,560	34,197,430
Ordinary shares issued	39,103,545	3,090,000	4,301,390	309,000
Ordinary shares issued in lieu of salary	2,455,748	1,466,309	137,500	170,000
Share issue costs	-	-	(33,837)	(10,870)
Ordinary shares at the end of the period	195,943,936	154,384,643	39,070,613	34,665,560

	31 Dec 2021	30 Jun 2021
	\$	\$
Note 6 – Reserves		
Options and rights reserves (i)	3,384,447	3,268,249
Foreign currency translation reserves	93,318	84,157
Total reserves	3,477,765	3,352,406

	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Number	Number	\$	\$
(i) Movement in rights reserves				
<i>Performance rights reserve</i>				
Opening balance	1,586,782	450,000	3,268,249	2,907,072
Granted during the period (a) (b)	1,836,782	1,436,782	-	-
Exercised during the period (c)	(1,436,782)	(300,000)	-	-
Lapsed during the period	-	-	-	-
Expenses from share-based payment	-	-	116,198	361,177
At the end of the period	1,986,782	1,586,782	3,384,447	3,268,249

- (a) 1,636,782 Indeterminate rights were granted to Rob Philips on the terms and conditions approved by shareholders at the AGM on 14 October 2021 under the Equity Incentive plan, vesting dependent on performance hurdles on 1 July 2022. Consideration payable upon vesting is \$nil. The Board may exercise its discretion to pay cash in lieu of issue of ordinary shares.
- (b) 200,000 Performance rights were granted to Nick Schicht on 24 August 2021 under the Equity Incentive Plan approved by the board, vesting date is on 1 July 2022.
- (c) 1,436,782 Indeterminate rights were issued to Rob Philips on the terms and conditions approved by shareholders at the AGM on 29 October 2020 under the Equity Incentive plan, vesting dependent on performance hurdles on 1 July 2021. Consideration payable upon vesting is \$nil. The Board may exercise its discretion to pay cash in lieu of issue of ordinary shares. Upon meeting the performance hurdles, total of 1,436,782 were exercised on 5 July 2021.

Note 7 – Operating segments

Segment information

The consolidated entity operates in the global health and medical products industry. Globally the company has 4 geographic sales and distribution segments as shown below. For each segment, the CEO and General Manager review internal management reports on at least a monthly basis.

	Australia	Asia	Americas	Europe	Total
	\$	\$	\$	\$	\$
31 Dec 2021					
Sales to external customers	16,275	577,020	165,179	342,095	1,100,569
Other revenues	400,031	7,138	-	96,866	504,035
Total segment revenue	416,306	584,158	165,179	438,961	1,604,604
Segment expenses	1,230,082	579,207	214,662	504,334	2,528,285
Segment result	(813,776)	4,951	(49,483)	(65,373)	(923,681)
Income Tax	-	-	-	(19,609)	(19,609)
Consolidated profit (loss) from ordinary activities after income tax	(813,776)	4,951	(49,483)	(84,982)	(943,290)
31 Dec 2020					
Sales to external customers	17,856	1,638,227	46,673	566,988	2,269,744
Other revenues	372,016	14,812	-	81,378	468,206
Total segment revenue	389,872	1,653,039	46,673	648,366	2,737,950
Segment expenses	1,685,921	520,945	207,637	582,926	2,997,429
Segment result	(1,296,049)	1,132,094	(160,964)	65,440	(259,479)
Income Tax	-	-	-	(10,182)	(10,182)
Consolidated profit (loss) from ordinary activities after income tax	(1,296,049)	1,132,094	(160,964)	55,258	(269,661)

Note 8 – Contingent liabilities

There were no contingencies as at 31 December 2021.

Note 9 – Events after the reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially negative for the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to evolve and is dependent on measures imposed by authorities in countries where the Company supplies the products, such as vaccine uptake and effectiveness, quarantine, travel restrictions, and any of economic stimuli that may be provided.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Company to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Professor Rob Phillips

Chairman

Sydney, 23 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Uscom Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Uscom Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

The BDO logo, consisting of the letters 'BDO' in a stylized, handwritten font.

A handwritten signature in black ink, appearing to read 'John Bresolin'.

John Bresolin
Director

Sydney, 23 February 2022

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