

TRUSCREEN GROUP LIMITED
(formerly Truscreen Limited)

Interim Unaudited Financial Statements

For the Six Months Ended 30 September 2020



TRUSCREEN GROUP LIMITED

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TRUSCREEN GROUP LIMITED

OPERATIONS REPORT

Cervical cancer screening technology company, TruScreen Group Limited (NZX: TRU) (Company), is pleased to provide the unaudited financial results for the six months to 30 September 2020 (1H 2021).

The Company reported a bottom-line loss of \$1.5m (2019: \$1.0m). The major contributor to that loss was a reduction of \$0.7m in the Australian research and development tax offset refund. The 2019 result included the impact of share-based payments of \$0.3m attributable to that half-year (1H) period.

Product revenue at \$0.6m (2019: \$0.76m) is down 22% on the prior year. Note that the 2019 period benefitted from sales to Zimbabwe of \$0.28m billed and shipped in Financial Year (FY) 2018. However, the application of NZ IFRS 15 required that this be recognised as sales on receipt of cash early in FY 2019. On a shipped and billed basis, sales are up 24%, and Single Use Sensor (SUS) revenues grew 85% on the prior period. SUS sales by volume shipped increased by 80% year on year (YOY), largely attributable to China.

Net operating cash outflow was \$1.6m (1H 2019: \$1.7m). Cash operating costs were 5% lower in the six months, at \$1.8m (1H 2019: \$1.9m). The loss for the six months included a non-cash amortisation and depreciation charge of \$0.35m (1H 2019: \$0.30m).

At 30 September 2020, the Company had cash and cash equivalents of \$4.47m. A capital raise of \$4.97m (net of costs) was completed in April/May 2020. The capital raising was undertaken via a successful Share Purchase Plan and a private placement.

Half-Year Commentary

TruScreen continued to make significant commercial progress in the six months to 30 September 2020, notwithstanding the challenges presented by COVID-19.

The Company continues to apply appropriate Occupational Health and Safety protocols to protect staff, our suppliers, and consultants. The TruScreen team continue to work effectively between home and the office at the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Lindfield. NSW.

Market development

China, our largest market, after an early lockdown was the first country to lift COVID-19 restrictions and has recovered well. Our distributor has added installed devices to new hospitals in the Municipality of Shanghai, Provinces of Sichuan, Hunan, Guangdong, Shandong, Jiangsu, Guangxi, Shan'xi, and Guizhou, increasing the number of in-use TruScreen cervical cancer screening devices from 49 to 69 over the course of the half-year. SUS sales to China have increased by 80% YOY. Unfortunately, this positive improvement has been offset by the negative impact of COVID-19 restrictions in Russia and Zimbabwe, and a hiatus in Mexico prior to the appointment of a replacement distributor.

After four years of market development, in April 2020 TruScreen received approval from the Ministry of Health (MOH) of the Vietnam Government for the commercial rollout of the TruScreen cervical cancer screening device. This followed a MOH-managed clinical trial which compared TruScreen to a Pap test and covered 989 patients. The trial was concluded successfully, with a positive clinical outcome at the Hanoi Obstetrics & Gynaecology Hospital.

The positive trial results in Vietnam were further confirmed by preliminary trial results in Sichuan Province, China, covering 1,243 patients in 14 hospitals. The Sichuan trial results were better than, or at least on parity with, tests for HPV (Human Papillomavirus DNA Test) and LBC (Liquid-based Cytology). The Sichuan trial results were presented by the lead investigator of the China Obstetrics and Gynaecology Association (COGA) project in Sichuan Province, at COGA's annual congress in September 2020.

TRUSCREEN GROUP LIMITED

Operations

The Company has strengthened its executive team with the following appointments:

- *Edmond Capcelea as Chief Technology Officer.* Edmond has more than 20 years' experience in medical design and development. Edmond holds a Master's Degree in Engineering Physics, and his previous roles include Divisional Director Head of Implants and Design Development at Cochlear Limited, and Senior Vice President of Research and Development at Saluda Medical.
- *Dr Beata Edling MD, Phd, MBA as Medical Affairs Lead.* Beata's previous roles include Executive Medical Director Amgen, Eli Lilly, and Sanofi.
- *Jerome Villalon as Senior Software Engineer.* Jerome holds a Bachelor's Degree in Information Communications Technology from UTS.

Further product research and development is continuing to be undertaken, with particular focus on reducing the cost of manufacture of both the TruScreen cervical cancer screening device and SUS. These projects, should they prove successful, should result in improved gross margins in calendar 2021 and beyond.

As announced in early 2020, the Company proposes to relocate its device manufacturing for the China market to Shenzhen, China. Planning for the project has commenced. This will provide TruScreen greater access to the China market where the public health system gives preference to locally manufactured product. Subject to COVID-19 restrictions, this is scheduled to be operational by 30 June 2021.

During 1H, we have improved our commercial support to our distribution network. Several key projects were initiated in these areas to improve our capabilities to support product rollout and a higher number of installed devices active in the field across the globe.

We have completed development of an online training platform available to end-users. The platform hosts our recently developed training video and theory exam and will accompany on-patient training provided by our distributors. We have also expanded our cloud-based Jira service system to enable distributors to use the portal to provide feedback on device performance, update service records, and track location of the devices.

Highlights for HY2020:

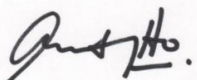
- Operational SUS sales volume growth of +80% over 1H 2019;
- Expansion in China, with installed devices in new hospitals increased by 40% YOY;
- Expansion into Vietnam with MOH approval, and first shipment of product;
- Appointment of distributors in Eastern Europe, Aspironix s.r.o and MPG d.o.o Beograd for the Balkans;
- Appointment of replacement distributor in Mexico, Sunbird S.A. de C.V.; and
- Successful \$5.243m (before costs) capital raising completed in May/June 2020.

Corporate

The Company appointed Victoria Potarina, an executive with more than 18 years' experience at Johnson & Johnson (J & J) and other blue-chip multinational companies in FMCG, OTC, medical devices and healthcare, as CEO on 2 March 2020.

Prof Ron Jones and Mr Con Hickey retired as Directors on 31 March 2020 and 10 September 2020, respectively. Ms Juliet Hull was elected a Director on 10 September 2020. Ms Hull is the NZ General Manager/Country Director of Johnson & Johnson Medical, a Director of the ANZ Johnson & Johnson Medical Executive Board, a Director of MTANZ (Medical Technology Association of NZ) and a member of both the APAC Regional Leadership team for J & J's Orthopaedics and Ethicon Divisions.

Thanks to the strong support of shareholders, the Company raised \$5.243m before costs in April/May 2020. A Share Purchase Plan raised \$3m through the issue of 74,860,021 shares at 5 cents each, and a further \$2.243m was raised through an over-subscribed placement of 30,000,000 shares at 5 cents each.



Anthony Ho
Chairman

4 November 2020

TRUSCREEN GROUP LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	Note	Unaudited for the six months ended 30 September 2020 \$	Restated Unaudited for the six months ended 30 September 2019 \$	Audited for the year ended 31 March 2020 \$
Revenue from the sale of goods		596,824	762,110	1,288,242
Other income	4	394,199	1,110,993	1,266,040
Changes in inventories		-	3,011	960
Purchases of inventory		(351,272)	(366,424)	(772,980)
Employee benefit expenses and directors' fees		(644,236)	(715,432)	(1,308,222)
Administration		(244,927)	(222,223)	(541,663)
Research and development expenses		(524,718)	(524,823)	(1,137,389)
Travel		(1,598)	(72,047)	(77,777)
Marketing & product approvals		(284,811)	(134,119)	(430,656)
Insurance		(39,840)	(48,445)	(87,410)
Shareholder relations & services		(35,362)	(136,570)	(148,115)
Foreign exchange gain/(loss)		3,970	-	108,038
Amortisation & depreciation		(346,192)	(304,886)	(597,830)
Impairment of non-current assets	4	-	-	(2,380,000)
Finance costs		(32,202)	(60,319)	(71,959)
Share based payments		-	(306,000)	(306,000)
Loss before income tax		<u>(1,510,165)</u>	<u>(1,015,174)</u>	<u>(5,196,721)</u>
Income tax expense		-	-	-
Loss for the period after income tax		<u>(1,510,165)</u>	<u>(1,015,174)</u>	<u>(5,196,721)</u>
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange gain/(loss) on translating foreign subsidiary operations		<u>448,242</u>	<u>(145,940)</u>	<u>(259,903)</u>
Other comprehensive income/(loss) for the period		<u>448,242</u>	<u>(145,940)</u>	<u>(259,903)</u>
Total comprehensive loss for the period		<u>(1,061,923)</u>	<u>(1,161,114)</u>	<u>(5,456,624)</u>
Basic and diluted losses (cents per share)		<u>(0.48)</u>	<u>(0.46)</u>	<u>(2.32)</u>

The accompanying notes form part of these financial statements.

TRUSCREEN GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 March 2020
Note	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4,467,663	990,821	1,024,153
Trade receivables	156,924	480,947	107,018
Other receivables	923,419	1,987,743	684,250
Loan receivable	75,000	75,000	75,000
Goods and services taxes recoverable	37,249	34,224	17,510
Inventories	610,774	797,985	503,768
Other assets – prepayments	293,620	181,395	136,442
TOTAL CURRENT ASSETS	<u>6,564,649</u>	<u>4,548,115</u>	<u>2,548,141</u>
NON-CURRENT ASSETS			
Plant and equipment	314,042	345,314	295,048
Intangible assets	5,292,643	8,102,857	5,230,821
TOTAL NON-CURRENT ASSETS	<u>5,606,685</u>	<u>8,448,171</u>	<u>5,525,869</u>
TOTAL ASSETS	<u>12,171,334</u>	<u>12,996,286</u>	<u>8,074,010</u>
CURRENT LIABILITIES			
Trade and other payables	447,951	636,798	293,141
Borrowings	436,840	626,501	410,280
Employee benefits	88,531	138,895	83,149
TOTAL CURRENT LIABILITIES	<u>973,322</u>	<u>1,402,194</u>	<u>786,570</u>
NON-CURRENT LIABILITIES			
Employee benefits	49,375	57,515	46,373
TOTAL NON-CURRENT LIABILITIES	<u>49,375</u>	<u>57,515</u>	<u>46,373</u>
TOTAL LIABILITIES	<u>1,022,697</u>	<u>1,459,709</u>	<u>832,943</u>
NET ASSETS	<u>11,148,637</u>	<u>11,536,577</u>	<u>7,241,067</u>
EQUITY			
Issued capital	8 32,461,543	27,492,050	27,492,050
Share option reserve	306,000	306,000	306,000
Foreign currency translation reserve	(266,457)	(600,736)	(714,699)
Accumulated losses	(21,352,449)	(15,660,737)	(19,842,284)
Total Equity	<u>11,148,637</u>	<u>11,536,577</u>	<u>7,241,067</u>

The accompanying notes form part of these financial statements.

TRUSCREEN GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Share Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 31 March 2020 (Audited)		27,492,050	(19,842,284)	(714,699)	306,000	7,241,067
Comprehensive income						
Loss for the period ended 30 September 2020		-	(1,510,165)	-	-	(1,510,165)
Other comprehensive loss for the period		-	-	448,242	-	448,242
Total comprehensive loss for the period (unaudited)		-	(1,510,165)	448,242	-	(1,061,923)
Transactions with owners						
Issue of shares	8	5,243,001	-	-	-	5,243,001
Share issue costs	8	(273,508)	-	-	-	(273,508)
Total transactions with owners		4,969,493	-	-	-	4,969,493
Balance at 30 September 2020 (Unaudited)		32,461,543	(21,352,449)	(266,457)	306,000	11,148,637
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 - restated		-	(1,015,174)	-	-	(1,015,174)
Other comprehensive loss for the period		-	-	(145,940)	-	(145,940)
Total comprehensive loss for the period (unaudited) - restated		-	(1,015,174)	(145,940)	-	(1,161,114)
Transactions with owners						
Issue of shares	8	1,131,800	-	-	-	1,131,800
Share issue costs	8	(60,918)	-	-	-	(60,918)
Share based payments - restated		-	-	-	306,000	306,000
Total transactions with owners		1,070,882	-	-	306,000	1,376,882
Balance at 30 September 2019 (Unaudited) - restated		27,492,050	(15,660,737)	(600,736)	306,000	11,536,577

The accompanying notes form part of these financial statements.

TRUSCREEN GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited for the six months ended 30 September 2020 \$	Unaudited for the six months ended 30 September 2019 \$	Audited for the year ended 31 March 2020 \$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		561,141	506,468	1,309,080
Cash paid to suppliers and employees		(2,067,640)	(2,179,539)	(4,415,470)
Cash received from research and development tax offset		-	-	1,645,985
Short-term lease payments not included in lease liability		(34,136)	-	(111,002)
Interest paid		(32,202)	(60,317)	(71,959)
Interest received		-	3,272	8,867
Net cash used in operating activities	9	<u>(1,572,837)</u>	<u>(1,730,116)</u>	<u>(1,634,499)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of plant and equipment		(74,064)	-	-
Net cash used in investing activities		<u>(74,064)</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		5,243,001	1,131,800	1,131,800
Share issue costs		(273,508)	(60,918)	(60,918)
Proceeds from borrowings		-	-	410,280
Repayment of borrowings		-	-	(626,501)
Net cash provided by financing activities		<u>4,969,493</u>	<u>1,070,882</u>	<u>854,661</u>
Net increase/(decrease) in cash and cash equivalents		3,322,592	(659,234)	(779,838)
Cash and cash equivalents at beginning of period		1,024,153	1,737,775	1,737,775
Effect of foreign exchange adjustment on cash balances		120,918	(87,720)	66,216
Cash and cash equivalents at end of period		<u>4,467,663</u>	<u>990,821</u>	<u>1,024,153</u>

The accompanying notes form part of these financial statements.

TRUSCREEN GROUP LIMITED

1. REPORTING ENTITY

TruScreen Group 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 condensed financial statements presented for the six months ended 30 September 2020 are those of TruScreen Group Limited and its subsidiaries (the “Group”). References to “TruScreen” are used to refer both to the Group and TruScreen Group Limited (the “Company”).

The Company changed its name to TruScreen Group Limited (formerly TruScreen Limited) on 21 August 2020.

These consolidated unaudited interim financial statements were authorised for issue by the Board of Directors on 4 November 2020.

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 currency 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 2020.

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 2020.

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

3. 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.

TRUSCREEN GROUP LIMITED

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 2020	Unaudited for the six months ended 30 September 2019	Audited for the year ended 31 March 2020
	\$	\$	\$
Other income			
Research and development tax offset ¹			
- Current year	185,506	365,085	684,250
- Prior year adjustment	53,663	572,923	572,923
	239,169	938,008	1,257,173
Interest	919	3,204	8,867
Government subsidies	154,111	-	-
Foreign exchange gains - unrealised	-	169,781	-
Total other income	394,199	1,110,993	1,266,040
Expense			
Impairment ²	-	-	2,380,000

¹Ongoing 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.

²The Directors undertook a comprehensive Impairment Review (“Review”) of the intangible assets of the Company as at the 31 March 2020 year end. This Review was undertaken in compliance with NZ IAS 36 Impairment (‘IAS 36’) and its detailed specifications with the assistance of an independent consultant.

In particular, the Directors assessed the risk of not meeting the projected device sales and rollout in China and other countries as a result of COVID-19 pandemic. These risks were taken into account in determining the budget for 2021 and the impact on sales revenue in subsequent years.

A further limited review was undertaken at the 30 September 2020 half year. The current 2021 forecast is under the budget projected in March 2020 due to COVID-19 impact. However, this may not have a material impact on the carrying value of intangible assets at 31 March 2021, and a full determination will be made as at this date. The Company’s business in the key market of China, impacted early in calendar 2020 by COVID-19 and the first country to lift COVID-19 restrictions, has made a strong recovery.

TRUSCREEN GROUP LIMITED

5. ADMINISTRATION AND OTHER OPERATING EXPENSES

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

Clinical trials – lower level of support activity in 1H 2020 partly attributable to COVID-19;

Research and development – 1H 2019 includes support expenditure relating to a pilot plant;

Travel – no travel in 1H 2020 attributable to COVID-19. This inability to meet with distributors is a limiting factor in the short term; and

Share-based payments – the prior period contains a share-based payment charge of \$306,000 relating to Director and Officer options issued on 24 September 2019. As the options had vested, they were fully expensed in that period.

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 earns revenue largely from China, with developing markets in South East Asia, Russia, Mexico, India, and Eastern Europe. Revenues are 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 2020 (2019: two customers):

- One customer provided revenue of \$508,712 (85%); and
- One customer provided revenue of \$88,154 (15%).

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

7. RESTATEMENT OF PRIOR PERIOD

The results for the half year ended 30 September 2019 have been restated to include a one-off charge of \$306,000 being 9,000,000 unlisted options issued to Directors and Officers on 24 September 2019. The options which were fully vested have an exercise price of 15 cents per share with an expiry date of 27 August 2022.

8. SHARE CAPITAL

	<u>No.</u>	<u>\$</u>
Balance at 30 September 2019	<u>227,535,804</u>	<u>27,492,050</u>
Balance at 31 March 2020	227,534,804	27,492,050
Share Purchase Plan, 21 May 2020	74,860,021	3,743,001
Share placement, 29 May and 5 June 2020	30,000,000	1,500,000
Share issue costs	-	(273,508)
Balance at 30 September 2020	<u>332,394,825</u>	<u>32,461,543</u>

TRUSCREEN GROUP LIMITED

9. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited for the six months ended 30 September 2020	Restated Unaudited for the six months ended 30 September 2019	Audited for the year ended 31 March 2020
	\$	\$	\$
Reconciliation of cash flow from operations with loss after income tax			
Loss for the period	(1,510,165)	(1,015,174)	(5,196,721)
Adjusted for:			
Amortisation and depreciation	346,192	304,886	597,830
Impairment of non-current assets	-	-	2,380,000
Share based payment expense	-	306,000	306,000
Exchange difference arising from translating loss items at the date of transaction and translating cash balances at period end rates	943	(170,220)	(188,764)
Operating cash flows before working capital changes	(1,163,030)	(574,508)	(2,101,655)
(Increase)/decrease in trade receivables	(49,906)	(293,443)	80,486
(Increase)/decrease in goods and services taxes recoverable	(19,739)	(3,889)	12,826
Increase in prepayments	(157,178)	(159,843)	(114,890)
(Increase)/decrease in inventory	(107,006)	(15,959)	278,258
Increase/(decrease) in research and development refundable tax offset	(239,169)	(917,226)	386,267
Increase/(decrease) in trade and other payables	154,806	199,766	(143,889)
Increase in employee liabilities	8,385	34,986	(31,902)
Net cash outflow from operating activities	(1,572,837)	(1,730,116)	(1,634,499)

TRUSCREEN GROUP LIMITED

10. NET TANGIBLE ASSETS PER SHARE

	Unaudited as at 30 September 2020	Unaudited as at 30 September 2019	Audited as at 31 March 2020
Net tangible assets (\$)	5,855,994	3,433,720	2,010,246
Shares on issue at the end of period	332,394,825	227,534,804	227,534,804
Net tangible assets per share (cents per share)	1.76	1.51	1.13

11. CONTINGENT LIABILITIES

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

12. EVENTS SUBSEQUENT TO END OF THE INTERIM PERIOD

The Company repaid a loan of \$436,840 in October 2020.

Except for the above and as outlined in the Corporate section of the Half-Yearly Operations Report, there have been no other events since 30 September 2020 which would have a material effect on the Group's unaudited interim financial statements for the six months ended 30 September 2020.