

TRUSCREEN LIMITED

Interim Unaudited Financial Statements

For the Six Months Ended 30 September 2019



TRUSCREEN LIMITED

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TRUSCREEN LIMITED

OPERATIONS REPORT

Cervical cancer technology company, TruScreen Limited (NZX: TRU) (Company), is pleased to provide the unaudited financial results for the six months to 30 September 2019 (1H 2020).

The Company reported a 37% improvement in bottom line result compared to the corresponding period last year, with lower sales being offset by a favourable tax offset adjustment relating to the prior period and a reduction in operating costs.

TruScreen reports a reduced loss of \$0.7m for the six months to 30 September 2019 (1H 2019: Loss \$1.1m).

Total revenue was \$1.9m (1H 2019: \$2.2m), comprising sale of goods of \$0.8m and other income of \$1.1m, being a research & development tax offset of \$0.9m and an unrealised foreign exchange gain of \$0.2m.

Net operating cash outflow was \$1.7m (1H 2019 - \$0.8m). This would be significantly improved when taking into account the research and development tax offset refund (R&DTO) received in November 2019 of ~\$1.7 million (1H 2019 includes a R&DTO receipt of \$1.4m). Operating costs were 12% lower in the six months at \$2.2m (1H 2019: \$2.5m). The loss for the six months included a non-cash amortisation and depreciation charge of \$0.3m (1H 2019 - \$0.28m).

As at 30 September 2019, the Company had cash and cash equivalents of \$0.99m. A capital raise of \$1m was completed in July 2019.

Half Year Commentary

TruScreen has continued to make significant commercial progress in the six months to 30 September 2019.

During the period, the TruScreen device was clinically validated with recognition by the World Health Organisation (WHO). TruScreen was acknowledged in a joint publication between Unitaid, the World Health Organisation and the Clinton Health Access Initiative, reporting on available screening and treatment technologies and advantages for its use in low- and middle-income countries. The report was presented at the 72nd World Health Assembly in Geneva, Switzerland on 20 May 2019.

China remains the Company's focus with a number of important initiatives underway during the half year. TruScreen was selected for major screening programmes and for installation in both public and private hospitals and clinics. TruScreen's large-scale evaluation programme with China's Obstetrics and Gynaecology Association (COGA) is progressing well, with Hunan being the first province in China to complete and report on their participation in the project. Interim screening results from 2,065 women across seven hospitals in Hunan, reported results that exceeded expectations. The Company looks forward to updating the market on results from other provinces when available.

Sixteen of the planned 50 "Two Cancer Centres" are established and installed with TruScreen. During FY2019, TruScreen was selected as the primary screening solution for the high-tech, privately owned and operated clinics, which provide a 'one-stop' screening diagnosis and treatment for breast and cervical cancers to the growing middle class of China.

The Women's and Children's Division of the Centre for Disease Control (CDC) in China is currently analysing clinical data from the large-scale evaluation completed in late FY2019. This evaluation initially included the screening of over 12,000 women throughout China and has been extended to include a further 5,000 patients, to enable the TruScreen screening technology to be included in the CDC's screening guidelines for the 3,000 hospitals under its management.

In other markets, the Company is reporting good progress, securing approval in Vietnam to conduct a pilot cervical cancer programme. The Hanoi Obstetrics and Gynaecology Hospital – Vietnam's prestigious

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED

government hospital has commenced a pilot cervical cancer screening programme as approved by the Vietnam Ministry of Health's Professional Advisory Committee. The stage 1 programme is to screen 1,000 women and stage 2 is for a further screening of 5,000 patients.

The Company successfully raised \$1.1 million in new capital in July and September 2019, issuing 10,677,363 new shares at 10.6 cents per share, with a free attaching option exercisable at 13 cents per share before 12 July 2021. These funds, together with the receipt of research and development tax offset of approximately \$1.7 million in November 2019, will fund working capital as the business grows to meet the expanding demand for TruScreen screening devices.

Research and Development

The Company continues to improve the efficacy of the TruScreen device with improved performance relative to alternative lab-based screening methodologies. There is also a focus on lowering our manufacturing costs.

Outlook

The WHO strategy to eliminate cervical cancer worldwide and the inclusion of TruScreen's technology in the WHO landscape report to member countries in May 2019, opens up a favourable macro environment and market opportunity for the Company's screening technology.

Market awareness of the benefits of TruScreen is growing and would lead to increasing adoption and commercial sales around the world.

Highlights for HY19:

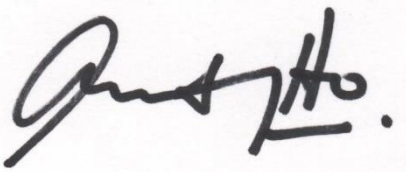
- China screening programmes and trial underway
- Screening results from COGA study in Hunan, China exceeded expectations
- Increase in SUS consumable sales
- WHO recognises TruScreen
- WHO draft cervical cancer elimination strategy opens up TruScreen's market opportunity
- Vietnam pilot cervical cancer screening programme secured
- Successful \$1m capital raising completed in July 2019

Corporate

Subsequent to 30 September 2019, Mr. Martin Dillon resigned as CEO, effective 31 December 2019. A recruitment process has commenced for an experienced CEO to lead the company to its next phase of growth. Mr Dillon will continue to be associated with TruScreen as a consultant.

Mr Robert Hunter, a long serving non-executive director of the Company stepped down from the board effective 1 November 2019.

The Company issued 9 million options to directors, exercisable at 15 cents per share before 27 August 2022 as approved by shareholders at the Annual General Meeting on 27 August 2019.



Anthony Ho
Chairman
28 November 2019

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	Note	Unaudited for the six months ended 30 September 2019 \$	Unaudited for the six months ended 30 September 2018 \$	Audited for the year ended 31 March 2019 \$
Revenue from the sale of goods		762,110	1,398,987	1,862,949
Other income	4	1,110,993	819,209	1,241,202
Changes in inventories		3,011	296,946	27,375
Purchases of inventory		(366,424)	(1,108,536)	(1,362,212)
Employee benefit expenses and directors' fees		(715,432)	(590,641)	(1,240,646)
Administration		(222,223)	(562,001)	(674,734)
Research expenses	4	(524,823)	(643,135)	(1,777,972)
Travel		(72,047)	(35,189)	(65,829)
Marketing & product approvals		(134,119)	(300,647)	(290,246)
Insurance		(48,445)	(58,450)	(99,268)
Shareholder relations & services		(136,570)	(35,173)	(91,538)
Foreign exchange gain/(loss)	4	-	-	(316,027)
Amortisation & depreciation	4	(304,886)	(276,359)	(565,781)
Finance costs		(60,319)	(27,979)	(27,727)
Loss before income tax		(709,174)	(1,122,968)	(3,380,454)
Income tax expense		-	-	-
Loss for the period after income tax		(709,174)	(1,122,968)	(3,380,454)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange (loss)/gain on translating foreign subsidiary operations		(145,940)	(31,815)	102,179
Other comprehensive (loss)/profit for the period		(145,940)	(31,815)	102,179
Total comprehensive (loss)/profit for the period		(855,114)	(1,154,783)	(3,278,275)
Basic and diluted losses (cents per share)		(0.32)	(0.6)	(1.56)

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Note	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	990,821	1,477,876	1,737,775
Trade receivables	480,947	622,204	187,504
Other receivables	1,987,743	407,585	1,070,517
Loan receivable	75,000	75,000	75,000
Goods and services taxes recoverable	34,224	86,209	30,335
Inventories	797,985	698,130	782,026
Other assets – prepayments	181,395	255,566	21,552
TOTAL CURRENT ASSETS	<u>4,548,115</u>	<u>3,622,570</u>	<u>3,904,709</u>
NON-CURRENT ASSETS			
Plant and equipment	345,314	340,165	379,993
Intangible assets	8,102,857	8,907,487	8,261,063
TOTAL NON-CURRENT ASSETS	<u>8,448,171</u>	<u>9,247,652</u>	<u>8,641,056</u>
TOTAL ASSETS	<u>12,996,286</u>	<u>12,870,222</u>	<u>12,545,765</u>
CURRENT LIABILITIES			
Trade and other payables	636,798	817,023	437,031
Borrowings	626,501	-	626,501
Employee benefits	138,895	139,850	109,925
TOTAL CURRENT LIABILITIES	<u>1,402,194</u>	<u>956,873</u>	<u>1,173,457</u>
NON-CURRENT LIABILITIES			
Employee benefits	57,515	25,547	51,499
TOTAL NON-CURRENT LIABILITIES	<u>57,515</u>	<u>25,547</u>	<u>51,499</u>
TOTAL LIABILITIES	<u>1,459,709</u>	<u>982,420</u>	<u>1,224,956</u>
NET ASSETS	<u>11,536,577</u>	<u>11,887,802</u>	<u>11,320,809</u>
EQUITY			
Issued capital	7 27,492,050	24,864,669	26,421,168
Foreign currency translation reserve	(600,736)	(588,790)	(454,796)
Accumulated losses	(15,354,737)	(12,388,077)	(14,645,563)
Total Equity	<u>11,536,577</u>	<u>11,887,802</u>	<u>11,320,809</u>

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
Note	\$	\$	\$	\$	\$
Balance at 31 March 2018 (Audited)	23,433,996	(11,265,109)	(556,975)	3,970	11,615,882
Comprehensive income					
Loss for the period ended 30 September 2018	-	(1,122,968)	-	-	(1,122,968)
Other comprehensive loss for the period	-	-	(31,815)	-	(31,815)
Total comprehensive loss for the period (unaudited)	-	(1,122,968)	(31,815)	-	(1,154,783)
Transactions with owners					
Issue of ordinary shares	7 1,430,673	-	-	(3,970)	1,426,703
Total transactions with owners	1,430,673	-	-	(3,970)	1,426,703
Balance at 30 September 2018 (Unaudited)	24,864,669	(12,388,077)	(588,790)	-	11,887,802
Balance at 31 March 2019 (Audited)	26,421,168	(14,645,563)	(454,796)	-	11,320,809
Comprehensive income					
Loss for the period ended 30 September 2019	-	(709,174)	-	-	(709,174)
Other comprehensive loss for the period	-	-	(145,940)	-	(145,940)
Total comprehensive loss for the period (unaudited)	-	(709,174)	(145,940)	-	(855,114)
Transactions with owners					
Issue of ordinary shares	7 1,070,882	-	-	-	1,070,882
Total transactions with owners	1,070,882	-	-	-	1,070,882
Balance at 30 September 2019 (Unaudited)	27,492,050	(15,354,737)	(600,736)	-	11,536,347

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	Unaudited for the six months ended 30 September 2019 \$	Unaudited for the six months ended 30 September 2018 \$	Audited for the year ended 31 March 2019 \$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		506,468	752,769	1,675,445
Cash paid to suppliers and employees		(2,179,539)	(2,993,506)	(5,810,335)
Cash received from 45% refundable tax offset		-	1,445,793	1,472,566
Interest paid		(60,317)	(27,979)	(27,644)
Interest received		3,272	4,127	11,647
Net cash used in operating activities	8	<u>(1,730,116)</u>	<u>(818,796)</u>	<u>(2,678,321)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of plant and equipment		-	(342,485)	(410,031)
Net cash used in investing activities		<u>-</u>	<u>(342,485)</u>	<u>(410,031)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		1,131,800	1,515,000	3,075,470
Share issue costs		(60,918)	(88,297)	(88,298)
Proceeds from borrowings		-	-	626,501
Net cash provided by financing activities		<u>1,070,882</u>	<u>1,426,703</u>	<u>3,613,673</u>
Net increase/(decrease) in cash and cash equivalents		(659,234)	265,422	525,321
Cash and cash equivalents at beginning of period		1,737,775	1,212,454	1,212,454
Effect of foreign exchange adjustment on cash balances		(87,720)	-	-
Cash and cash equivalents at end of period		<u>990,821</u>	<u>1,477,876</u>	<u>1,737,775</u>

The accompanying notes form part of these interim financial statements.

TRUSCREEN LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 (“NZX”). The Company is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The NZX ticker code for TruScreen is TRU. TruScreen is an 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 research & development and manufacture of cancer detection devices and systems.

The consolidated unaudited interim financial statements presented for the six months ended 30 September 2019 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 consolidated unaudited interim financial statements were authorised for issue by the Board of Directors on 27 November 2019.

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 part 7 of the Financial Markets Conduct Act 2013. The financial statements comply with NZ IAS 34: Interim Financial Reporting and International Accounting Standards IAS 34: Interim Financial Reporting.

The consolidated unaudited interim financial statements have been prepared in New Zealand dollars, which is the presentation currency, with the New Zealand dollar and the Australian dollar being the functional currently of the New Zealand parent company and the Australian subsidiary respectively. 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 2019.

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 2019, with the inception of NZ IFRS 16: Leases as outlined below.

The consolidated unaudited interim financial statements are prepared on the basis of historical cost, except where otherwise identified.

3. ADOPTION OF NEW AND REVISED STANDARDS

NZ IFRS 16: LEASES

General impact of the new NZ IFRS 16

NZ IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. NZ IFRS 16 supersedes the previous lease guidance including NZ IAS 17 Leases and the related interpretations when it became effective for accounting periods beginning on or after 1 January 2019.

The date of initial application of NZ IFRS 16 for the Group was 1 April 2019. The Group has chosen not to adopt the full retrospective application of NZ IFRS 16 in accordance with NZ IFRS 16:C5(a), as the Group only has short term leases.

For short-term leases (lease term of 12 months or less), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within administrative expenses in the consolidated income statement.

TRUSCREEN LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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.

4. SIGNIFICANT TRANSACTIONS AFFECTING NET LOSS

Significant transactions affecting net loss

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

	Unaudited for the six months ended 30 September 2019	Unaudited for the six months ended 30 September 2018	Audited for the year ended 31 March 2019
	\$	\$	\$
Other income			
Research and development tax offset ¹	938,008	514,908	1,229,121
Interest	3,204	4,127	11,854
Foreign exchange gains - unrealised	169,781	300,174	227
Total other income	<u>1,110,993</u>	<u>819,209</u>	<u>1,241,202</u>
Expense			
Amortisation and depreciation	(304,886)	(276,359)	(565,781)
Foreign exchange loss - unrealised	-	-	(316,027)
Research & development costs	<u>(524,823)</u>	<u>(643,135)</u>	<u>(1,777,972)</u>

¹Included in the research and development tax offset is an amount of \$587,625 relating to the prior period. See note 10.

Ongoing Research & development is being conducted in the following areas:

- Clinical trials;
- Software & firmware improvements incorporated from feedback on prototypes to improve usability;
- Manufacturing processes of the electrical and optical assembly;
- Changes and improvements to the electrical and optical assembly; and
- Further work on developing and testing the algorithm.

TRUSCREEN LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

5. ADMINISTRATION AND OTHER OPERATING EXPENSES

The following commentary explains the improvement in administration and operating expenses over the previous half year:

Administration – principally a decrease in accounting and finance support team costs.

Marketing and product approvals – principally commission on a sale in the previous year. Current policy is that the distributor earns commission direct from the customer on on-sale.

Shareholder relations and services costs include preparatory work associated with a potential dual listing on the Australian Securities Exchange.

6. 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 an increase in 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 were from sales to the Company's distributors (indirect channel of distribution).

Two major customers each contributed more than 10% of the Group's revenue in the six months to 30 September 2019 (2018: two customers):

- One customer provided revenue of \$392,826 (51%); and
- One customer provided revenue of \$279,431 (36%).

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

7. SHARE CAPITAL

	<u>No.</u>	<u>\$</u>
Balance as at 30 September 2018	<u>209,445,477</u>	<u>24,864,669</u>
Balance as at 31 March 2019	216,857,441	26,421,168
Share placement	10,677,363	1,131,800
Share issue costs	-	(60,918)
Balance as at 30 September 2019	<u>227,534,804</u>	<u>27,492,050</u>

TRUSCREEN LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

8. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited for the six months ended 30 September 2019	Unaudited for the six months ended 30 September 2018	Audited for the year ended 31 March 2019
	\$	\$	\$
Reconciliation of cash flow from operations with loss after income tax			
Loss for the period	(709,174)	(1,122,968)	(3,380,454)
Adjusted for:			
Amortisation and depreciation	304,886	276,359	565,782
Exchange difference arising from translating loss items at the date of transaction and translating cash balances at period end rates	(170,220)	(260,992)	253,750
Operating cash flows before working capital changes	(574,508)	(1,107,601)	(2,560,922)
(Increase)/decrease in trade receivables	(293,443)	(622,204)	(187,504)
(Increase)/decrease in other receivables	-	(24,014)	243,938
(Increase)/decrease in goods and services taxes recoverable	(3,889)	69,640	125,514
(Increase)/decrease in prepayments	(159,843)	(200,010)	34,004
(Increase)/decrease in inventory	(15,959)	(296,945)	(380,841)
Increase/(decrease) in research and development refundable tax offset	(917,226)	930,885	-
Increase/(decrease) in trade and other payables	199,766	397,532	17,543
Increase in employee liabilities	34,986	33,921	29,947
Net cash outflow from operating activities	(1,730,116)	(818,796)	(2,678,321)

TRUSCREEN LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

9. NET TANGIBLE ASSETS PER SHARE

	Unaudited as at 30 September 2019	Unaudited as at 30 September 2018	Audited as at 31 March 2019
Net tangible assets (\$)	3,433,720	2,980,315	3,059,746
Shares on issue at the end of period	227,534,804	209,445,477	216,857,441
Net tangible assets per share (cents per share)	<u>1.51</u>	<u>1.42</u>	<u>1.41</u>

10. CONTINGENT LIABILITIES

There are no contingent liabilities in this or the previous reporting period.

11. EVENTS SUBSEQUENT TO END OF THE INTERIM PERIOD

In November 2019 the Company received the research and development tax offset (Australian Tax Office) in the amount of \$1,658,143. Of this amount \$587,625 relates to an additional claim in the 2019 year and is included in the current year research and development tax offset amount.

The Company had financed \$626,501 of the claim and this has been repaid in November 2019.

Except for the above and the Corporate section in the Half Yearly Operations Report, there have been no other events since 30 September 2019 which would have a material effect on the Group's unaudited interim financial statements for the 6 months ended 30 September 2019.