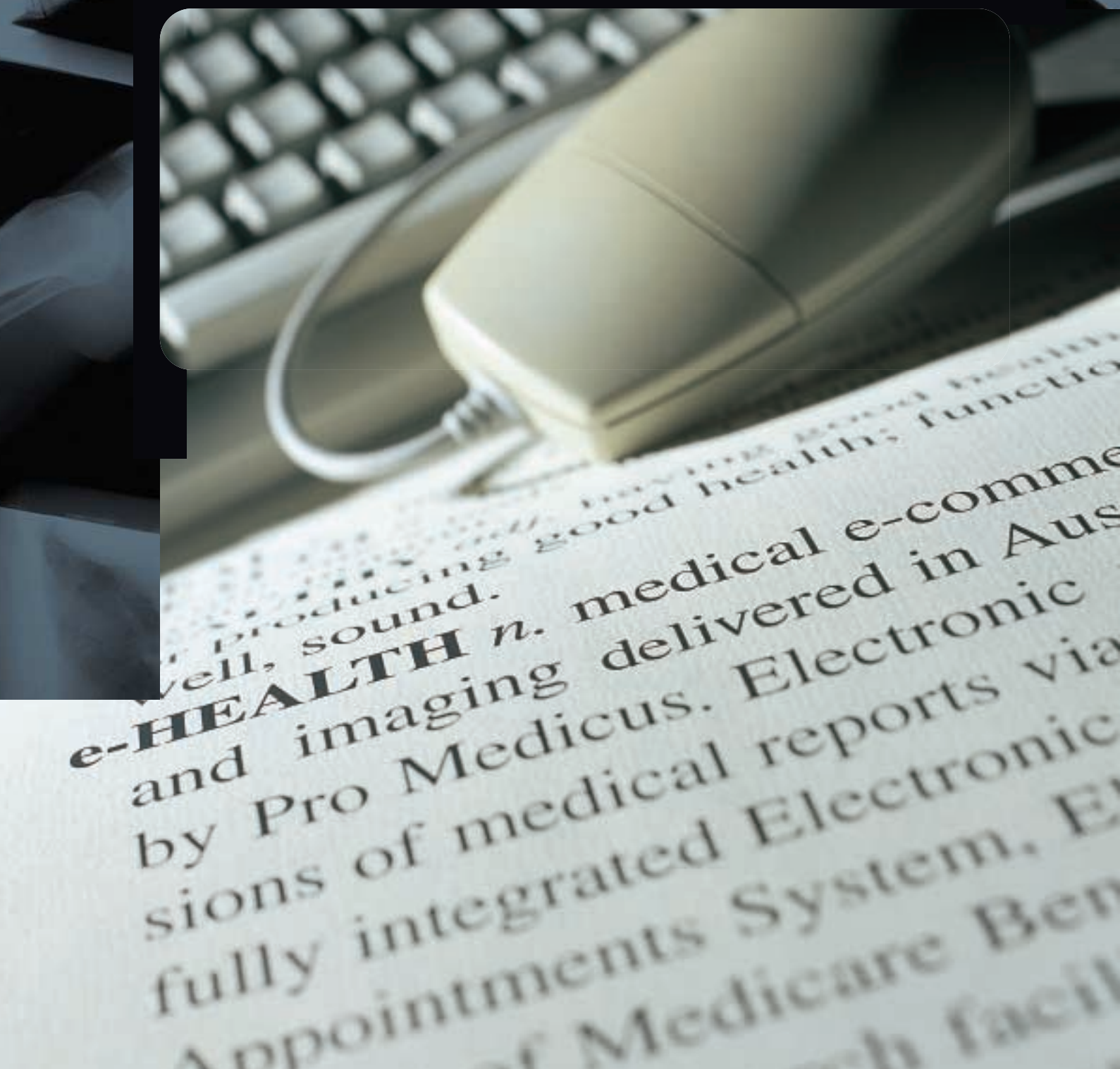


Promedicus | : Annual Report 2001

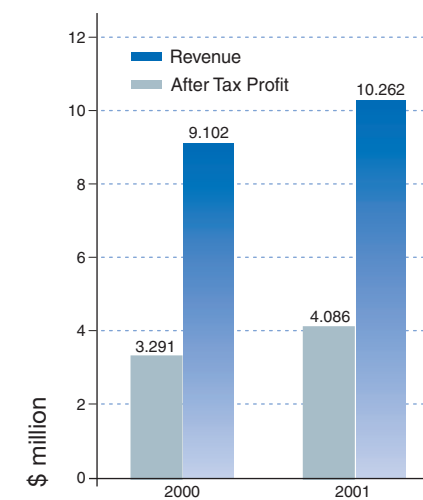


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Highlights 2000/2001:

- Pro Medicus listed on the ASX on the 10th October 2000 after a 17-year history in medical software and IT services.
- Most profitable year in the Company's 18-year history with a 24% increase in after-tax profit, and a 12.7% increase in revenue from ordinary activities.
- Four significant sales contracts valued at over \$8m including a \$5m, three-year contract with Medical Imaging Australasia (MIA) - Australia's largest radiology group.
- Strong growth in our e-health business, **Promedicus.net**. Transaction volumes increased 337% on a three-fold increase in the user base. **Promedicus.net** now reaches over 6,500 doctors nationally which equates to 30% of GPs.
- Developed the framework for a strategic alliance with global imaging company Agfa-Gevaert aimed at capturing a significant proportion of the \$100m PACS (digital imaging) market.
- Release of the Pro Medicus *Enterprise Desktop*, the next generation Pro Medicus user interface providing consistent look and feel across the entire range of products.
- Focus on cost control and internal efficiencies resulted in margin growth.



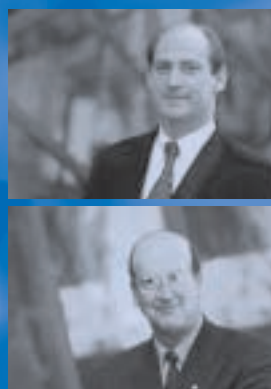
Financial Summary :

FINANCIAL SUMMARY		
Year ending 30 June 2001		
All figures in \$A thousands unless otherwise stated		
	2001 \$'000	2000 \$'000
Revenues from Ordinary Activities (+12.7%)	10,262	9,102
Revenues from Operating Activities (+12.1%)	9,987	8,905
Operating Profit Before Interest and Income Tax (+12.7%)	5,979	4,954
Net Profit After Tax (+24.1%)	4,086	3,291
Total Assets 30 June	9,375	6,948
Shareholders' Funds 30 June	5,140	3,304
Net Tangible Assets per Share at 30 June (cents)	5	3
Earnings per Share (cents)	4.1	3.3
Franked Dividends per Share (cents per share)	2.25	3.40 *

*Dividends were historically paid as decided by the two members and the year 2000 dividends paid represent payment of 1.7 cents per share for the previous two years. Comparative figures for cents per share are based on the number of shares on issue adjusted for share splits.

Dividends to Shareholders

An initial interim dividend of 1 cent per share fully franked (34%) was paid on April 6, 2001. A second interim dividend of 0.75 cents per share fully franked (34%) was paid on June 26, 2001. A final dividend of 0.5 cents per share fully franked (30%) will be paid on October 19, 2001. The total dividend for the year of \$2.25m (2.25 cents per share) represents a payout ratio of 55% of net profit after tax.



CEO & Chairman's Letter:

Dear Shareholders,

It is our great pleasure to report that the 2001 financial year has been the most successful in the Company's eighteen-year history. After-tax profit increased 24% to \$4.09m, with a 12.7% increase in revenue from normal activities to \$10.26m. The Company is cash flow positive, has substantial cash reserves, is largely debt free and has sufficient funds to finance operations.

As an outcome of its successful operations, Pro Medicus will pay a total dividend return to shareholders of 2.25 cents per share fully franked, exceeding the percentage return proposed in the prospectus.

Following a slower than expected first half largely due to rationalisation in the radiology sector and subsequent deferrals of spending, Pro Medicus secured four significant sales contracts worth in excess of \$8m early in the fourth quarter. The biggest of these, a \$5m, three-year deal with Medical Imaging Australasia (MIA), Australia's largest radiology provider, has resulted in Pro Medicus systems being adopted as the standard IT platform throughout MIA. Revenue from these contracts is expected to continue throughout the 2002 and 2003 financial years.

Promedicus.net, the Company's e-health offering, also experienced very significant growth throughout the year and has made a solid contribution to profits. Transaction volumes increased 337% and are now in excess of 90,000 transactions per month with volumes growing strongly. The number of doctors registered to use our e-health service has swelled to over 6,500 with the service being used extensively throughout Australia. To date over 30% of Australian GPs have registered for the service, an increase of 300% on last year. As a result, revenue from Promedicus.net increased by 250% as compared to the previous year.

The last financial year saw an increase in R&D activity resulting in the release of a number of new products including the *Pro Medicus Enterprise Desktop*. This next generation of Pro Medicus user interface provides tight integration of data between applications as well as presents a consistent new look and feel to all Pro Medicus products. The new *Enterprise Desktop* will act as the platform for all future Pro Medicus applications.

In August of this year the Company entered into a strategic alliance with global imaging company Agfa-Gevaert. This agreement places Pro Medicus in a prime position to capitalise on the rapidly emerging PACS (digital imaging) market estimated to be worth \$100m over the next three years, and thereby provide the Company with a substantial new revenue stream.

Pro Medicus share price has fluctuated between 79 cents and a high of \$1.62 since listing in October 2000. Following a lengthy period comfortably above listing price, the share price was subjected to major fund portfolio balancing which pushed the share price to its lowest level. Since then the positive news of our annual profit and alliance with Agfa-Gevaert has aided a partial recovery in stock price.

Despite a harsh climate for most technical stocks it is heartening to note that Pro Medicus has been recognised as a strong ongoing business, significantly outperforming the S&P technology index. Nevertheless, we are aware that the stock is susceptible to thin trading fluctuations due to limited liquidity and the Company is examining growth options that may assist in this regard.

The Company looks forward to another strong year of growth as new revenue streams from the Agfa alliance start to take effect and growth continues in Promedicus.net and core business activity.

Yours faithfully,

Dr Sam Hupert
CHIEF EXECUTIVE OFFICER

Mel Ward AO
CHAIRMAN



Business Background:

Pro Medicus is recognised as a major provider of IT solutions and services to the private healthcare industry.

Established in 1983 by Dr Sam Hupert, a general medical practitioner, together with Anthony Hall, an award-winning software engineer, Pro Medicus aimed to provide a class-leading range of products and services to address the specific IT needs of the healthcare industry.

Pro Medicus now provides healthcare IT solutions to large corporate groups, such as Medical Imaging Australasia Ltd (MIA), Sonic Healthcare and Mayne Health, as well as specialist physicians and surgeons, GPs and allied health professionals.

The suite of products comprises core and e-health applications and newly emerging PACS products, plus comprehensive services in network design and structure, training, hardware configuration and technical support.

The activities of Pro Medicus in the financial year ending June 30, 2001 can be characterised by the following two broad revenue streams.

- **Core Business**

The Company's core business consists of a range of integrated software applications and services that are designed to aid the management of medical practices. The primary products in this area include medical accounting, clinical reporting, appointments/scheduling and marketing/management information applications. Services include network design and implementation, hardware sourcing and configuration, staff and management training and ongoing technical support.

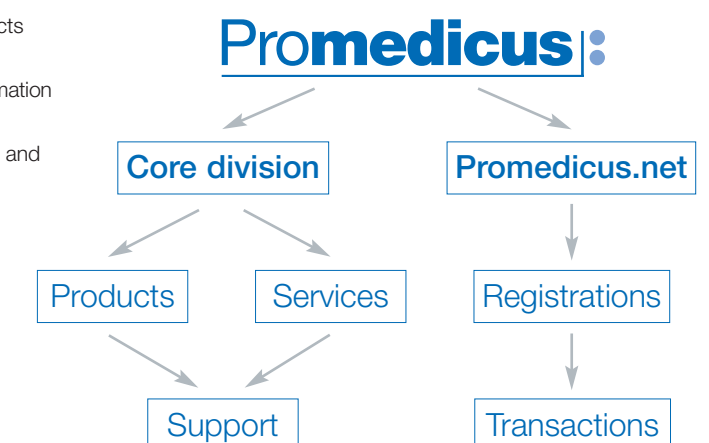
- **E-health Framework**

Pro Medicus has extended its position in health informatics with the development of an e-health, Internet-based framework, Promedicus.net. The first product on this network is the Promedicus.net Secure Email System.

This revolutionary system enables referring doctors and medical practices to receive encrypted clinical reports, via the Internet, to a centralised "In-Tray" on a doctor's computer.

Pro Medicus provides "end-to-end" management of the delivery process ensuring that both the sending of the result by the diagnostic provider and its receipt by the referring doctor are logged. This assists in fulfilling duty-of-care requirements and in so doing provides significant added value to the process.

The timely and secure electronic delivery of clinical results is expected to significantly improve service and care received by patients. This is in line with the Government's agenda to vastly improve IT in the healthcare sector.



The Year in Review:

2000-2001

Core Business

Core applications comprise a comprehensive range of integrated software products that cater for a broad range of practice operation.



The core business section contributed in excess of 80% of overall sales revenue in the fiscal year 2000-2001.

In spite of rationalisation and a general economic slowdown in the radiology sector, Pro Medicus secured a number of significant sales contracts that provided revenue both in the 2001 financial year as well as providing significant ongoing revenue in the coming years. The largest of these was a three-year \$5m deal with Medical Imaging Australasia (MIA) that has resulted in the full complement of Pro Medicus products being used as the standard IT platform for the MIA organisation. Other contracts include significant sales to Whistler Radiology, a regional group in south eastern New South Wales, Radclin Medical Imaging in Victoria, Sydney-based Pacific Healthcare Group and Queensland Diagnostic Imaging, Queensland's largest privately owned radiology group.

As many of these contracts were announced in the second half of the year, a proportion of their revenue is expected to be realised in the forthcoming year. Core business research and development activities have resulted in the release of the Pro Medicus Enterprise Desktop. This next generation user interface is the new platform for the Pro Medicus Practice Management System and other value-added products such as the Pro Medicus Appointments System, The Pro Medicus Management Information System (MIS) and a Medclaims EDI module.

Pro Medicus is continually enhancing and developing its products to best equip its clients to meet the changing needs of the medical market. These enhancements are released as software product updates that are distributed to all clients with current service agreements.

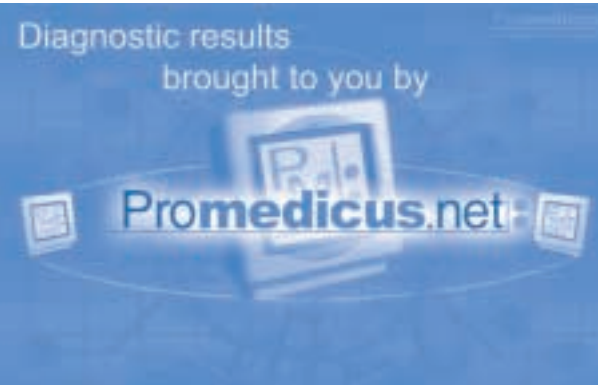
Renewal of existing service contracts and new service subscriptions arising from sales in 1999-2000 led to a 54% increase in service revenue which provides the Company with a significant annuity stream. Strong sales of core products in 2000-2001 is anticipated to result in further increases in service revenue in the coming year as these products complete their warranty periods and become eligible for contracted support.

E-health

Our e-health business, Promedius.net, has become the largest Internet-based system for delivery of imaging reports in Australia.

Total revenue for Promedius.net was in excess of \$1.15m, generated from software licensing, new registrations and transaction fees.

The uptake of Promedius.net e-health service by our radiology clients has been significant, with 80% of the Pro Medicus user base now having the capability to electronically send reports to their referrers via Promedius.net resulting in a high level of commitment to our e-health strategy.



Transaction volumes have risen by 337% since June 2000 with more than 90,000 reports emailed per month with numbers growing strongly. This has correlated with a 300% increase in registered referrers, with numbers of new referrer connections growing strongly. Encouragingly we have seen an increase in the rate of this growth, which flows directly to transactions and revenue.

We have continued to invest in our support infrastructure and product line for Promedius.net. Typical installation times for new Secure Email clients have reduced by as much as a third and quality monitoring software has been implemented to provide automatic status notifications to our radiology clients and their referrers. This has enabled us to manage the significant growth in e-health business without recourse to additional staff.

Research and Development

Pro Medicus has continued to invest in ongoing research and development of its products. The year's two most significant developments have been the introduction of Pro Medicus Enterprise Desktop and the deployment of a PACS strategy.

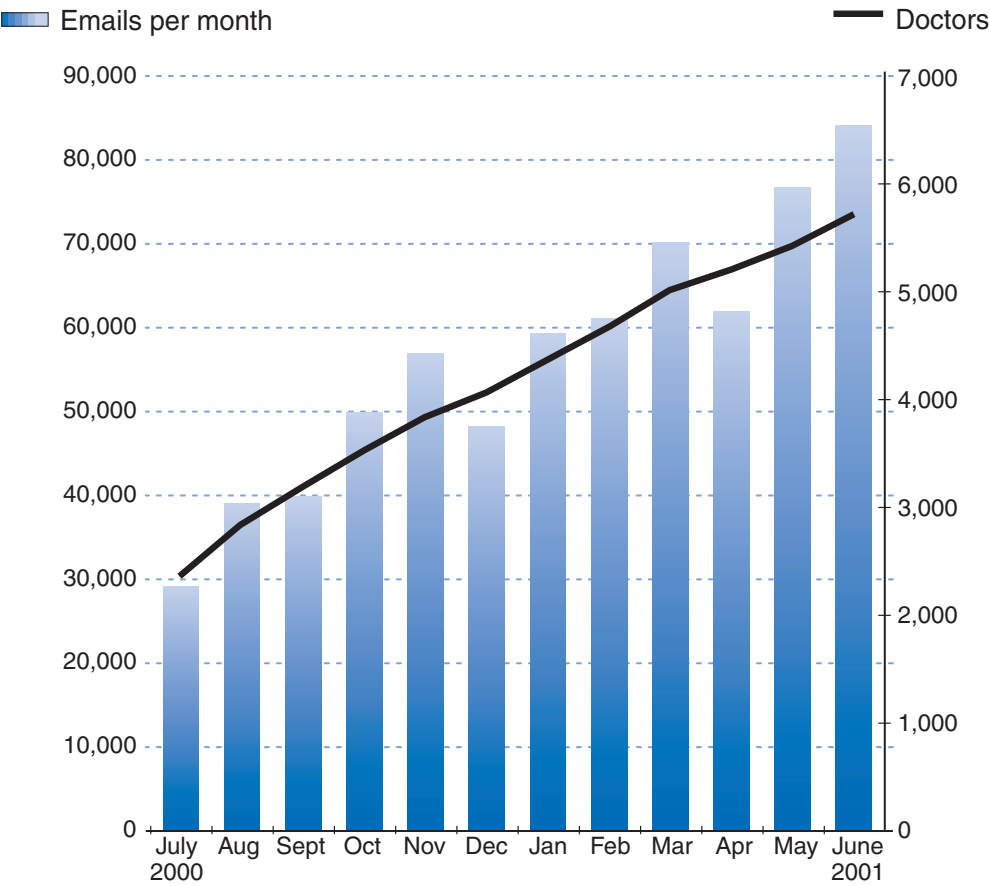
Enterprise Desktop incorporates a completely new look to the Practice Management System in a Windows-based user interface. As part of this development the concept of a central "launch pad" for all Pro Medicus applications has been included, with seamless integration of the Practice Management System, Appointments System, MIS and other value-add Pro Medicus applications.

In e-health we have enhanced our Secure Email Client to broaden usability and automate management and support. The development of Clinical Report Viewer has been another significant step forward. It fills the void for referrers without clinical script-writing software and opens the way for hospitals to receive and view reports through Promedius.net.

Picture Archive and Communication Systems (PACS) are set to revolutionise the Australian radiology sector. PACS is an environment where radiology images (X-rays) and data are generated, stored and linked electronically. This new way of managing a radiology practice improves efficiency and sharing of information, leading to better quality of care and patient outcomes.

Most scans such as CT, MRI and ultrasound are captured electronically. However, for the most part, these scans are then printed to analogue film, with the digital image discarded. Films can only be in the one place at any one time, but with an integrated PACS all scans are digitally stored, displayed and linked to the clinical opinion and previous radiological history.

Pro Medicus is continuing to invest in research and development of PACS interfaces and new ways of communication between our products and other systems. Pro Medicus will continue its focus on R&D in the PACS area, anticipating an ongoing and cost focus in the coming year. The Company also expects commercialisation of the first interface in the financial year 2001-2002.



Performance of Promedius.net

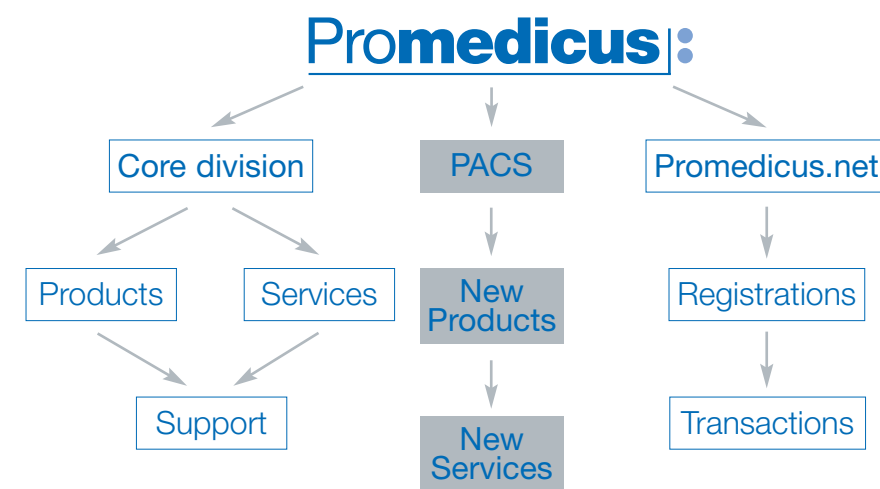
Into the Future :

Pro Medicus is looking towards a prosperous year for 2001-2002. Ongoing revenue from our fourth quarter contracts will be realised this coming year. Promedicus.net is continuing to attract new registrations, and Government changes to practice funding means that more doctors will be using e-health technology. The growth in Promedicus.net is helping to attract further interest in our core business.



Our entrance into the digital imaging (PACS) arena, via a strategic alliance with Agfa-Gevaert, will provide a significant new revenue stream for Pro Medicus. This market is estimated to be worth in excess of \$100m over the next three years and will see Agfa's investment in Pro Medicus technology provide the tightest PACS interface between two market leading products: Pro Medicus *Enterprise Desktop* and Agfa's *Impax Digital Imaging* solutions.

Pro Medicus has a policy of continuous reinvestment and development of our products with all research and development costs expensed in the financial year in which they are incurred. This investment in R&D has produced leading-edge products that are regarded as "best in class" throughout the radiology industry. This year will see further R&D aimed at producing industry based HL7 and Dicom interfaces that will integrate Pro Medicus products with digital radiology and hospital systems. This will provide a significantly expanded range of software and services to the private medical IT market.



Corporate Governance :

The Board of Directors of Pro Medicus Limited is responsible for the corporate governance of the entity. The Board guides and monitors the business and affairs of Pro Medicus Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

• Composition of the Board

The composition of the Board was determined in accordance with the following principles and guidelines:

- The Board should comprise at least five directors and should maintain a majority of Non-Executive Directors;
- The Chairperson must be a Non-Executive Director;
- The Board should comprise Directors with an appropriate range of qualifications and expertise; and
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

NAME	POSITION
M K Ward	Chairman, Non-Executive Director
P D Jonson	Deputy Chairman, Non-Executive Director
S A Hupert	Managing Director, Chief Executive Officer
A B Hall	Technical Director
P G Molyneux	Non-Executive Director

• Committees

The current Board of five Directors was appointed on April 4, 2000. Due to the recent appointment and small number of Directors the Board decided it was more appropriate to handle nomination, remuneration and audit issues at full Board level. No Committees for these functions have been established at this time.

In addition the full Board handles any matters as and when they arise concerning environmental issues, occupational health and safety, finance and treasury.

In order to maintain good corporate governance the Non-Executive Directors will assume responsibility for determining and reviewing compensation arrangements for the Chief Executive Officer and Technical Director who will in turn review the terms for the Non-Executive Directors. The full Board will review the terms of employment for the Company Secretary. It should be noted that no review of these emoluments has taken place at the date of this report.

The Board has delegated the responsibility of executive remuneration to the management who will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Independent experts have been consulted to provide appropriate information to ensure decisions are soundly based.

The recent appointment of appropriately skilled Non-Executive Directors, together with an unchanged business base has meant no new Director nominations have been required.

The Board has assumed responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes.

Corporate Governance cont:

This also includes the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has not delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the entity.

Strategic planning has been an important objective of the Board. This process has been facilitated by special meetings of approximately one-day duration during which detailed discussion takes place on a wide range of relevant topics. Meetings are attended by all Board members and are conducted in an informal fashion to allow Non-Executive Directors to gain enhanced industry, customer, product and research knowledge.

• Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

Responsibility for the operation and administration of the entity is delegated by the Board to the Chief Executive Officer and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Board approval of strategic plans, which encompass the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and Board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;

- procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

• Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairperson. Directors whose performance is unsatisfactory will be asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders
- the half-yearly report distributed to all shareholders
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- an up to date web-site - www.promedicus.com.au
- email contact with registered users.

• Risk Management Policies

Pro Medicus Limited has no interest or currency sensitive assets or liabilities.

The Board oversees appropriate backup procedures for important Company data.

Insurance policies in force have all been reviewed in detail to ensure cover is at appropriate levels to safeguard the Company assets and operations.

The Board regularly considers succession planning to ensure staff of appropriate skill and experience are available to the Company.

Directors:



Melvyn Keith Ward A.O.
B.E.(Hons), M.Eng.Sc., F.I.E(Aust), F.T.S., F.A.I.M., I.V.A.
CHAIRMAN

Mel Ward joined Pro Medicus Limited as Chairman on 4th April, 2000. He is a director of a number of companies including AXA Asia Pacific Holdings Pty Ltd, National Mutual Life, Coca-Cola Amatil Ltd, Insurance Manufacturers of Australia Pty Ltd and Transfield Services Limited.



Dr Sam Aaron Hupert
M.B.B.S.
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Co-founder of Pro Medicus Limited in 1983, Sam Hupert is a Monash University Medical School graduate who commenced General Practice in 1980. Realising the significant potential for computers in medicine he left general practice in late 1984 to devote himself full time to managing the Company.



Dr Peter David Jonson
B.Comm(Hons), M.A.(Hons), PhD, F.A.I.C.D., F.A.A.S.S.
DEPUTY CHAIRMAN

Peter Jonson joined Pro Medicus Limited as a Director on 4th April, 2000. He is Chairman of Analytica Ltd, Director of Village Roadshow Limited and Chairman of the Melbourne Institute. During the past year he has chaired two science related advisory committees for the Australian government – The Major National Research Facilities Committee and the Biotechnology Centre of Excellence Expert Panel.



Anthony Barry Hall
B.Sc.(Hons), M.Sc.
EXECUTIVE DIRECTOR
AND TECHNOLOGY DIRECTOR

Co-founder of Pro Medicus Limited in 1983, Anthony Hall has been principal architect and developer of the core software systems. His current role is to oversee all product development and plan the future technical direction of the Company.



Philip Gregory Molyneux
B.Econ, F.C.A.
NON-EXECUTIVE DIRECTOR

Philip Molyneux joined Pro Medicus Limited as a Director on 4th April, 2000. He is Chairman of Anadis Limited and Sedgwick Superannuation Pty Ltd, a director of Equity Trustees Limited, Centre for Eye Research Australia Limited, Australian National Academy of Music, Corps of Commissioners (Victoria) Limited.

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DX 293 Melbourne

To the members of Pro Medicus Ltd

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Pro Medicus Ltd for the year ended 30 June 2001 included on Pro Medicus Ltd's web site. The company's directors are responsible for the integrity of the Pro Medicus Ltd web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

We have audited the financial report of Pro Medicus Ltd, comprising the Statement of Financial Performance, the Statement of Financial Position, the Statement of Cash Flows, Notes 1 to 28 and the Director's Declaration for the year ended 30 June 2001. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Pro Medicus Ltd is in accordance with:

- (a) the Corporations Law, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2001 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Ernst & Young

R. Bruce Dungey
Partner

Melbourne

20 August 2001

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

Your Directors submit their report for the year ended 30 June 2001.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are:

Melvyn Keith Ward
(Chairman)

Dr Peter David Jonson
(Deputy Chairman)

Dr Sam Aaron Hupert
(Managing Director and Chief Executive Officer)

Anthony Barry Hall
(Executive Director and Technical Director)

Philip Gregory Molyneux
(Non-Executive Director)

All Directors were in office from the beginning of the financial year until the date of this report.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares	Options over Ordinary Shares
A. B. Hall	40,054,500	425,000
S. A. Hupert	40,054,500	425,000
M. K. Ward	50,000	400,000
P. D. Jonson	50,000	200,000
P. G. Molyneux	25,000	200,000

EARNINGS PER SHARE

	Cents
Basic earnings per share	4.09
Diluted earnings per share	4.09

DIVIDENDS

	Cents	\$'000
Final dividends recommended:		
#on ordinary shares	0.5	500
Dividends paid in the year:		
Interim for the year		
#on ordinary shares	1.75	1,750

No dividend was provided for at 30th June 2000.

CORPORATE INFORMATION

Corporate Structure

Pro Medicus Limited is a company limited by shares that is incorporated and domiciled in Australia.

Nature of Operations and Principal Activities

The principal activities of the Company during the year were the supply to diagnostic imaging groups and a broad range of groups within the private medical market in the following areas:

- provision of computer hardware, network design and installation services;
- innovative proprietary medical software;
- ongoing support and service contracts, which provide help desk support;
- Promedicus.net secure email.

Promedicus.net has been further developed and marketed during the year. Apart from this there have been no significant changes in the nature of activities during the year.

Employees

The Company employed 18 employees as at 30 June 2001 (2000: 18 employees).

REVIEW AND RESULTS OF OPERATIONS

Investment Activities

The Company has no investments other than commercial bills, invested to maximise the interest return on surplus funds.

Performance Indicators

Management and the Board monitor the group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the Company against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitors KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly Board meeting allowing all directors to actively monitor the group's performance.

Dynamics of the Business

An improvement in gross margin is anticipated due to the change in mix of products sold. It is anticipated that more software and support contracts will be sold and these attract better margins compared to the current mix with hardware.

Operating Results for the Period

Pro Medicus has experienced its most successful and profitable 12 months in its 18-year history. This has been achieved in an environment of difficult market conditions due to a general economic slowdown and the disturbance caused by market rationalisation of the diagnostic imaging sector.

Full year results show the Company experienced an improvement in both sales and profit. Sales increased by 12.2% with sales from Promedicus.net increasing 566% and core division slightly exceeding last year's record level. Promedicus.net sales as a percentage of the total increased from 2% to 12%.

The full year profit result was within 15% of the prospectus target and in excess of 20% greater than last year. This was achieved by an improvement in the gross profit percentage to sales and prudent control of costs.

SUMMARISED OPERATING RESULTS

	2001	
	Revenues	Results Before Tax
	\$'000	\$'000
Industry segments		
Core Business	8,789	5,330
Promedicus.net	1,198	917
Total sales and operating profit	9,987	6,247

Shareholder Returns

The Company is pleased to report that dividend return to shareholders of 2.25 cents per share has exceeded the percentage return proposed in the Prospectus.

Investments for Future Performance

The Company will continue to direct resources into the development of new products and in particular is committed to the research being undertaken within both the core and Promedicus.net areas. In turn, this will translate into an increase in sales and, more importantly, to a significant improvement in the bottom line of the operation.

The Company's workforce remained static during the period, in spite of the increased activity and continued product development. The Company has increased its level of activity, largely due to the efforts of employees at all levels. The Directors express their gratitude for the efforts of all employees in achieving this year's result.

The workforce currently stands at 18 equivalent full time employees. The Company believes that there needs to be a small increase in staff numbers to ensure that effort can be maintained and new initiatives will have the staffing resources necessary for their success.

The Company remains committed to providing staff with access to appropriate training and development programs, together with the resources to complete their duties.

REVIEW OF FINANCIAL CONDITION

Capital Structure

The Company has a sound capital structure. This is clear in the debt/equity ratio, which is 6.2% in the current year and was 11.3% in the previous year.

The Directors believe that the debt to equity ratio for the Company could be higher if the need for expansion or acquisition required extra funds sourced from borrowings. The Directors are satisfied with the ratio as it currently stands.

Treasury Policy

The Company is not exposed to any interest rate or currency sensitive loans or debts. The treasury function, co-ordinated within Pro Medicus Limited, is basically limited to maximising interest return on surplus funds. The treasury operates within policies set by the Board, which is responsible for ensuring that management's actions are in line with Company policy.

It should be noted that during the financial period various deposit funds and surplus cash to a value of \$3,800,000 have been invested in Commercial Bank Bills.

Cash from Operations

Net cash flows from operating activities fell from \$4.1m in the previous year to \$3.0m in the current period. The reduction in cash from operating activities was largely due to the change in timing of taxation payments. Net operating cash flow before tax payments showed an increase of about 10% over the previous year.

There was an increase in receipts from customers of approximately 7% and the ratio of payments to suppliers and employees plus GST, as a percentage of receipts from customers remained consistent.

Liquidity and Funding

The Company is cash flow positive, has substantial cash on deposit and has no overdraft facility. Sufficient funds are held to finance operations.

Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be involved, as such the Board has not established separate committees for areas such as risk management, environmental issues, occupational health and safety or treasury.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of strategic plans, which encompass the Company's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs.
- Oversight of appropriate backup procedures for important company data.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pro Medicus Limited support and have adhered to the principles of good corporate governance.

Statement of Compliance

The above report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company listed on the Australian Stock Exchange as detailed in Note 21.

Shareholders' equity increased to \$5.14m from \$3.30m, an increase of \$1.84m or 56%. The movement was largely the result of retaining more cash in the business relative to the previous year and increased activity close to year-end, which resulted in a higher level of work in progress.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company has entered into an agreement for a strategic multi-million dollar alliance with global medical imaging giant Agfa-Gevaert aimed at capturing a significant share of the Australian PACS (digital radiology) market that is estimated to be worth in excess of \$100m over the next three years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors foresee that the 2002 financial year will be a period of consolidation for sales of the traditional core products and during which the changes made in the 2001 financial year will have their full impact. The most significant areas for change will be in:

- Continued installation and use of the Promedicus.net secure email product
- Expanded sales of the Pro Medicus Appointments System
- Development of an Radiology Information System (RIS)/PACS interface and introduction to the Australian market under an alliance with Agfa-Gevaert Limited.

It is anticipated that the 2002 financial year will show continued improvement in profits. However, this is dependant on many market factors over which the directors have no control.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company has no identified risk with regard to environmental regulations currently in force. There have been no known breaches by the Company of any regulations.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 2,490,000 un-issued ordinary shares under options (2,490,000 at balance date). Refer to Note 16 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares Issued as a Result of the Exercise of Options

During the financial year, no employees or directors have exercised any option to acquire fully paid ordinary shares in Pro Medicus Limited. Since the end of the financial year, no options have been exercised.

Under the terms of the Share Option Plan no shares can be issued until the expiration of one year from the date of commencement of the plan being 25th August 2000. At this time 20% of the options vest and can be converted into fully paid shares.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company did not indemnify any person for any reason.

During or since the financial year, the Company has paid premiums in respect of a contract for Directors' and Officers'/Company's Re-Imbursement Liability insurance for officers and Pro Medicus Limited for costs incurred in defending proceedings against them.

Terms of this cover are confidential and are not disclosed per Corporations Act section 300(9).

ROUNDING

The amounts contained in this report and in the financial report have been rounded off under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration Policy

In order to maintain good corporate governance the Non-Executive Directors will assume responsibility for determining and reviewing compensation arrangements for the Chief Executive Officer and Technical Director who will in turn review the terms for the Non-Executive directors. It should be noted that no review of Directors' emoluments has taken place at the date of this report.

The Board has delegated the responsibility of executive remuneration to the management who will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Board links the nature and amount of officers' emoluments to the Company's financial and operational performance.

Directors' Report cont:

Details of the nature and amount of each element of the emolument of each director of the Company and each of two executive officers of the Company receiving the highest emolument for the financial year are as follows:

EMOLUMENTS* OF DIRECTORS OF PRO MEDICUS LIMITED

	Annual Emoluments			Long Term Emoluments	
	Base Fee/Salary	Bonus	Other	Options Granted	Super-annuation
	\$	\$	\$	Number	\$
A. B. Hall	241,584	—	12,364	425,000	8,416
S. A. Hupert	241,584	—	15,345	425,000	8,416
M. K. Ward	60,000	—	—	400,000	4,800
P. D. Jonson	30,000	—	—	200,000	2,400
P. G. Molyneux	30,000	—	—	200,000	2,400

EMOLUMENTS* OF THE TWO MOST HIGHLY PAID EXECUTIVE OFFICERS# OF THE COMPANY

	Annual Emoluments			Long Term Emoluments	
	Salary	Bonus	Other	Options Granted	Super-annuation
	\$	\$	\$	Number	\$
D. Tauber	141,974	50,000	—	350,000	8,416
G. W. Holden	111,584	20,000	—	85,000	8,416

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

* The elements of emoluments have been determined on the basis of the cost to the Company

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.


Interpretation of this definition results in two staff members being identified for reporting purposes.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Accounts Committee	Strategic Planning Committee
Number of meetings held:	18	1	2
Number of meetings attended:			
A. B. Hall	17	1	2
S. A. Hupert	18	1	2
M. K. Ward	17	1	2
P. D. Jonson	17		2
P. G. Molyneux	17		2

Signed in accordance with a resolution of the Directors.


M.K. Ward
Director

Melbourne, 20 August, 2001

Statement of Financial Performance:

STATEMENT OF FINANCIAL PERFORMANCE FY01

	Notes	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES	2	10,262	9,102
Borrowing costs expense	3	(21)	(32)
Other expenses from ordinary activities	3	(3,994)	(3,919)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		6,247	5,151
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	(2,161)	(1,860)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		4,086	3,291
NET PROFIT		4,086	3,291
NET PROFIT ATTRIBUTABLE TO MEMBERS OF PRO MEDICUS LIMITED	17	4,086	3,291
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		4,086	3,291
Basic earnings per share (cents per share)	22	4.1	3.3
Diluted earnings per share (cents per share)	22	4.1	3.3
Franked dividends per share (cents per share)	5	2.25	3.40

Statement of Financial Position :

STATEMENT OF FINANCIAL POSITION FY01

	Notes	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash assets		1,392	3,460
Receivables	6	3,447	2,662
Inventories	7	118	84
Other financial assets	8	3,800	—
TOTAL CURRENT ASSETS		8,757	6,206
NON-CURRENT ASSETS			
Property, plant and equipment	9	406	504
Deferred tax assets	10	212	238
TOTAL NON-CURRENT ASSETS		618	742
TOTAL ASSETS		9,375	6,948
CURRENT LIABILITIES			
Payables	11	1,488	1,040
Interest-bearing liabilities	12	68	58
Current tax liabilities	4	1,253	1,568
Provisions	13	962	469
TOTAL CURRENT LIABILITIES		3,771	3,135
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	14	249	317
Deferred tax liabilities	4	11	7
Provisions	15	204	185
TOTAL NON-CURRENT LIABILITIES		464	509
TOTAL LIABILITIES		4,235	3,644
NET ASSETS		5,140	3,304
EQUITY			
Contributed equity	16	9	9
Retained profits	17	5,131	3,295
TOTAL EQUITY		5,140	3,304

Statement of Cash Flows :

STATEMENT OF CASH FLOWS FY01

	Notes	2001 \$'000	2000 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,534	7,959
Payments to suppliers and employees		(3,380)	(3,181)
Interest received		273	197
Borrowing costs		(21)	(32)
Income tax paid		(2,449)	(846)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(a)	2,957	4,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7	—
Purchase of property, plant and equipment		(54)	(86)
Purchase of commercial bills		(3,800)	—
Advances to directors		(820)	(630)
Repayment of directors' advances		1,450	1,034
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(3,217)	318
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of hire purchase borrowings		(58)	(47)
Payment of dividends on ordinary shares		(1,750)	(3,397)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(1,808)	(3,444)
NET INCREASE/(DECREASE) IN CASH HELD		(2,068)	971
Add opening cash brought forward		3,460	2,489
CLOSING CASH CARRIED FORWARD	18(b)	1,392	3,460

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention. Cost in relation to assets represents the cash amount paid or the fair value of the assets given in exchange. The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

(b) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. A provision is raised for doubtful debts based on general and specific review of outstanding amounts at balance date. Bad debts are written-off as incurred.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods represents the purchase cost and is assigned on a first in first out basis.

(e) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(f) Plant and equipment

Cost and valuation

Plant and equipment is carried at cost.

Depreciation

Depreciation is provided on a straight line basis or diminishing value basis on all plant and equipment. Depreciation rates are calculated to allocate the cost less estimated residual value at the end of the useful lives of assets against revenue over those estimated useful lives.

MAJOR DEPRECIATION PERIODS	2001	2000
Property Improvements	2 to 7 years	2 to 7 years
Motor Vehicles	4 to 5 years	4 to 5 years
Office Equipment	2 to 7 years	2 to 7 years
Furniture and Fittings	5 years	5 years
Research and Development Equipment	3 to 4 years	3 to 4 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(g) Hire Purchase Liability

Acquisitions by means of hire purchase are capitalised recording an asset and liability equal to the fair value of the asset acquired. Hire purchase repayments are allocated between the reduction of the hire purchase liability and interest expense for the year.

(h) Research & development costs

Research and development costs are expensed as incurred.

(i) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

(j) Provisions

Dividends payable are recognised when a legal or constructive obligation to pay the dividend arises, typically following approval of the dividend at a meeting of directors.

(k) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Control of goods has passed to the buyer.

Service Income

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by completion of identifiable service segments.

Sales revenue is recognized over the term of the sales contract. Where sales revenue is received in advance, revenue is recognized in the period during which service was provided.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Licences

Control of the right to receive licensing fees.

Interest

Control of the right to receive the interest payment.

(m) Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The income tax expense for the year is calculated using the 34% tax rate, however the deferred tax balances have been adjusted for the decreased corporate tax rate of 30% for the tax year 2001-02 and 30% thereafter. The adjustment recognises that reversal of timing differences will occur within the 2001-02 or later income tax year, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**(n) Employee entitlements**

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date.

Employee entitlements expected to be settled within one year have been calculated at nominal amounts based on current wage and salary rates and included related on-costs. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(o) Earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased items to the group are capitalized at the present value of the minimum lease payments and disclosed as property plant and equipment under lease. A lease liability of equal value is also recognized.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

	Notes	2001 \$'000	2000 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from operating activities			
Sale of goods		2,307	2,517
Service Income		4,829	3,146
Licence Income		2,851	3,242
Total revenues from operating activities		9,987	8,905
Revenues from non-operating activities			
Interest			
Directors	26	26	73
Other		242	124
Total interest		268	197
Proceeds from Sale of Property Plant and Equipment		7	—
Total revenues from outside the operating activities		275	197
Total revenues from ordinary activities		10,262	9,102

NOTES FY01

	Notes	2001 \$'000	2000 \$'000
3. EXPENSES AND LOSSES/(GAINS)			
Profit from ordinary activities has been determined after charging /(crediting) the following items:			
(a) Expenses			
Borrowing costs expensed			
Interest on Finance Leases		21	32
Other Interest		—	—
Total borrowing costs expensed		21	32
(b) Losses/(Gains)			
Loss/(Profit) from Disposal of Non-Current Assets		(5)	—
(c) Expenses By Nature			
Cost of Goods Sold		1,393	1,524
Salaries and Employee Benefits Expense		1,620	1,495
Depreciation and Amortisation			
Property Improvements		18	23
Motor Vehicles		69	89
Office Equipment		10	7
Furniture and Fittings		36	29
Research & Development Equipment		18	37
Total Depreciation and Amortisation Expenses		151	185
Operating Lease Expenditure		150	150
Research & Development costs		14	22
Other Expenses		1,666	1,543
Total Other Expenses from Ordinary Activities		3,994	3,919
4. INCOME TAX			
The prima facie tax, using tax rates applicable in the country of operation, on profit from ordinary activities differs from the income tax provided in the financial statements as follows:			
Prima facie tax on profit from ordinary activities		2,124	1,855
Tax effect of permanent differences		1	5
Other items (net)		5	1
Effect on FITB and PDIT due to change in income tax rates		27	5
Under/(over) provision of previous year		4	(6)
Income tax expense relating to ordinary activities		2,161	1,860
Deferred tax assets and liabilities			
Current tax payable		1,253	1,568
Provision for deferred income tax – non-current		11	7
Future income tax benefit – non-current		212	238

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

NOTES FY01

	Notes	2001 \$'000	2000 \$'000
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES			
(a) Dividends proposed			
Franked dividends (0.5c per share) (2000: nil)	13	500	—
(b) Dividends paid during the year			
Current year interim			
Franked dividends (1.75c per share) (2000 3.4 c per share- see below #)		1,750	3,400
		2,250	3,400
#Dividends were historically paid as decided by the two members. Comparative figures for cents per share are based on the number of shares on issue adjusted for share splits.			
(c) Franking credit balance			
The amount of franking credits available for the subsequent financial year are:			
– franking account balance as at the end of the financial year (at 30%)		3,510	—
– franking credits that will arise from the payment of income tax payable as at the end of the financial year		2,924	3,045
– franking debits that will arise from the payment of dividends as at the end of the financial year		(500)	—
– franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date		—	—
– franking credits that the entity may be prevented from distributing in the subsequent financial year		—	—
		5,934	3,045
The tax rate at which paid dividends have been franked is 34% (2000: 36%). Dividends proposed will be franked at the rate of 30% (2000: 34%).			
	Notes	2001 \$'000	2000 \$'000
6. RECEIVABLES (CURRENT)			
Trade debtors		3,392	1,995
Other Debtors and Prepayments		55	37
		3,447	2,032
Related party receivables			
Directors and director-related entities			
–loans to directors unsecured		—	630
		—	630
		3,447	2,662
Terms and conditions relating to the above financial instruments			
(i) Trade debtors are on 30 day terms.			
(ii) Details of terms and conditions of related party receivables are set out in Note 26.			
7. INVENTORIES (CURRENT)			
Finished goods			
At cost		118	84
Total inventories at lower of cost and net realisable value		118	84
8. OTHER FINANCIAL ASSETS (CURRENT)			
Commercial Bills			
At cost		3,800	—
Total Other Financial Assets		3,800	—

NOTES FY01

	Notes	2001 \$'000	2000 \$'000
9. PROPERTY, PLANT AND EQUIPMENT			
Property Improvements		184	184
Accumulated depreciation		(148)	(129)
		36	55
Motor Vehicles		30	34
Accumulated depreciation		(28)	(29)
		2	5
Motor Vehicles Under Hire Purchase		446	446
Accumulated amortisation		(213)	(146)
		233	300
Office Equipment		108	73
Accumulated depreciation		(56)	(46)
		52	27
Furniture & Fittings		224	207
Accumulated depreciation		(149)	(113)
		75	94
Research & Development Equipment		360	357
Accumulated depreciation		(352)	(334)
		8	23
Total plant and equipment		406	504
Total plant and equipment Cost		1,352	1,301
Accumulated depreciation and amortisation		(946)	(797)
Total written down amount		406	504
Reconciliations			
<i>Property Improvements</i>			
Carrying amount at beginning		55	
Additions		—	
Disposals		—	
Depreciation expense		(19)	
		36	
<i>Motor Vehicles</i>			
Carrying amount at beginning		5	
Additions		—	
Disposals		(2)	
Depreciation expense		(1)	
		2	
<i>Motor Vehicles Under Hire Purchase</i>			
Carrying amount at beginning		301	
Additions		—	
Disposals		—	
Depreciation expense		(68)	
		233	
<i>Office Equipment</i>			
Carrying amount at beginning		27	
Additions		35	
Depreciation expense		(10)	
		52	
<i>Furniture & Fittings</i>			
Carrying amount at beginning		94	
Additions		17	
Depreciation expense		(36)	
		75	
<i>Research & Development Equipment</i>			
Carrying amount at beginning		23	
Additions		3	
Depreciation expense		(18)	
		8	

NOTES FY01

Notes	2001 \$'000	2000 \$'000
10. DEFERRED TAX ASSETS		
Future Income Tax Benefit	212	238
	212	238
11. PAYABLES (CURRENT)		
Trade creditors	417	174
Other creditors and accruals	248	170
Goods and services tax	341	—
	1,006	344
Aggregate amounts payable to related parties: - directors and director related entities	—	145
	—	145
Deferred Income	482	551
	482	551
	1,488	1,040
Terms and conditions relating to the above financial instruments:		
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.		
(ii) Other creditors are non-interest bearing and have an average term of 1 month.		
12. INTEREST BEARING LIABILITIES (CURRENT)		
Hire Purchase Liability 19	68	58
	68	58
Terms and conditions relating to the above financial instruments		
(i) Hire Purchase contracts have a term of 4 years with the option to purchase the asset at the completion of the term for the asset's residual value. The average discount rate implicit in the leases is 6.6%, (2000: 6.6%). Secured hire purchase liabilities are secured by a charge over the hired assets.		
13. PROVISIONS (CURRENT)		
Dividends on ordinary shares	500	—
Employee entitlements 20	462	469
	962	469

(a) Terms and conditions relating to the above financial instrument

(i) Dividends payable represent a final dividend of 0.5cents (2000: nil cents) per ordinary share for the financial year ended 30 June 2001. The extent to which the dividends are franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in Note 5(c).

Notes	2001 \$'000	2000 \$'000
14. INTEREST-BEARING LIABILITIES (NON-CURRENT)		
Hire Purchase Liability 19(a)	249	317
	249	317

Terms and conditions relating to the above financial instruments

(i) Hire Purchase contracts have a term of 4 years with the option to purchase the asset at the completion of the term for the asset's residual value. The average discount rate implicit in the leases is 6.6%, (2000: 6.6%). Secured hire purchase liabilities are secured by a charge over the hired assets.

NOTES FY01

Notes	2001 \$'000	2000 \$'000
15. PROVISIONS (NON-CURRENT)		
Employee entitlements 20	204	185
	204	185
16. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
Ordinary shares fully paid	9	9
	9	9
(b) Movements in shares on issue		
	2001 Number of Shares	2000 Number of Shares
Beginning of the financial year	9,002	9,002
Share Split	99,990,998	—
End of the financial year	100,000,000	9,002

(c) Share Options

Options over ordinary shares:

Employee share scheme

During the financial year, 2,530,000 options were issued over ordinary shares, exercisable from the first anniversary from the date of issue and with an issue term of 5 years. During the financial year 40,000 of these options were cancelled. The options had an exercise price of \$1.15 and each option converts to one fully paid share. Details are provided in Note 20. At the end of the year there were 2,490,000 (2000: Nil) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Notes	2001 \$'000	2000 \$'000
17. RESERVES AND RETAINED PROFITS		
Retained profits	5,131	3,295
(a) Retained profits		
Balance at the beginning of year	3,295	3,401
Net profit attributable to members of Pro Medicus Limited	4,086	3,291
Total available for appropriation	7,381	6,692
Dividends provided for or paid	(2,250)	(3,397)
Balance at end of year	5,131	3,295

NOTES FY01

Notes	2001 \$'000	2000 \$'000
18. STATEMENT OF CASH FLOWS		
(a) Reconciliation of the profit from ordinary activities after tax to the net cash flows from operating activities		
Profit from ordinary activities after tax	4,086	3,291
Non-Cash Items		
Depreciation of non-current assets	151	185
Net (profit)/loss on disposal of property, plant and equipment	(5)	—
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,378)	(1,178)
(Increase)/decrease in inventory	(34)	14
(Increase)/decrease in future income tax benefit	26	(119)
(Increase)/decrease in prepayments	(37)	(20)
(Increase)/decrease in deferred income	(69)	232
(Decrease)/increase in trade and other creditors	176	230
(Decrease)/increase in tax provision	(315)	1,125
(Decrease)/increase in deferred income tax liability	4	7
(Decrease)/increase in goods and services tax payable	341	—
(Decrease)/increase in employee entitlements	11	330
Net cash flow from operating activities	2,957	4,097
(b) Reconciliation of cash		
Cash balance comprises:		
– cash on hand	1,392	3,460
Closing cash balance	1,392	3,460
19. EXPENDITURE COMMITMENTS		
(a) Commitments in relation to hire purchase agreements are payable as follows:		
– not later than one year	78	78
– later than one year and not later than five years	249	328
– later than five years	—	—
– aggregate lease expenditure contracted for at balance date	327	406
Less: Future finance charges	(10)	(31)
	317	375
Aggregate expenditure commitments comprise:		
– motor vehicles for senior executives		
– current (Note 12)	68	58
– non-current (Note 14)	249	317
	317	375
(b) Non-Cancellable Operating Lease expenditure commitments		
Minimum lease payments		
– not later than one year	150	150
– later than one year and not later than five years	475	600
– later than five years	—	—
– aggregate lease expenditure contracted for at balance date	675	750

NOTES FY01

Notes	2001 \$'000	2000 \$'000
20. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS		
Employee Entitlements		
The aggregate employee entitlement liability is comprised of:		
Provisions (current)	462	469
Provisions (non-current)	204	185
	666	654

Provision is made for the Company's liability for employee entitlements resulting from employee services provided up to balance date. Employee entitlements expected to be settled within one year have been calculated at the nominal amounts based on current wage and salary rates and includes related on-costs. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Employee Share Incentive Scheme

An employee share incentive scheme was established on 25 August, 2000 whereby directors and staff of the Company were issued with options over the ordinary shares of Pro Medicus Limited. The options, issued for nil consideration, have an exercise price of \$1.15. Options vest at 20% per annum commencing at the end of the first anniversary of issue. The options cannot be transferred and will not be quoted on the ASX. There are currently 16 people eligible for this scheme.

Superannuation Commitments

Superannuation contributions are made by the Company in accordance with the relevant statutory requirements. Contributions of 8% of employee's ordinary time earnings are legally enforceable in Australia up to 30 June as the legal minimum. The superannuation plans provide accumulated benefits.

21. SUBSEQUENT EVENTS**(a) 2001**

Please refer Directors' Report.

(b) 2000

(i) Subsequent to year end the shareholders issued a prospectus dated 28 August 2000 for the offer of 20 percent of the existing shares in the Company to the public. No additional equity was issued. The Company was listed on the Australian Stock Exchange on 10 October 2000.

To facilitate the Offer of shares under the Prospectus dated 28 August 2000, the Company undertook a share split such that the total number of shares on issue after the split was 100,000,000. This event has no financial impact on the Company.

(ii) Subsequent to year-end the Company established a Share Option Plan. This event has no financial impact on the Company.

Notes	2001 cents per share	2000 cents per share
22. EARNINGS PER SHARE		
Basic earnings per share	4.1¢	3.3¢
Diluted earnings per share	4.1¢	3.3¢
Weighted average number of ordinary shares on issue used in the calculation of earnings per share. Comparative figure has been adjusted for share split.	100,000,000	100,000,000

(a) Conversions, calls, subscription or issues after 30 June 2001

Since the end of the financial year, no ordinary shares have been issued pursuant to the employee share incentive scheme. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

(b) Effect of change in accounting policy**(i) 2001**

There were no changes in accounting policies that had a material impact on either basic or diluted earnings per share during the period.

(ii) 2000

There were no changes in accounting policies that had a material impact on either basic or diluted earnings per share during the period.

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Notes	2001 \$	2000 \$
23. REMUNERATION OF DIRECTORS		
(a) Directors' remuneration		
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Pro Medicus Limited, directly or indirectly, from the entity or any related party:	657,309	437,151
	No.	No.
The number of directors of Pro Medicus Limited whose income (including superannuation contributions) falls within the following bands is:		
\$0 - \$9,999	—	2
\$10,000 - \$19,999	—	1
\$30,000 - \$39,999	2	—
\$60,000 - \$69,999	1	—
\$180,000 - \$189,999	—	1
\$210,000 - \$219,999	—	1
\$260,000 - \$269,999	2	—
24. REMUNERATION OF EXECUTIVES		
Remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company, whether as an executive officer or otherwise	340,390	181,112
	No.	No.
The number of executives of the Company whose remuneration falls within the following bands:		
\$140,000 - \$149,999	1	—
\$180,000 - \$189,999	—	1
\$200,000 - \$209,999	1	—
25. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Ernst & Young for:		
– an audit or review of the financial report of the Company	55,000	20,000
– other services in relation to the Company	1,710	3,000
	56,710	23,000

26. RELATED PARTY DISCLOSURES

Directors

The directors of Pro Medicus Limited during the financial year were:

M K Ward	S A Hupert
P D Jonson	A B Hall
P G Molyneux	

Other related party transactions

Directors and director-related entity transactions

Director-related entity

Lease payments of \$150,000 (2000 \$150,000) in respect of the operating premises paid to Champagne Properties Pty. Ltd., an entity controlled by S. Hupert and A. Hall

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26. RELATED PARTY DISCLOSURES (Cont'd)

Directors

Loans repaid by directors.

Secured loans of \$514,500 to each of A. Hall and S. Hupert were repaid during the year ended 30 June 2000.

Repayments of \$725,000 (2000 \$nil) for each of A Hall and S Hupert were made during the year to 30 June 2001. Advances were made to each of A. Hall and S. Hupert of \$410,000 each (2000 \$315,000 each) for expenses incurred on their behalf. The balance of unsecured loans outstanding is \$ nil (2000 \$315,000 each). Loans made to the executive directors represented costs associated with the Offer and application for listing of the Company on the Australian Stock Exchange which were borne by the existing shareholders Sam Hupert and Anthony Hall. These loans were interest free until 30 June 2000 from which date interest was paid at a rate equivalent to the Reserve Bank's "Indicated Lending Rates – bank Variable Housing Interest Rate".

Equity instruments of directors

Interests at balance date

Interests in the equity instruments of Pro Medicus Limited held by directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2001 Number	2000 Number	2001 Number	2000 Number
A B Hall	40,054,500	4,501	425,000	—
S A Hupert	40,054,500	4,501	425,000	—
M K Ward	50,000	—	400,000	—
P D Jonson	50,000	—	200,000	—
P Molyneux	25,000	—	200,000	—
	80,234,000	9,002	1,650,000	—

Movements in directors' equity holdings

During the year, the Company undertook a share split such that the total number of shares on issue after the split was 100,000,000. This event had no financial impact on the Company.

Other than what is shown above there have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities.

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

27. SEGMENT INFORMATION

The Company operates predominantly in one industry being, information technology within the health care industry and in one geographical area being Australia

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28. FINANCIAL INSTRUMENTS

28(a) Accounting policies

Details of significant accounting policies in respect of each class of financial asset and financial liability are disclosed in Note 1 Significant Accounting Policies.

28(b) Interest rate risk

The Company's exposure to interest rate risks and the effective interest rate of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2001	2000	Over 1 to 5 years		More than 5 years		2001	2000	2001	2000	2001	2000
	\$'000	\$'000	2001	2000	2001	2000	\$'000	\$'000	\$'000	\$'000	%	%
(i) Financial assets												
Cash	1,392	3,460	—	—	—	—	—	—	1,392	3,460	3.6	4.6
Trade and other receivables	—	—	—	—	—	—	3,447	2,032	3,447	2,032	N/A	N/A
Receivables – related parties/entities	—	630	—	—	—	—	—	—	—	630	7.0	8.0
Commercial Bills	—	—	3,800	—	—	—	—	—	3,800	—	5.0	—
Total financial assets	1,392	4,090	3,800	—	—	—	3,447	2,032	8,639	6,122	4.0	4.6
(ii) Financial liabilities												
Trade creditors and accruals	—	—	—	—	—	—	1,006	344	1,006	344	N/A	N/A
Accounts payable – related party/entity	—	—	—	—	—	—	—	145	—	145	N/A	N/A
Hire Purchase Liability	—	—	68	58	249	317	—	—	317	375	6.6	6.6
Deferred Income	—	—	—	—	—	—	482	551	482	551	N/A	N/A
Total Financial Liabilities	—	—	68	58	249	317	1,488	1,040	1,805	1,415	6.6	6.6

NOTES FY01

28. FINANCIAL INSTRUMENTS (Cont'd)

28(c) Net fair values

For all financial assets and liabilities, the carrying amount approximates fair value.

28(d) Credit risk exposures

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industry.

Concentrations of credit risk

Concentrations of credit risk on trade receivables arise in the following industries:

INDUSTRY	Maximum credit risk exposure* for each concentration			
	Percentage of total trade debtors		\$'000	
	2001	2000	2001	2000
Diagnostic Imaging	100	100	3,392	1,995
	100	100	3,392	1,995

*The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

- Credit risk in trade receivables is managed in the following ways:
- payment terms are 30 days;
- a risk assessment process is used for customers over \$50,000; and
- high dollar value deposits and/or bank & other guarantees are obtained for high-risk customers.

Directors' Declaration:

In accordance with a resolution of the directors of Pro Medicus Limited, I state that:

(1) In the opinion of the directors:

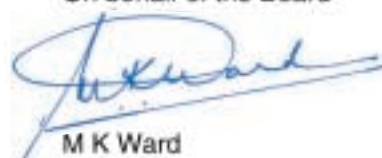
(a) the financial statements and notes of the Company are in accordance with the Corporations Act, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2001 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



M K Ward
Chairman

Melbourne, 20 August 2001

Additional Information:

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at August 31 2001

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

		Ordinary shares	
		Number of holders	Number of shares
1	– 1,000	43	30,589
1,001	– 5,000	502	1,677,319
5,001	– 10,000	173	1,463,454
10,001	– 100,000	119	3,082,967
100,001	and over	14	93,745,671
		851	100,000,000

The number of shareholders holding less than a marketable parcel of 526 shares are:

15 5,301

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	A Hall	40,054,500	40.1%
2	S. Hupert	40,054,500	40.1%
3	Citicorp Nominees Pty Limited	7,223,157	7.2%
4	Commonwealth Custodial	3,249,732	3.2%
5	Mirrabooka Investments Limited	573,838	0.6%
6	Cogent Nominees Pty Limited	533,400	0.5%
7	Queensland Investment Corporation	480,000	0.5%
8	National Nominees Limited	466,600	0.5%
9	RACW Holdings Pty Ltd	400,000	0.4%
10	Commonwealth Custodial	257,522	0.3%
11	MMI General Insurance Limited	195,000	0.2%
12	G E Moir	126,422	0.1%
13	Invia Custodian Pty Limited	120,000	0.1%
14	Invia Custodian Pty Limited	120,000	0.1%
15	Ms Y K Chun	100,000	0.1%
16	B J & R P Hall	100,000	0.1%
17	J & R Hupert	100,000	0.1%
18	D I Hall	75,500	0.1%
19	D & M T Micallef	69,000	0.1%
20	Invia Custodian Pty Limited	60,500	0.1%
		94,359,671	94.4%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Law are:

	Number of shares
Commonwealth Bank of Australia	10,470,889

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

Corporate Information:

ABN 25 006 194 752

Directors

The names of the Directors of the Company in office during the year and until the date of this report are:

Melvyn Keith Ward	Chairman
Dr Peter David Jonson	Deputy Chairman
Dr Sam Aaron Hupert	Managing Director
Anthony Barry Hall	Technical Director
Philip Gregory Molyneux	Non-Executive Director
Geoffrey William Holden	Company Secretary

Registered Office

450 Swan Street
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Solicitors

Madgwicks

Bankers

Bank of Melbourne

Share Register


Computershare Registry Services Pty Limited
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T: (03) 9615 5970

Auditors

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