TRUSCREEN®

Interim Report 2017

CONTENTS

TRUSCREEN®

TruScreen offers an alternative approach to cervical screening, providing real-time, accurate detection of pre-cancerous and cancerous cervical cells to help improve the health and wellbeing of women around the world.

Our low cost, portable TruScreen diagnostic system resolves many of the ongoing issues associated with Pap smears, and is particularly relevant in developing countries.

TruScreen manufactures and owns all rights in the TruScreen® Cervical Cancer Screening System which comprises of a unique medical device (TruScreen[1] and TruScreen[2] now in market), algorithm technology and processes designed to detect the presence, at the time of screening, of pre-cancerous and cancerous tissue on the cervix.

TruScreen (TRU) is listed on the New Zealand Stock Exchange's NZAX Market, providing investors with an opportunity to invest in this leading edge health technology.

TruScreen[1] TruScreen's first generation cervical cancer screening device
TruScreen[2] TruScreen's second generation cervical cancer screening device
Algorithm[1] TruScreen's original tissue differentiating algorithm
Algorithm[2] TruScreen's refined tissue differentiating algorithm

TruScreen Key Events

Half Year Key Events

- TruScreen² gained certification in Europe (CE), Australia (TGA), New Zealand (WAND) and United Kingdom (MHRA).
- Commercial sales of TruScreen² commenced.
- TruScreen¹ selected for major screening programmes in North China.
- Commenced liaising with Governments for adoption of TruScreen technology in Mexico.
- Establishment of European business base.

Key Events Since Half Year End

- Clinical Trial completed in Mexico indicating excellent results with TruScreen¹ being twice as sensitive as Pap in detecting high grade cervical lesions.
- Mexican National Cancer Institute completed stage 1 of TruScreen² evaluation.
- Commenced liaison with Government of India to adopt TruScreen technology.
- Improved, finalised and released TruScreen Algorithm² for clinical evaluation.

Financial Results Snapshot

	HY17	HY16
Revenue From Ordinary Activities	$810,911	$901,144
Sales	$361,443	$305,882
Other Income	$461,707	$861,358
Net Loss	$1,684,133	$352,068
Net Assets	$12,107,274	$15,018,525
Cash and Cash Equivalents	$1,410,327	$3,704,736

- Total revenue for the six months ended September 30, 2016, was $823,150 compared to $901,144 for the previous comparative first period.
- Sales of $361,443 were up 18% on the prior comparative first half period and up 177% on the FY16 second half period.
- Net Loss of $1.68m for the half year included increased expenses in line with TruScreen's growth strategy.
- Net cash flow for the period was $(894,371).

INTRODUCING
TruScreen²

TRUSCREEN² KEY IMPROVEMENTS

Massively increased processing capacity and faster processing

Significantly improved performance

Wireless handpiece with increased portability

Rechargeable battery freeing the device from reliance upon continuous connection to mains power

Wi-Fi connectivity to PCs, Laptops and Smart Devices

Internet browser compatibility

Graphic User Interface with LCD touch screen

CHAIRMAN AND CEO'S REPORT

The company's objectives for the next 12 months are:

- Finalise the clinical validation of the new TruScreen Algorithm[2] and release that to the commercial market.
- Submit Truscreen[2] for adoption in various selected international Government Screening programs.
- Obtain Chinese model upgrade certification for TruScreen[2].
- Complete and expand the current screening programs in China and military hospitals.
- Further establish our global distribution networks.
- Enhance sales of TruScreen[2].

In the six months to September 30, 2016, TruScreen focused on four key pillars of activity.

- Further development of the company's innovative technology, TruScreen[2] and Algorithm[2].
- Clinical validation, cerification and registration of TruScreen[2].
- Review and improve our manufacturing costs and capacity.
- Further enhance our distribution network and servicing capacity

TruScreen[2] is in the early stages of commercialisation. Convincing governments and large private institutions to adopt an innovative medical technology is neither simple nor instant and regulatory approval processes can take time.

As previously advised to the market, initial stocks of the original TruScreen[1] device sold out quickly in 2015 and the company chose to discontinue with the sale and supply of the original device and instead focus on further development and product improvements to our second-generation device known as TruScreen[2]. This has involved significant R & D cost to refine the device and Single Use Sensors (SUS) together with associated clinical trials and regulatory certifications.

The company continued to refine its diagnostic capacity through its Algorithm Improvement Programme with a significant improvement in accuracy expected. Algorithm[2] has been released for clinical evaluation at a number of leading hospitals in Australia, Mexico and China. The company has also made significant product improvements to improve the device in both clinical and practical use.

TruScreen received European certification (CE Mark) and commenced production of the TruScreen[2] device in April 2016, with several other country-specific regulatory approvals received in subsequent months. Our application for Chinese Certification of Truscreen[2] (CFDA) is progressing to plan and is expected to be finalised mid-2017.

The company has initiated small sales of TruScreen² to new markets including Mexico, Hong Kong, Vietnam, Turkey, Kazakhstan and Poland during the six-month period, with subsequent sales to Jordan, Philippines and Russia since September. We have also progressed our plans to enter the European market and have identified several suitable and interested distributors in various countries including the European Union, Middle East and Latin America.

The company's strategy is to gain early adoption in all markets and then after a period of evaluation, gain key opinion leader endorsement which is essential for adoption for recurring sales in both the private and government sectors. TruScreen is still the world's only real time, certified primary screening device for cervical cancer and is an innovative technology which takes time for adoption by governments and major medical institutions.

China remains an important long term opportunity for the company and the current focus is on building a customer and reference base, and in particular, encouraging the selection of TruScreen technology for large screening programs, as well as increasing adoption in large provincial hospitals. The CFDA model upgrade approval process for TruScreen² is progressing to plan and, the company is continuing to promote TruScreen[1] which is being used in several large-scale screening programs in China. Over 40,000 women have been screened so far in the three main programs underway conducted by the All-China Federation of Trade Unions, the China Doctors Association and the Shengli Oilfields programs. Continuation of all three of these programs has been confirmed for 2017 where the speed of women being screened is expected to increase once TruScreen² is introduced. In total, 86 hospitals in China are in the process of procuring TruScreen devices and another 57 hospitals have TruScreen installed either for trial or acting as reference centres. Twenty-four hospitals are now commercially using TruScreen's technology.

In Mexico, we continue to gain momentum. TruScreen² has been undergoing evaluation for inclusion by the Federal Health Secretariat in the National Standard for the Primary Screening of Cervical Cancer. The initial pilot evaluation at the National Cancer Institute (INCAN) in Mexico City has been completed and TruScreen² is now undergoing a 300 patient evaluation at the same centre of excellence. TruScreen² has also started the official evaluation process for acceptance as a replacement for HPV DNA testing for the primary screening of women for cervical cancer by the Ministry of Health in the State of Nuevo Leon in Mexico, and commenced preparatory steps for similar state Ministry of Health adoption in other states – Jalisco, Guanajuato and Queretaro.

In the Philippines, TruScreen² has recently been selected for inclusion in a screening program in the province of Pampanga, which started in December 2016. This pilot project is designed to evaluate TruScreen for use in government funded screening programs with the aim that, if successful, TruScreen will be gradually adopted as the preferred device for additional Provincial Government screening programs in the Philippines.

India represents perhaps the largest government program opportunity for TruScreen² with a population of 1.3 billion and approximately 300 million women of screening age. With a shortage of expert colposcopists and cytologists, the Indian government has identified a need for innovative technology including an economical real time solution for adoption in their country. TruScreen's technology potentially meets India's requirements and we have started liaising with the Indian government on this opportunity.

Outlook

TruScreen has made significant progress in the further development of its products and market opportunities during 2017 and we look forward to experiencing the commercial benefits of these in the near term.

We wish to thank shareholders for their patience and continued support.

Robert Hunter
Chairman

Martin Dillon
Chief Executive Officer

Interim Unaudited Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 September 2016

	Note	Unaudited for the six months ended 30 September 2016 $	Unaudited for the six months ended 30 September 2015 $	Audited for the year ended 31 March 2016 $
Revenue from the sale of goods		361,443	305,882	472,104
Other income	3	461,707	861,358	1,370,317
Changes in inventories		209,121	(26,622)	(48,405)
Purchases of inventory		(459,448)	(102,973)	(204,530)
Employee benefit expenses and directors' fees		(576,427)	(444,839)	(946,914)
Administration		(152,739)	(169,687)	(365,721)
Research expenses	3	(564,377)	(131,104)	(171,959)
Stock for demonstration		-	-	(292,493)
Rent		(47,907)	(49,029)	(97,826)
Travel		(75,931)	(71,363)	(127,883)
Marketing & product approvals		(146,092)	(174,250)	(291,164)
Insurance		(37,724)	(41,706)	(74,106)
Shareholder relations & services		(11,196)	(65,967)	(93,309)
Foreign exchange loss	3	(381,432)	-	-
Amortisation & depreciation	3	(263,131)	(216,620)	(400,800)
Finance costs		-	(25,148)	(24,240)
Loss before income tax		(1,684,133)	(352,068)	(1,296,929)
Income tax expense		-	-	-
Loss for the period		(1,684,133)	(352,068)	(1,296,929)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign subsidiary operations		(369,400)	566,734	640,217
Other comprehensive (loss) / income for the period		(369,400)	566,734	640,217
Total comprehensive (loss) / income for the period		(2,053,533)	214,666	(656,712)
Basic (losses) / earnings (cents per share)		(1.0)	(0.2)	(0.8)
Diluted (losses) / earnings (cents per share)		(1.0)	(0.2)	(0.8)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 September 2016

	Note	Unaudited 30 September 2016 $	Unaudited 30 September 2015 $	Audited 31 March 2016 $
CURRENT ASSETS				
Cash and cash equivalents		1,410,327	3,704,736	2,304,698
Trade receivables		372,879	1,114,119	386,052
Other receivables		448,246	588,164	1,170,737
Goods and services taxes recoverable		72,059	98,947	62,606
Inventories		267,704	80,366	58,582
Other assets – prepayments		220,701	143,023	166,557
TOTAL CURRENT ASSETS		2,791,916	5,729,355	4,149,232
NON-CURRENT ASSETS				
Plant and equipment		10,510	11,327	6,951
Intangible assets		9,583,430	9,802,302	10,419,664
TOTAL NON-CURRENT ASSETS		9,593,940	9,813,629	10,426,615
TOTAL ASSETS		12,385,856	15,542,984	14,575,847
CURRENT LIABILITIES				
Trade and other payables		198,440	472,282	352,447
Employee benefits		80,142	52,177	76,987
TOTAL CURRENT LIABILITIES		278,582	524,459	429,434
NET ASSETS		12,107,274	15,018,525	14,146,413
EQUITY				
Issued capital	6	17,840,460	17,853,557	17,840,460
Share Option Reserve		187,106	160,349	172,712
Foreign currency translation reserve		(666,976)	(371,059)	(297,576)
Accumulated losses		(5,253,316)	(2,624,322)	(3,569,183)
Total Equity		12,107,274	15,018,525	14,146,413

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Note	Share Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Balance at 31 March 2015		**12,921,275**	**(2,272,254)**	**(937,793)**	**145,955**	**9,857,183**
Loss for the period to 30 September 2015		-	(352,068)	-	-	(352,068)
Other comprehensive income for the period		-	-	566,734	-	566,734
Total comprehensive income / (loss) for the period		-	(352,068)	566,734	-	214,666
Transactions with owners						
Issue of ordinary shares	6	4,932,282	-	-	-	4,932,282
Share based payment		-	-	-	14,394	14,394
Total transactions with owners		4,932,282	-	-	14,394	4,946,676
Balance at 30 September 2015 (Unaudited)		**17,853,557**	**(2,624,322)**	**(371,059)**	**160,349**	**15,018,525**
Balance at 31 March 2016 (Audited)		**17,840,460**	**(3,569,183)**	**(297,576)**	**172,712**	**14,146,413**
Loss for the period ended 30 September 2016		-	(1,684,133)		-	(1,684,133)
Other comprehensive (loss) / income for the period		-	-	(369,400)	-	(369,400)
Total comprehensive income / (loss) for the period		-	(1,684,133)	(369,400)	-	(2,053,533)
Transactions with owners						
Share based payment		-	-	-	14,394	14,394
Total transactions with owners		-	-	-	14,394	14,394
Balance at 30 September 2016 (Unaudited)		**17,840,460**	**(5,253,316)**	**(666,976)**	**187,106**	**12,107,274**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Note	Unaudited for the six months ended 30 September 2016 $	Unaudited for the six months ended 30 September 2015 $	Audited for the year ended 31 March 2016 $
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		374,616	1,324,142	1,050,083
Cash paid to suppliers and employees		(2,305,914)	(1,697,866)	(2,386,515)
Cash received from 45% refundable tax offset		1,172,039	-	679,855
Interest paid		-	(25,148)	(24,240)
Interest received		12,159	10,348	18,713
Net cash provided by / (used in) operating activities	7	(747,100)	(388,524)	(662,104)
CASH FLOW FROM INVESTING ACTIVITIES				
Development of intangible asset – development costs of upgraded cervical cancer console		(141,188)	(957,080)	(2,071,893)
Purchase of plant and equipment		(6,083)	-	(6,975)
Net cash used in investing activities		**(147,271)**	**(957,080)**	**(2,078,868)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	6	-	5,080,000	5,080,000
(Repayment) / Proceeds of borrowing		-	(439,920)	(407,800)
Share issue costs		-	(147,718)	(160,815)
Net cash provided by / (used in) financing activities		-	4,492,362	4,511,385
Net (decrease) / increase in cash and cash equivalents		(894,371)	3,146,758	1,770,413
Cash and cash equivalents at beginning of period		2,304,698	534,285	534,285
Effects of exchange rate changes on cash and cash equivalents		-	23,693	-
Cash and cash equivalents at end of period		1,410,327	3,704,736	2,304,698

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the six months ended 30 September 2016

1. REPORTING ENTITY

Truscreen Limited (the "Company") is a Tier 1 for-profit listed incorporated public company and is an issuer on the New Zealand Stock Exchange Alternative Market ("NZAX"). The Company is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

Truscreen is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Group's principal activity relates to the development and manufacture of cancer detection devices and systems.

The consolidated interim financial statements presented for the six months ended 30 September 2016 are those of Truscreen Limited and its subsidiaries (the "Group"). References to "Truscreen" are used to refer both to the Group and Truscreen Limited (the "Company").

These interim financial statements were authorised for issue by the Board of Directors on the 12 December 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements are unaudited and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and are in compliance with NZIAS 34: Interim Financial Reporting.

The consolidated interim financial statements have been prepared in New Zealand dollars, which is the functional currency. These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the Group's financial statements for the year ended 31 March 2016.

The same accounting policies have been followed in these financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 31 March 2016.

Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates, judgements and assumptions made by management. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements can be found in the previous annual report.

Seasonality

Operations are not subject to seasonal influences.

3. SIGNIFICANT TRANSACTIONS AFFECTING NET PROFIT / (LOSS)

Significant transactions affecting net profit / loss

The following significant items affecting the loss for the period are highlighted below because of their size:

	Unaudited for the six months ended 30 September 2016	Unaudited for the six months ended 30 September 2015	Audited for the year ended 31 March 2016
	$	$	$
Other income			
Research and development grant	449,548	595,262	1,170,737
Foreign exchange gain / unrealised	-	255,748	180,867
Expense			
Amortisation of intangible assets	260,961	212,868	392,176
Foreign exchange loss / unrealised	381,432	-	-
Research & development costs	564,377	131,104	171,959

Research & development costs increased in the six months ended 30 September 2016 compared to the six months ended 30 September 2015 largely due to:

- Further work on developing and testing the algorithm;
- Software & firmware improvements incorporated from feedback on prototypes;
- Ongoing regulatory and verification processes; and
- Changes and improvements to the Ultra console following beta testing.

Amortisation of intangibles commenced on 1 February 2015 and 1 April 2016 as the product to which the particular intangibles related to became available for use. Accordingly, amortisation expense was more significant in the current period than in prior periods.

4. ADMINSTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased in the six months ended 30 September 2016 compared to the six months ended 30 September 2015 largely due to costs associated with compliance, marketing and travel necessary for expansion and ongoing operations in various regions including China, Mexico and Europe.

5. OPERATING SEGMENTS

The Group operates in one operating segment. It owns the rights to the Truscreen Cervical Cancer Screening System. The system comprises a medical device and process designed to detect the presence in real time of precancerous and cancerous tissue on the cervix.

The Group is in the process of obtaining further regulatory approvals. On the granting of these approvals the Group anticipates the ability to increase distribution and revenue. It is anticipated revenues will be obtained largely from Asia, Europe, Central and South America. The limited revenues to date have been obtained in anticipation of these approvals. These revenues have been obtained from distributors.

Two major customers each contributed more than 10% of the Group's revenue in the six months to 30 September 2016 (2015: three customers):

- One customer provided revenue of $147,111 (41%);
- One customer provided revenue of $75,886 (21%);

No additional disclosure is required in the interim financial statements as the Group has one reportable segment.

6. SHARE CAPITAL

Significant transactions affecting net profit / loss

The following significant items affecting the loss for the period are highlighted below because of their size:

	No.	$
Balance as at 31 March 2015	144,446,666	12,921,275
Private share placement	13,080,000	3,270,000
Share purchase plan	7,240,000	1,810,000
Share issue costs	-	(147,718)
Balance as at 30 September 2015	164,766,666	17,853,557
Balance as at 31 March 2016	164,766,666	17,840,460
Private share placement	-	-
Share purchase plan	-	-
Share issue costs	-	-
Balance as at 30 September 2016	164,766,666	17,840,460

7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited for the six months ended 30 September 2016	Unaudited for the six months ended 30 September 2015	Audited for the year ended 31 March 2016
	$	$	$
Reconciliation of cash flow from operations with loss after income tax			
(Loss) for the period	(1,684,133)	(352,068)	(1,296,929)
Adjusted for:			
Share based expense payment – employment expenses	14,394	14,394	26,757
Amortisation and depreciation	263,131	216,620	400,800
Assets written off	-	-	6,339
Exchange difference arising from translating loss items at the date of transaction and translating cash balances at year end rates	206,227	(47,694)	(72,152)
Operating cash flows before working capital changes	(1,200,381)	(168,748)	(935,185)
(Increase) / Decrease in trade receivables	13,173	405,251	870,470
(Increase) / Decrease in other receivables	722,491	(206,471)	(526,196)
(Increase) / Decrease in goods and services taxes recoverable	(9,453)	(64,971)	(28,630)
(Increase) / Decrease in prepayments	(54,144)	(143,023)	(166,557)
(Increase) / Decrease in inventory	(209,122)	14,492	35,465
Increase / (Decrease) in trade and other payables	(12,819)	(248,827)	39,946
Increase / (Decrease) in provisions	3,155	23,773	48,583
Net cash from operating activities	**(747,100)**	**(388,524)**	**(662,104)**

8. NET TANGIBLE ASSETS PER SHARE

	Unaudited 30 September 2016	Unaudited 30 September 2015	Audited 31 March 2016
Net tangible assets	2,523,844	5,216,223	3,726,749
Shares on issue at the end of period	164,766,666	164,766,666	164,766,666
Net tangible assets per share (cents per share)	1.53	3.17	2.26

9. EVENTS SUBSEQUENT TO END OF THE INTERIM PERIOD

There have been no events since the end of the interim period which would have a material effect on the Group's interim financial statements for the 6 months ended 30 September 2016.

Corporate Directory

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