



[annual report 2001]

 **OptiScan**

# [Optiscan Imaging Limited annual report 2001]

ACN 077 771 987



## CONTENTS

- 4 Company Overview
- 8 Review of Operations
- 12 Directors Report
- 18 Statement of Financial Performance
- 19 Statement of Financial Position
- 20 Statement of Cash Flows
- 21 Notes to Statement of Cash Flows
- 22 Notes to Financial Statements
- 39 Directors Declaration
- 40 Independent Audit Report
- 41 Corporate Governance
- 43 Shareholder Information
- 45 Company Directory



Live Micro Imaging (LMI) is a new technique that allows medical examinations of sub-surface human tissue without a biopsy

Optiscan's Live Micro Imaging (LMI) technology can reduce Health Care costs by fast-tracking the current complex pathology process for obtaining a diagnosis of disease

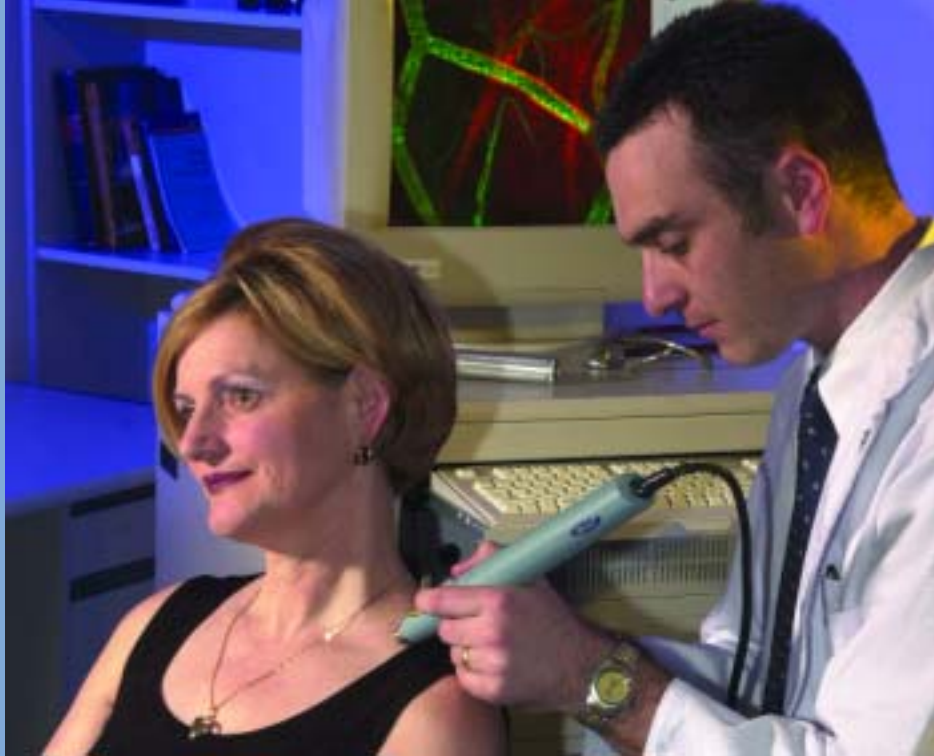


The **Stratum skin scanner** is Optiscan's latest product, and introduces a **new imaging technology** that has implications in a **broad range of medical fields**, from Dermatology to Gastroenterology, Gynaecology, Orthopaedics, and more

Optiscan's **LMI** technology is aimed at **detection of disease in its earliest stages**, when treatment is most effective towards **producing a cure**



Pictured right: the Optiscan Stratum or 'hand-held' scanner in use.





# Company Overview

Optiscan's mission is to develop and market the world's most advanced, Live Micro Imaging devices and associated consumables for medical examinations.

## Company Background

Confocal microscopes are the basis of Optiscan's technology and have in recent years had a large impact on the viewing of biological specimens in research laboratories. The first confocal microscope was invented in 1957, but did not become a practical device until the 1980's when the first commercial microscopes were introduced taking advantage of contemporary laser, computer and scanning technology.

In 1988, Martin Harris (now Director of Fundamental Research at Optiscan) made further breakthroughs in the design of confocal microscopes in his collaborative research with the CSIRO. This enabled the subsequent design and manufacture of the HBH desktop confocal microscope, which won a prestigious R&D100 Award in 1991.

Optiscan was formed in 1994 to further advance the continuing research and development activities being undertaken at that time by Martin Harris and Peter Delaney. The formation of the company introduced financial support for the development of endomicroscopic applications of the technology. As this progress continued, the next step was to float the company.

Optiscan Imaging Limited was listed on the Australian Stock Exchange in August 1997, raising \$3 million to provide working capital to pursue its High Magnification Endomicroscope Project. This also gave the public the opportunity to participate in the ownership and growth potential of Optiscan. In 1998, Optiscan was awarded a \$1.9 million grant from the Commonwealth Government's R&D Start Grant programme, which accelerated progress of the High Magnification Endomicroscope Project.

## The Technology

The advantages, and therefore the real potential of Optiscan's laser and optical fibre technology, can be summarised as:

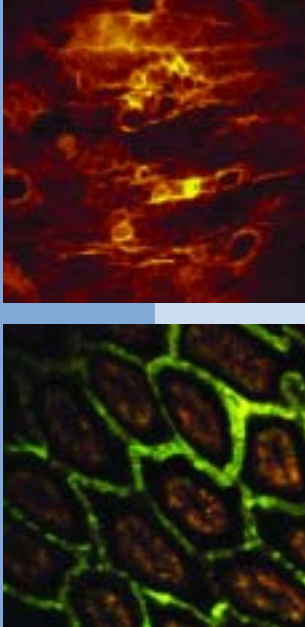
- a platform technology with multiple applications within clinical research and disease diagnosis
- the ability to produce small, mobile clinical equipment for research and diagnosis of disease in humans
- the ability to produce sharper and higher resolution images and, for medical diagnostic uses, doing so without an invasive procedure, such as biopsy
- the use of digital images allowing remote diagnosis by medical specialists; and
- protected internationally through patents.

The very high cost of curative medicine is seen as an opportunity for Optiscan. The endomicroscope is targeted at reducing this cost in a variety of ways including:

- early detection of diseases, at stages when they can be treated easily and effectively
- providing a means to monitor responses at the cellular level so as to enable improvement to treatment outcomes. e.g. effectiveness of cancer treatment on reduction of tumor size.

Establishing the true benefits in the context of Western health-care systems has been the key focus of Optiscan's clinical trial and commercialisation program.

Optiscan's technology is protected by strong patent coverage internationally, leading to successful



## Miniaturisation of the technology has resulted in instruments small enough to be incorporated into traditional endoscopes for examinations inside the body

resolution of patent infringements and licensing agreements with major microscope manufacturers.

Optiscan has endeavoured to build on this foundational technology through the strategic development of a product pipeline and associated business models.

### The Optiscan Products

The Optiscan Technology is a unique combination of optical fibre and laser technologies which, when used in confocal microscopes, facilitates the production of high magnification, and very sharp images of intact living tissue without invasive procedures such as biopsy. This in turn enables the pursuit of unique approaches to medical diagnosis.

Optiscan has developed the following range of products, charting a strategic progression towards the primary goal of commercialising breakthrough clinical diagnostic systems.

The research grade Benchtop F900e was the first product to be developed and released by Optiscan. It is a revolutionary system, whereby the Optiscan Technology is used to convert a conventional microscope into a 3D confocal system. The system

acts as the platform for the additions and prototypes being developed by Optiscan. The Benchtop F900e has been in use for several years in many leading research organisations and hospitals, such as Royal Women and Children's Hospital, Royal Prince Alfred Hospital, CSIRO, Monash University and Sydney University.

The Rigid Probe is the first product success to emerge from the High Magnification Endomicroscope Project. Produced as an attachment to the Benchtop F900e, the Rigid Probe is used to allow imaging of living tissue in vivo. Unlike a conventional microscope, the Rigid Probe can be positioned at almost any angle, onto difficult-to-reach, thick, or living specimens. Researchers at Monash University were quick to embrace this technology and apply it to skin research and investigation of gastrointestinal tract diseases.

The release of the Rigid Probe greatly accelerated applications research by enabling direct testing of proposed diagnostic procedures.

The High Magnification Endomicroscope Project is now focused entirely on development of clinical



## Company Overview CONTINUED

products incorporating miniaturised microscope technology. Armed with the results obtained using the Rigid Probe, these instruments are being designed for widespread clinical usage in the diagnosis of diseases, such as early stage cancer. The key advantages of these systems include:

- high magnification of 2000 times to reveal disease at the cellular level
- non-invasive procedures – there is no need to cut pieces of tissue from the body
- immediate results - digital images of cells appear in real time on a computer screen enabling the doctor to make an immediate judgement
- internet ready - being digital, the images can also be sent from remote locations via the internet to pathologists and specialists.

The product pipeline currently includes two clinical versions: the Hand Held Probe and the Flexible Probe.

The Hand Held Probe, now being marketed as the “Stratum”, is primarily aimed at applications in dermatology, particularly the detection and monitoring of skin cancers and general inflammatory skin conditions. It features a compact, pen-like probe which can be held in one hand and placed against the skin to reveal microscopic details several cell layers beneath the surface. This is the first of Optiscan's new generation clinical product range.

The Flexible Probe is a further miniaturised version in the form of a thin, flexible tube. Its purpose is to be inserted into the body for diagnosis and monitoring of diseases such as colon cancer or ulcerative colitis. Conventional medical endoscopes are used routinely to view internal organs, but can



The US Food and Drug Administration has approved Optiscan's 'Stratum'. Our pre-marketing activity has sparked great interest among Dermatologists, as well as pharmaceutical and cosmetic companies.



only magnify 10 to 20 times. The Optiscan Technology provides the world's first capability for a miniature probe to view individual cells with a magnification of 2000 times without surgical removal of tissue from the body.

Optiscan has maintained strong ties with Monash University under a collaborative research agreement. Under the terms of the agreement, Monash University undertakes research into applications for Optiscan's endomicroscope technology. To date, this has resulted in the achievement of several publications in reputed international medical journals. These pertain to significant advances made in developing protocols for imaging live tissue, including detection of melanoma, evaluation of burn depth and the imaging of mucous crypts in the colon.

#### **Future Product Developments**

Much of the development of the first clinical grade product (the "Stratum" Hand Held Probe) represents a platform which will accelerate the development of future generations of products. As described above, well defined plans exist for the Flexible Probe, which will be the first example of such a re-use of the platform. Beyond the Flexible Probe, Optiscan is considering further products for use in other organs of the body. These include various shaped probes (both rigid and flexible) for applications in the head and neck, obstetrics and gynaecology, respiratory medicine and keyhole surgery.

#### **Telemedicine**

One of the key advantages of the Optiscan Technology is its ability to transmit digital images via the internet to remote locations for diagnosis by experts. The telemedicine business model offers exciting opportunities to extend the market for Optiscan's technology well beyond the realm of specialists and hospitals to less experienced operators with widespread patient access. It also provides

Optiscan with complementary models for deriving both sales and transactional revenues.

The telemedicine initiative is a key driver of the strategic alliance with Gribbles Pathology. This alliance provides Optiscan with access to a potential 2.5 million patients per annum and a network of medical centres. It involves a significant expansion of the trial program to run as a substantial test bed for the telemedicine application. This greatly enhances the cause of seeking HIC approval (Medicare scheduling) in the medium term.

#### **Consumables**

In developing the diagnostic uses for Optiscan's clinical products, several factors have been found to play a major role in making the procedures repeatable and easy. These involve the use of specific dyes and novel methods by which these are applied to the tissue, thus assisting in the recognition of disease.

Development in this area is aimed at the definition of standardised kits of consumables for specific procedures. Hence, this technology represents a significant potential revenue stream from each and every diagnosis performed with Optiscan's products.

Additional consumables are also associated with sterilisable components for certain applications, such as disposable sterile sheaths to use for infection-prone tissue.

An ongoing process of applications development and clinical trials is aimed at generating an increasing range of applications for the Optiscan instruments. This approach contributes significant growth potential to Optiscan's business. It relates both to the potential to bring to market an increasing array of consumables, and at the same time, extend the clinical utility, and therefore desirability, of the Optiscan instruments.



# Review of Operations

The past year provided a number of highlights that advance the prospects of realising the value of our technology. The company has implemented a fundamental change in structure and shifted its focus from R&D to marketing and production.

## FDA

Late in May 2001, Optiscan received notification from the American Food and Drug Administration (FDA) that the Stratum had been classified as an exempt medical device. This meant the Stratum was exempt from the FDA pre market notification requirements, and it enabled the company to commence its marketing activities in the USA .

## Marketing

The marketing strategy is based on presenting the Stratum to a wide audience of potential customers at major international medical conferences and, initially, placing the instrument in the hands of a select number of opinion leaders and recognised centres of excellence. This is essential both to establish growth in demand within a conservative medical marketplace, and to prove the market appeal to potential distribution partners.

Pre sales marketing activity had in fact commenced late in 2000 with attendance at selected conferences and exhibitions where the new Stratum instrument was displayed and promoted. These conferences advanced our market entry position in a number of ways. It enabled us to:

- identify early sales prospects
- make contact with opinion-leading clinicians as potential early adopters within prestigious US dermatology centres
- collate strong expressions of interest in hosting clinical evaluations
- attract interest from potential distribution partners.

With the FDA clearance in hand, the company is now conducting roadshows in the US, following up leads for clinical trials and early sales prospects. At the same time, assessments are being made for the establishment of a sales and support presence in the US. We believe that sales penetration of the US market will best be achieved by a local presence. It is also important to provide new customers with technical support from a US base. Accordingly, the company is conducting an assessment of appropriate base locations, as well as contract service and support providers. In the medium to long term it is our intention to form a partnership with a health-care company which offers an established sales and support network to supply the greater US market.

## Design transfer and production

The design transfer from prototype to assembly line manufacture was well under way by 30 June, 2001, at which time the company had manufactured the first 10 pilot Stratum units. Several of these will be retained for internal R&D activities (such as flexible scanner development). The remainder will be used for marketing and exhibition purposes, sales, or clinical trial use in Australia and the US. We are planning to manufacture a further 8 for similar use, and thereafter will continue to produce instruments in runs of 8 to 25 units, subject to future demand.

Production capacity exceeds 200 units per annum, so substantial sales can be serviced by existing manufacturing facilities. However, the Stratum is a sophisticated medical instrument and initial take up rates are expected to be modest while applications are developed with opinion leaders and communicated to the profession following which significant market penetration is expected.



A significant milestone in the commercialisation process was the commencement of manufacturing of 'Stratum' instruments at Optiscan's Melbourne production facility

### **Board and management**

The company has moved to strengthen its sales and marketing skills by the appointment of Keith Daniel to the board. Details of Keith's background and qualifications are included in the Directors' Report.

We have engaged the services of Russell Thompson to lead the marketing team. Russell has had extensive experience and success in the US health-care market. He has acted for Ansell Protective Products and Ausonics, an Australian-owned ultrasound technology company, in developing their US market. He has also worked for General Electric's Medical Systems Division and Baxter International, among others.

The management structure of the company has been changed during the year. The company's principal activities have been divided into 5 areas with an

experienced senior executive heading up each department, being Marketing (Russell Thompson), R&D (Peter Delaney), Licensing and Intellectual Property (John Allen), Operations (Brian Murrhly), and Finance (Bruce Andrew). Peter Delaney continues in the role of CEO.

### **Progress in Development of the Flexible Probe**

We have continued to make excellent progress in miniaturising the scanning mechanisms for the Flexible Probe. The Flexible Scanner's ability to enable internal microscopic examination of patients without the need for a biopsy has a wide range of potential applications in gastroenterology including the detection and management of colon cancer, mouth cancer, gastric cancer, Barret's oesophagus, and ulcerative colitis.



## Review of Operations CONTINUED

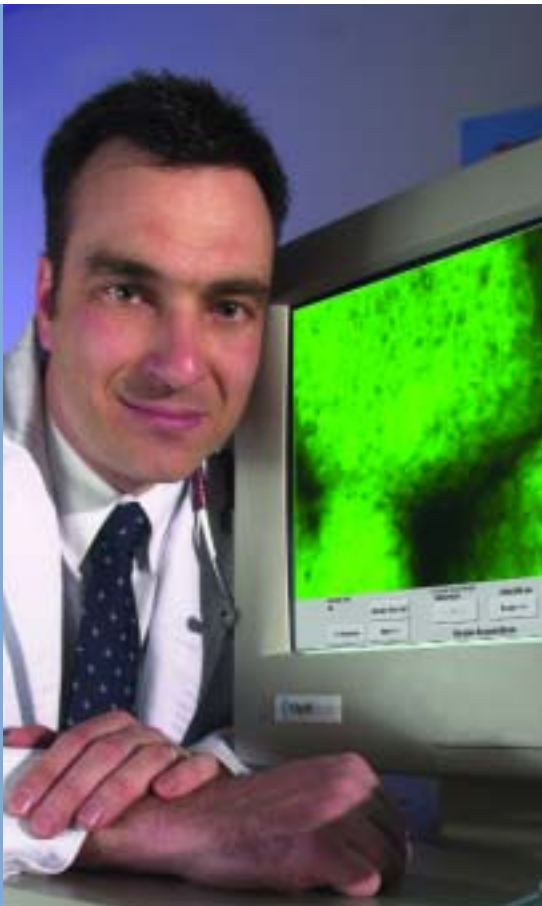
The Engineering Research group has now achieved sufficient miniaturisation to enable the flexible scanner to be incorporated into a variety of functional endoscope designs. The modified endoscope was recently used in its first human clinical procedure, with both the demonstration device and the images obtained from this procedure being displayed at recent conferences. These evoked immense interest among medical scientists and clinical researchers. The company is excited about progress in the development of these devices and is now planning commencement of structured clinical trials in gastroenterology. Optiscan believes that many of these applications, such as gastroenterology or orthopaedic surgery, may represent much larger markets than that of the Stratum.

### **Clinical Trials**

Optiscan has established several sites in recent years which trial initial uses of the technology and pursue a growing range of future applications.

We are currently establishing two new clinical trial sites with leading institutions in the US. These new research centres complement our existing trial sites at the Centre for Biologic Imaging at the University of Pittsburgh, The Skin Centre (Gold Coast, Queensland), Liverpool Hospital (Sydney) and The Alfred Hospital (Melbourne).

The clinical trials have yielded an extensive array of images that have contributed substantially to the development of an image atlas. This will be a valuable resource to clinicians when drawing



Optiscan's Live Micro Imaging confocal microscopes incorporate existing computer technology that facilitates the passage of images over the Internet to allow remote expert pathology diagnosis



comparisons between captured images and atlas images of known conditions, enhancing the accuracy of diagnosis.

There is a continuing high level of interest in our clinical trial activities, particularly from clinicians in the US. As mentioned above, additional opinion leader sites will be established in response to the demand.

### **International Alliances**

Discussions with potential strategic allies and distribution partners have been underway for some time. The outlook is positive, and has been enhanced by the FDA clearance of the Stratum and achievement of the first human images from the miniaturised endoscopes. Our business model includes technology relating to consumables (dye kits) and telemedicine, and discussions with dye suppliers are also continuing.

### **Patent Position**

Optiscan has continued to build its level of patent protection, now under the direction of Dr John Allen who has been appointed to the newly created position of IP and Licensing Manager. During the year, additional patents have been lodged over several inventions that provide for miniature scanning head assemblies within the laser scanning confocal microscope. These enable the company to develop and commercially exploit protected proprietary technology in endoscopic confocal applications.

Royalty income from the licensing of Optiscan's non-core technologies continued to contribute an income stream during the year. Over the past few years, Optiscan successfully resolved all outstanding patent infringement allegations against the world's six largest manufacturers of desktop confocal microscopes. All of the resultant license agreements include terms under which Optiscan receives ongoing royalties for the majority of confocal microscope units sold around the world. The

agreements allow the international producers to manufacture and sell bench-top systems only. The agreements do not allow use of the technology for flexible probes or endomicroscopes, which remain Optiscan's core business focus. They represent a useful revenue stream in areas of commercial exploitation which would not otherwise be pursued by Optiscan.

These licensing successes are an important indicator of the strength of the patent position which underpins Optiscan's present activities in international commercialisation of its unique imaging technology.

### **Operating Results and Funding**

The loss for the year was in line with budget expectations, and reflects the higher cost base associated with the company's commercialisation activities. However, given the expectation of a modest take up in sales during 2001/2002, and the costs of establishing our marketing presence in the US, the company does not anticipate profitable trading to eventuate until the following year, 2002/2003.

In formulating these views, the directors note that there is, as with all highly innovative technologies, a degree of uncertainty associated with the product development and commercialisation activities being undertaken by the company. The accounts for the year ended 30 June 2001 have been prepared on the basis of going concern, and assume that existing and future cash reserves will enable completion of these activities (cash at year end amounts to \$6.95 million).

The directors of Optiscan believe that with strong technology, satisfactory cash reserves and progress with clinical trials and active marketing in the US, the company is in a sound position to move forward.



# Directors' Report

The Board of directors of Optiscan Imaging Limited has pleasure in submitting its report in respect of the financial year ended 30 June 2001.

## Directors

The names and details of the directors in office during or since the end of the financial year are:



**Professor R Martin, AO, ScD, DSc(Hon), LLD(Hon), FTSE, FAA, FAIM  
Chairman**

Professor Ray L Martin, AO, 75, is Chairman of the board and a member of the audit and remuneration committees. He retired as Vice-Chancellor of Monash University in January 1987. He then returned to a Chair in his own discipline of Chemistry at Monash University and was also Chairman of the Australian Science and Technology Council (ASTEC) and a foundation member of the Prime Minister's Science Council until April 1992. He is a director and National Chairman of the Winston Churchill Memorial Trust and is a former President of the Victorian College of the Arts. Professor Martin has been a director of Circadian Technologies Ltd since 1986 and was appointed as an Officer of the Order of Australia in 1987. Professor Martin was appointed as a director of Optiscan Pty Ltd in February 1997.



**P Delaney, BSc(Pharm)(Hons)  
Managing Director**

Peter Delaney, 33, Managing Director, completed a science degree with honours in Pharmacology at Monash University in 1989. He has played a major role in the refinement of the fibre optic approach to produce a commercial instrument which received an R&D 100 Award in 1991. In 1993, Mr Delaney received the Victorian Young Achiever Award (Science and Technology) for his development of the company strategy and infrastructure. Mr Delaney was appointed a director of Optiscan Pty Ltd in March 1994, and accepted the position as Managing Director of Optiscan Pty Ltd in June 1994.



**Professor M Harris, Ph.D.  
Director**

Martin Harris, 57, Director of Fundamental Research, has an honours degree in science from Melbourne University and is a member of the Royal Society (Vic), the Australian Institute of Physics and the Optical Society of America. Previously, he was Managing Director of HBH Technological Industries Pty Ltd. He has been co-supervisor for a number of MSc and PhD Science and Engineering postgraduate students at Melbourne, Monash and Swinburne Universities. He is the inventor of the key patents in the Optiscan portfolios, and is highly regarded in the field of confocal microscopy. Professor Harris became a director of Optiscan Pty Ltd in March 1994.



**Dr A Finkel, Ph.D**

**Director**

Dr Alan Finkel, 48, is a non-executive Director and member of the audit and remuneration committees. He received his Ph.D. in Electrical Engineering at Monash University in 1981. For two years he conducted postdoctoral research at the John Curtin School of Medical Research at the Australian National University. In 1983, he moved to the San Francisco Bay Area to establish Axon Instruments Inc., returning to Australia in 1987 where he continues in his roles of full-time Chief Executive Officer and Vice President of Research and Development of Axon Instruments. He is a member of the Academic Advisory Committee of the Monash University Electrical and Computer Systems Engineering Department. Dr Finkel was appointed a director of Optiscan Pty Ltd in March 1994.



**K Daniel, FTSE, FIEAust., CPEng.**

**Director**

Keith Daniel, 58, is a non-executive Director. He has spent the last 32 years in the medical device industry largely taking innovative Australian technology to world markets. During most of that time he has held senior general management and technology management roles in various global subsidiaries of Nucleus Ltd. including the role of CEO and Chairman of Nucleus before his retirement in 1999. Nucleus has been the nurturer of many of Australia's leading health care companies including Cochlear Limited, the world's leading manufacturer of implantable prosthetic devices for the hearing impaired; the Telectronics group, developing and marketing implantable cardiac pacemakers and defibrillators, and AMBRI Pty Ltd., the developer of a breakthrough technology in the field of membrane biosensors.

Mr Daniel is a founder and director of Milvella Pty. Ltd., a start up that since 1999 has developed and is marketing devices worldwide for use in the field of cataract and refractive surgery. He is also a founder and director of Aortech Biomaterials Pty. Ltd. a company commercialising the bio-stable but flexible polyurethane materials developed by CSIRO Molecular Science and the CRC for Cardiac Technologies.

Mr Daniel will contribute his extensive experience in the commercialisation of medical instruments in world markets to Optiscan.

All directors held their position as director throughout the entire financial year and up to the date of this report, other than Keith Daniel who was appointed to the board on 13 August, 2001.



## Directors' Report CONTINUED

### Directors' Interests

Relevant interests of the directors in the shares, options or other instruments of the company and related bodies corporate are:

Holder	Ordinary Shares	Options
Keith Daniel	0	0
Peter Delaney	2,680,001	1,046,258
Dr Alan Finkel	0	616,000
Professor Martin Harris	0	528,800
Professor Ray Martin	10,000	161,600

### Details of Options

Holder	Employee Options*	Other Options**
Keith Daniel	0	0
Peter Delaney	796,800	249,458
Dr Alan Finkel	80,000	536,000
Professor Martin Harris	528,800	-
Professor Ray Martin	100,000	61,600

\* Other options include originating and entitlement options, details of which are set out in Note 13.

\*\* Originating Options include options held indirectly through Optiscan Employee Share Plan Company Pty Ltd.



From left to right: Keith Daniel, Prof. Ray L. Martin, Dr Alan Finkel, Peter Delaney and Prof. Martin Harris.



**Optiscan Employee Share Plan Company Pty Ltd  
ACN 075 794 508**

The following directors hold manager shares in Optiscan Employee Share Plan Company Pty Ltd, (there being 100 managers shares in total):

	No. of Shares
Peter Delaney	20
Martin Harris	15

Details of the Optiscan Employee Share Plan Company are set out in Note 22.

**Other interests of Directors**

**Dr Alan Finkel**

Dr Finkel is the controlling shareholder of Axon Instruments Inc., which holds 9,647,280 shares in Optiscan. He is also a shareholder of Circadian, which owns 100% of Fibre Optics (Aust) Pty Ltd which in turn owns 6,370,001 Optiscan shares.

Dr Finkel is also a director of Audivac Pty Ltd, which holds 135,850 entitlement options. Additional related parties to Dr Finkel hold a combined total of 40,000 ordinary shares and 5,000 options.

**Peter Delaney**

Related parties to Peter Delaney hold a combined total of 120,000 ordinary shares and 130,000 options.

**Professor Martin Harris**

Professor Harris is a director and shareholder of Ixohoxi Pty Ltd which holds 5,260,448 shares in Optiscan. Related parties to Professor Harris hold a combined total of 3,608,633 ordinary shares and 611,500 options.

**Professor Raymond Martin**

Professor Martin is a shareholder and director of Circadian. Circadian owns 100% of Fibre Optics (Aust) Pty Ltd which in turn owns 6,370,001 Optiscan shares. Professor Martin is a director of Fibre Optics (Aust) Pty Ltd. Professor Martin is a director and has a controlling interest in Cunella Pty Ltd, which holds 10,000 ordinary shares and 5,000 options in Optiscan. Other related parties to Professor Martin hold 10,239 options in Optiscan.

**Directors' Meetings**

The company held eleven (11) Directors meetings during the year. The attendances of the directors at meetings of the Board and of its Committees were:

Board of Directors	Attended	Maximum possible attended
Prof. R Martin	11	11
P Delaney	11	11
Prof. M Harris	11	11
Dr A Finkel	10	11

As at the date of this report, the company had an Audit Committee and a Remuneration Committee of Directors. The members of the Audit and Remuneration Committees are Professor Ray Martin and Dr Alan Finkel, who attended the two Audit Committee Meetings and one Remuneration Meeting held during the year.

**Principal Activities**

The principal activities of the consolidated entity during the year were the development and manufacture of personal confocal microscopes. There was no change to the nature of this activity during the year.

**Trading Results**

The consolidated loss of the economic entity for the financial year was \$4,689,847 after income tax. This represents a 76% increase on the 2000 consolidated loss of \$2,670,634.

**Review of operations**

Operational factors contributing to the result are described in the Review of Operations section of this Report.

**Dividends**

No amounts have been recommended by the Directors that should be paid by way of dividend by the Company during the financial year.

No cash dividends have been paid or declared since the beginning of the financial year by the company.



## Directors' Report CONTINUED

### Significant Changes in the State of Affairs

There has been no significant changes to the state of affairs of the company during the year, other than the effect of the result for the year which contributed to a reduction in total equity of 25%.

### Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Likely Developments and Future Results

The Directors have excluded from this report any information on likely developments in the operations of the company and the expected results of those operations in future financial years, since, in the opinion of the directors, it may prejudice the interests of the company if this information were included.

### Environmental Regulations

The company is not subject to significant environmental regulations.

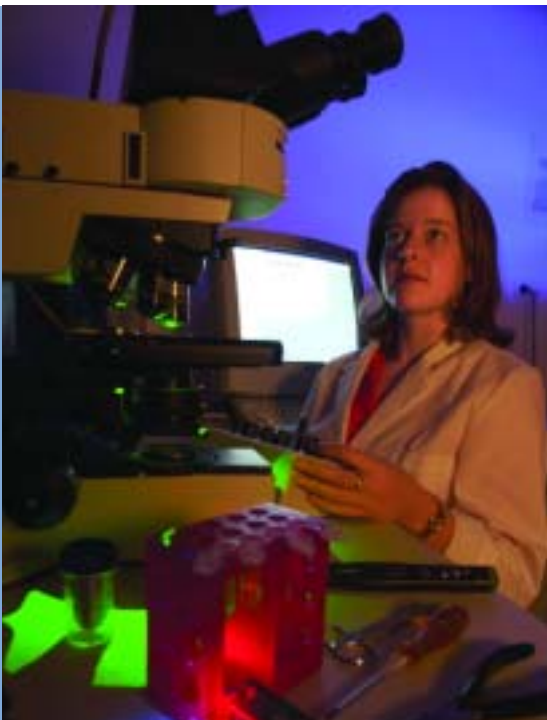
### Share Options

Details of movements in share options are set out in Note 13 in the financial statements.

Since the end of the financial year, and up to the date of this report, 213,500 shares have been issued as a consequence of the exercise of options which were on issue at year end. No new options have been issued, and the total number of options outstanding at the date of this report is 15,242,970.

### Directors' and Officers' Remuneration

Remuneration of directors and senior executives of the company is established by the Remuneration Committee. Remuneration is determined as part of an annual performance review, having regard to market factors and a performance review. The Remuneration Committee may seek independent remuneration advice. For executive directors and



Further development and commercialisation of endoscopic applications is complemented by our continued efforts in establishing patents to protect the resulting new technologies



officers, remuneration packages generally comprise salary and superannuation. Executives are also provided with longer-term incentives through the employee share ownership scheme and option schemes, which act to align the executives' actions with the interests of shareholders.

The Board meets annually to review its own performance. The Chairman also holds individual discussions with each director to discuss their performance. The non-executive directors are responsible for evaluating the performance of the Managing Director, who in turn evaluates the performance of all other senior executives. These evaluations are based on specific criteria, including the company business performance, whether long-term strategic objectives are being achieved and the achievement of individual performance objectives.

Details of remuneration provided to directors and officers of the company are shown below.

Directors	Base Salary \$	Superannuation \$	No. of Options
Prof. Martin	30,000	-	-
P. Delaney	126,500	10,120	-
Prof. Harris	84,000	6,720	-
Dr A. Finkel	20,000	1,600	-
Officers			
B. Andrew	69,005	5,520	18,250
R. Wallis	120,750	9,660	-

Full details of remuneration are set out in Note 20 of the financial statements.

### Indemnification and Insurance

During the financial year ended 30 June 2001, the company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the company. No monetary restriction was placed on this indemnity.

The company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2001. Under the company's Directors' and Officers' Liabilities Insurance Policy, the company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the company relies on section 300(9) of the Corporations Act (2001) to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

This report has been made in accordance with a resolution of directors.

Peter Delaney  
Melbourne  
24 September 2001



# Statement of Financial Performance

for the year ended 30 June 2001

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2001 \$	2000 \$	2001 \$	2000 \$
Sales revenue	2	<b>137,426</b>	782,233	-	-
Cost of sales		<b>(101,794)</b>	(471,007)	-	-
Gross profit (loss)		<b>35,632</b>	311,226	-	-
Other revenues	2	<b>1,650,759</b>	1,975,625	<b>527,321</b>	327,259
Marketing expenses		<b>(524,976)</b>	(132,876)	-	-
Office and administration expenses		<b>(2,273,204)</b>	(1,595,439)	<b>(103,448)</b>	(129,638)
Research & development expenses		<b>(2,487,616)</b>	(2,195,571)	-	-
Borrowing costs	2	<b>(6,000)</b>	(16,175)	-	-
Other expenses		<b>(409,781)</b>	(342,763)	-	-
Amortisation of goodwill		<b>(674,661)</b>	(674,661)	-	-
Profit (loss) from ordinary activities before income tax expense		<b>(4,689,847)</b>	(2,670,634)	<b>423,873</b>	197,621
Income tax expense relating to ordinary activities	3	-	-	-	-
Profit (Loss) from ordinary activities after related income tax expense		<b>(4,689,847)</b>	(2,670,634)	<b>423,873</b>	197,621
Net profit (loss)		<b>(4,689,847)</b>	(2,670,634)	<b>423,873</b>	197,621
Total changes in equity other than those resulting from transactions with owners as owners		<b>(4,689,847)</b>	(2,670,634)	<b>423,873</b>	197,621
Basic earnings per share (cents per share)	16	<b>(7.44)</b>	(4.98)		

The accompanying notes form an integral part of this Statement of Financial Performance.



# Statement of Financial Position

as at 30 June 2001

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2001 \$	2000 \$	2001 \$	2000 \$
<b>Current Assets</b>					
Cash assets		182,136	600,790	46,036	501,145
Receivables	4	7,755,820	11,768,188	6,582,632	11,150,844
Inventories	5	834,032	626,171	-	-
Other	6	38,322	24,188	-	-
<b>Total Current Assets</b>		<b>8,810,310</b>	13,019,337	<b>6,628,668</b>	11,651,989
<b>Non-Current Assets</b>					
Receivables	4	-	-	10,949,173	5,149,268
Other financial assets	7	-	-	6,605,396	6,605,396
Plant and equipment	8	839,412	554,626	-	-
Intangibles	9	4,005,456	4,680,117	-	-
<b>Total Non-Current Assets</b>		<b>4,844,868</b>	5,234,743	<b>17,554,569</b>	11,754,664
<b>Total Assets</b>		<b>13,655,178</b>	18,254,080	<b>24,183,237</b>	23,406,653
<b>Current Liabilities</b>					
Payables	10	222,215	183,621	-	25,118
Other provisions	12	193,676	186,477	-	-
<b>Total Current Liabilities</b>		<b>415,891</b>	370,098	-	25,118
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	11	-	320,000	-	-
Other provisions	12	57,768	70,445	-	-
<b>Total Non-Current Liabilities</b>		<b>57,768</b>	390,445	-	-
<b>Total Liabilities</b>		<b>473,659</b>	760,543	-	25,118
<b>Net Assets</b>		<b>13,181,519</b>	17,493,537	<b>24,183,237</b>	23,381,535
<b>Equity</b>					
Contributed equity	13	23,752,995	23,375,166	23,752,995	23,375,166
Reserves	14	72,480	72,480	72,480	72,480
Accumulated losses	15	(10,643,956)	(5,954,109)	357,762	(66,111)
<b>Total Equity</b>		<b>13,181,519</b>	17,493,537	<b>24,183,237</b>	23,381,535

The accompanying notes form an integral part of this Statement of Financial Position.



# Statement of Cash Flows

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	164,649	488,617	-	-
Grant income received	-	491,864	-	-
Royalty income received	826,670	1,009,436	-	-
Payments to suppliers and employees	(5,740,280)	(4,719,936)	(103,448)	(138,321)
GST refund received	138,426	-	-	-
Interest received	559,789	295,264	556,654	295,264
Interest and other finance costs paid	(22,666)	(67,050)	-	-
Net Operating Cash Flows (Note (b))	(4,073,412)	(2,501,805)	453,206	156,943
<b>Cash Flows From Investing Activities</b>				
Payments for plant and equipment	(720,332)	(393,185)	-	-
Proceeds from sale of plant and equipment	3,500	-	-	-
Loans (to) from controlled entities	-	-	(5,799,905)	(2,919,581)
Net Investing Cash Flows	(716,832)	(393,185)	(5,799,905)	(2,919,581)
<b>Cash Flows From Financing Activities</b>				
Proceeds from issue of shares and options	386,504	13,936,921	386,504	13,936,921
Share and option issue costs paid	-	(667,152)	-	(667,152)
Repayment of borrowings	(320,000)	(80,000)	-	-
Net Financing Cash Flows	66,504	13,189,769	386,504	13,269,769
<b>Net Increase (Decrease) in Cash Held</b>	<b>(4,723,740)</b>	10,294,779	<b>(4,960,195)</b>	10,507,131
Opening net cash at the beginning of the year	11,673,690	1,378,911	11,574,045	1,066,914
Closing Cash at the End of Year (Note (a))	6,949,950	11,673,690	6,613,850	11,574,045

The accompanying notes form an integral part of this Statement of Cash Flows.



# Notes to the Statement of Cash Flows

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
(a) Reconciliation of cash				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and short term commercial bills.				
Cash balance comprises :				
Cash at bank and on hand	182,136	600,790	46,036	501,145
Cash on term deposit (secured)	200,000	-	-	-
Short-term Commercial Bills (Note 4)	6,567,814	11,072,900	6,567,814	11,072,900
Closing cash balance	6,949,950	11,673,690	6,613,850	11,574,045
Cash on term deposit is subject to a charge from the company's banker, which secures bank guarantee and credit facilities. The term deposit matures within 15 days and the interest rate at balance date is 4.53%.				
(b) Reconciliation of operating profit (loss) after tax to the net cash flows from operations				
Operating profit (loss) after tax	(4,689,847)	(2,670,634)	423,873	197,621
Loss on sale of plant and equipment	33,667	-	-	-
Depreciation and amortisation				
- goodwill	674,661	674,661	-	-
- plant and equipment	233,004	123,641	-	-
- software	165,375	113,269	-	-
Provisions				
- employee entitlements	(5,478)	128,297	-	-
Changes in assets, (increase) decrease				
- trade receivables	(1,503)	161,173	-	-
- other debtors	(299,890)	(326,048)	54,451	(65,796)
- prepayments	(14,134)	(7,199)	-	-
- inventories	(207,861)	(269,381)	-	-
Changes in liabilities, increase (decrease)				
- trade creditors and accrued expenses	(53,916)	(38,323)	-	-
- sundry creditors	73,364	(52,802)	(25,118)	25,118
- unearned income	19,146	(338,459)	-	-
Net Cash Flow From Operating Activities	(4,073,412)	(2,501,805)	453,206	156,943
<b>Financing Arrangements</b>				
The consolidated entity has the following financing facilities: Bank guarantee and credit card facilities				
Accessible	200,000	-	10,000	-
Drawn down	(33,853)	-	-	-
Unused	166,147	-	10,000	-

The facilities are secured by a charge over the term deposit of \$200,000 referred to in Note 4. At June, 2000, the facilities were unsecured.



# Notes to the financial statements

for the year ended 30 June 2001

## Note 1: Statement of Significant Accounting Policies

### Basis of accounting

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act (2001), Australian Accounting Standards and Urgent Issues Group Consensus Views.

These financial statements have been prepared under the convention of historical cost accounting. The accounting policies used are consistent with those of the previous year.

The financial statements have been prepared on a going concern basis. The consolidated entity's operations are subject to substantial risks due primarily to the nature of the product development and commercialisation to be undertaken. The going concern basis assumes that the existing and future cash reserves will be sufficient to enable the consolidated entity to complete the existing product development and subsequent commercialisation of the developed product. The financial statements take no account of the consequences, if any, of the effects of unsuccessful product development or commercialisation.

### Income tax

The financial statements apply the principles of tax-effect accounting. Income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting result adjusted for income and expenses never to be assessed or allowed for taxation purposes. A future income tax benefit (as disclosed, but not recognised in the Statement of Financial Performance) includes the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

The components of the future income tax benefit are shown in Note 3.

Future income tax benefits on timing differences are not carried forward unless realisation is beyond reasonable doubt.

Future income tax benefits on tax losses are not carried forward unless realisation is virtually certain.

The future benefit of tax losses and timing differences not brought to account will only be obtained if :

- 1 entities within the consolidated entity derive future assessable income of a nature and of an amount sufficient to enable the benefit of the taxation deductions to be realised;
- 2 entities within the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and
- 3 no changes in tax legislation adversely affect the entities in realising the benefit.

### Recoverable amount of non - current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows which have not been discounted to present value.

### Plant, equipment and software

Plant, equipment and software are carried at cost. Assets are depreciated at rates based upon their expected useful economic lives, as follows:

	Life	Method
Plant and equipment	3 - 8 years	Straight Line
Software	2 - 3 years	Straight Line

### Income recognition

Revenue from the sale of goods is recognised at the point in time when products are delivered and installed. All revenue is stated net of the amount of goods and services tax (GST).

### Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost, in relation to finished goods, is determined on the first in, first out basis.

### Leases

Operating leases are not capitalised, and rental payments are expensed in the period in which they are incurred.

### Foreign currencies

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted to local currency at exchange rates approximating those in effect at the date of the transaction.
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change.



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

## Note 1: Statement of Significant Accounting Policies (continued)

### Provision for employee entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave.

All material on-costs, including payroll tax and workers' compensation are included in the determination of provisions. Annual leave and the current portion of long service leave provisions are measured at their nominal amounts.

The non-current portions of long service leave provision are measured at the present value of estimated future cash flows.

### Patent and establishment costs

All patent and establishment costs are expensed as they are incurred.

### Research and development costs

Research and development costs relating to the development of new products are expensed as incurred.

### Borrowing costs

Borrowing costs are expensed as incurred.

### Goodwill on acquisition

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Purchased goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, which is currently ten years. The unamortised balance of goodwill is reviewed at each balance date and charged to the Statement of Financial Performance to the extent that applicable future benefits are no longer probable. As discussed in the prospectus, goodwill acquired prior to the date of the float of Optiscan Imaging Limited is recoverable from future sales of microscopes and royalties earned from the related technology which were developed or in development at the time of the float. The directors resolved to maintain the carrying value of goodwill at 30 June 2001.

### Financial instruments included in Assets

Trade receivables are initially recorded at the amount of contracted sales proceeds. Commercial bills are carried at cost. Interest revenue is recognised on an effective yield basis. The carrying value of financial instruments included in assets approximates their fair value.

### Financial instruments included in Liabilities

Loans are recognised when issued at the amount of the net proceeds received. Interest is recognised as an expense on an effective yield basis. The entity repaid all outstanding loans during the year. The carrying value of financial instruments included in liabilities approximates their fair value.

### Financial instruments included in Equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

### Employee share option plan

Employees are entitled to participate in an Employee Share Option Plan, details of which are set out in Note 22. No remuneration expense is recognised in respect of employee share options issued.

### Changes in accounting policy

The directors have elected under section 334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 1041 Revaluation of Non-current Assets [Revised 2001] for the financial year ended 30 June 2001. This change in policy had no impact on the financial position or financial performance of the consolidated entity as presented in this financial report.



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 2: Profit and Loss Items</b>				
Profit from ordinary activities is after crediting the following revenues:				
<b>Sales revenues:</b>				
Product sales	86,008	782,233	-	-
Service income	51,419	-	-	-
Total sales revenues	137,426	782,233	-	-
<b>Other revenues:</b>				
Interest revenue - unrelated parties	530,457	327,259	527,321	327,259
Grant revenue	201,000	777,794	-	-
Royalty revenue	888,164	870,572	-	-
Gross proceeds from the sale of non-current assets (a)	3,500	-	-	-
Net foreign exchange gains from non speculative trading	25,734	-	-	-
Other revenue	1,904	-	-	-
Total other revenues	1,650,759	1,975,625	527,321	327,259
Total revenues	1,788,185	2,757,858	527,321	327,259
Profit (loss) from ordinary activities is after charging the following expenses:				
<b>Depreciation and amortisation:</b>				
Amortisation of goodwill	674,661	674,661	-	-
Depreciation of plant & equipment	233,004	123,641	-	-
Depreciation of software	165,375	113,269	-	-
Total amortisation and depreciation	1,073,040	911,571	-	-
Other expense items:				
Interest paid to related entities	6,000	16,167	-	-
Provision for diminution in value of inventory	320,000	-	-	-
Net (gain) loss on sale of plant & equipment (a)	33,667	-	-	-
Operating lease rentals	228,723	38,881	-	-
Provision for employee entitlements	(5,478)	128,297	-	-
(a) Revenue from sale of plant & equipment	3,500	-	-	-
Expense from sale of plant & equipment	(37,167)	-	-	-
Gain (loss) on sale of plant & equipment	(33,667)	-	-	-



## Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 3: Income Tax</b>				
The difference between the income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows :				
Operating Profit (Loss)	<b>(4,689,847)</b>	(2,670,634)	<b>423,873</b>	197,621
Prima facie income tax benefit on operating profit (loss) calculated at 34% (2000, 36%)	<b>(1,594,548)</b>	(961,428)	<b>144,117</b>	71,144
Tax effect of permanent differences:				
Non-deductible expenditure	<b>3,824</b>	860	-	-
Amortisation of goodwill	<b>229,385</b>	242,878	-	-
Tax benefit of losses transferred	-	-	<b>(144,117)</b>	(71,144)
Income tax adjusted for permanent differences	<b>(1,361,339)</b>	(717,690)	-	-
Tax losses not brought to account	<b>1,361,339</b>	717,690	-	-
Income tax attributable to operating profit (loss)	-	-	-	-
The tax effect at 30% (2000, 34%) of future income tax benefits not brought to account :				
Tax losses	<b>2,493,710</b>	1,473,718	-	-
Timing differences	<b>110,973</b>	116,915		

As at 30 June, 2001 the company has unconfirmed unrecovered income tax losses of \$8,312,367 (2000, \$4,334,466) available to offset against future taxable income. The benefit of these losses has not been brought to account as realisation of these losses is not virtually certain (Refer Note 1).



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 4: Receivables</b>				
<b>Current</b>				
Trade debtors	4,468	2,965	-	-
Sundry debtors (a)	983,538	692,323	14,818	77,944
Commercial Bills (b)	6,767,814	11,072,900	6,567,814	11,072,900
Total current receivables, net	7,755,820	11,768,188	6,582,632	11,150,844
(a) Foreign currency balances				
Australian dollar equivalents of foreign currency amounts receivable included in sundry debtors not effectively hedged.				
United States dollars	136,664	124,579	-	-
(b) The short-term commercial bills mature within 30 days, with interest rates of 4.8% (2000, 6.04%).				
<b>Non-Current</b>				
Non-trade amounts owing by:				
Related parties - wholly owned group	-	-	10,949,173	5,149,268
Total non current receivables, net	-	-	10,949,173	5,149,268
<b>Note 5: Inventories</b>				
<b>Current</b>				
Raw materials at cost	850,449	587,414	-	-
Work in progress at cost	303,583	9,381	-	-
Finished goods	-	29,376	-	-
Provision for diminution in value of inventory	(320,000)	-	-	-
Total current inventories, net	834,032	626,171	-	-
<b>Note 6: Other Current Assets</b>				
Prepayments	38,322	24,188	-	-



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 7: Other Financial Assets (non-current)</b>				
Investment at cost comprises:				
Shares in Controlled Entity - Unlisted	-	-	<b>6,605,396</b>	6,605,396
<b>Investment in Controlled Entity Comprises:</b>				
Optiscan Pty Ltd Incorporated in Australia Beneficial Percentage Held by Group - 100% The ultimate holding company is Optiscan Imaging Limited.				
<b>Note 8: Plant, Equipment and Software</b>				
Plant, equipment and software at cost				
Opening balance	<b>1,032,822</b>	639,636	-	-
Additions	<b>720,332</b>	393,186	-	-
Disposals	<b>(60,127)</b>	-	-	-
Closing balance	<b>1,693,027</b>	1,032,822	-	-
Accumulated depreciation				
Opening balance	<b>(478,196)</b>	(241,286)	-	-
Depreciation for the year	<b>(398,380)</b>	(236,910)	-	-
Disposals	<b>22,961</b>	-	-	-
Closing balance	<b>(853,615)</b>	(478,196)	-	-
Net book value	<b>839,412</b>	554,626	-	-
There would be no capital gains tax if these assets were sold at the current carrying amount.				
<b>Note 9: Intangible Assets (non-current)</b>				
Goodwill	<b>6,746,613</b>	6,746,613	-	-
Accumulated amortisation	<b>(2,741,157)</b>	(2,066,496)	-	-
Total intangible assets, net	<b>4,005,456</b>	4,680,117	-	-



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 10: Payables (current)</b>				
Trade creditors - unsecured	87,920	141,836	-	-
Sundry creditors & accruals - unsecured	115,149	41,785	-	25,118
Unearned income - unsecured	19,146	-	-	-
Total current accounts payable	222,215	183,621	-	25,118
<b>Foreign Currency Balances</b>				
Australian dollar equivalents of foreign currency amounts payable included in Payables not effectively hedged.				
United States dollars	3,320	2,534	-	-
<b>Note 11: Interest bearing liabilities (non-current)</b>				
<b>Unsecured Borrowings</b>				
Director related entities (a) (Note 22)	-	240,000	-	-
Other entities	-	80,000	-	-
	-	320,000	-	-
(a) Loans in the prior year from director related entities of \$240,000 and other entities of \$80,000 were unsecured. The interest rate was 5% pa.				
<b>Note 12: Provisions</b>				
<b>Employee Entitlements</b>				
Current	193,676	186,477	-	-
Non current	57,768	70,445	-	-
Total employee entitlements	251,444	256,922	-	-



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 13: Contributed Equity</b>				
<b>Ordinary shares</b>	<b>23,752,995</b>	23,375,166	<b>23,752,995</b>	23,375,166
Movements in contributed equity during the year				
Opening balance	<b>23,375,166</b>	10,105,400	<b>23,375,166</b>	10,105,400
Proceeds from issues to raise working capital	-	13,189,626	-	13,189,626
Cost of share issues	-	(667,152)	-	(667,152)
Issued pursuant to exercise of options	<b>377,829</b>	747,292	<b>377,829</b>	747,292
Closing Balance	<b>23,752,995</b>	23,375,166	<b>23,752,995</b>	23,375,166
	<b>Number</b>	Number	<b>Number</b>	Number
Movements in number of issued shares during the year				
Opening balance	<b>61,409,472</b>	49,694,022	<b>61,409,472</b>	49,694,022
Issued to raise working capital	-	7,358,921	-	7,358,921
Issued pursuant to employment agreement	-	620,420	-	620,420
Issued pursuant to exercise of options (a)	<b>1,889,146</b>	3,736,109	<b>1,889,146</b>	3,736,109
Closing Balance	<b>63,298,618</b>	61,409,472	<b>63,298,618</b>	61,409,472
<b>Options over Unissued shares</b>				
Options outstanding at year end :				
Originating options	<b>3,581,392</b>	4,571,192	<b>3,581,392</b>	4,571,192
Subscriber & Entitlement options	<b>9,523,474</b>	10,349,554	<b>9,523,474</b>	10,349,554
Employee options	<b>2,351,604</b>	1,838,000	<b>2,351,604</b>	1,838,000
Total	<b>15,456,470</b>	16,758,746	<b>15,456,470</b>	16,758,746
Movements in number of options during the year				
Opening balance	<b>16,758,746</b>	18,656,855	<b>16,758,746</b>	18,656,855
Options issued to employees (net of lapses)	<b>586,870</b>	1,838,000	<b>586,870</b>	1,838,000
Options exercised	<b>(1,889,146)</b>	(3,736,109)	<b>(1,889,146)</b>	(3,736,109)
Closing Balance	<b>15,456,470</b>	16,758,746	<b>15,456,470</b>	16,758,746

(a) Each share was issued as fully paid in consideration for the option exercise prices set out in the relevant table of options.



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

## Note 13: Contributed Equity (continued)

Option Class / Type	Issue Date	Price	Expiry Date	MOVEMENT THIS YEAR			
				Opening Balance	New Issues	Exercised	Closing Balance
Originating Options (Unlisted)	01.08.98	0.20	28.02.02	4,571,192	-	(989,800)	3,581,392
Subscriber and Entitlement Options (Listed)	01.08.98	0.20	28.02.02	10,349,554	-	(826,080)	9,523,474
<b>Employee Options (Unlisted)</b>							
Initial issue to existing employees	08.12.99	0.20	08.12.03	960,000	-	(73,266)	886,734
Initial issue to directors	08.12.99	0.55	08.12.03	380,000	-	-	380,000
Initial issue to new employees	13.12.99	2.00	13.12.04	25,000	-	-	25,000
Initial issue to new employees	22.12.99	2.00	22.12.04	8,000	-	-	8,000
Second tranche issue to employees	28.02.00	2.00	28.02.05	465,000	-	-	465,000
Third tranche issue to employees	22.12.00	1.94	22.12.05		443,870	-	443,870
Initial issue to new employees	28.02.00	2.25	01.03.05		25,000		25,000
Initial issue to new employees	30.06.00	1.55	01.06.05		5,000		5,000
Initial issue to new employees	09.10.00	2.10	09.10.05		2,000		2,000
Initial issue to new employees	30.01.01	1.74	30.01.06		45,000		45,000
Initial issue to new employees	19.02.01	1.85	19.02.06		66,000		66,000
<b>Employee Options Total</b>				1,838,000	586,870	(73,266)	2,351,604
<b>Totals at Balance Date</b>				16,758,746	586,870	(1,889,146)	15,456,470
Exercised subsequent to balance date							213,500
Outstanding at date of directors' report							15,242,970

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 14 : Reserves</b>				
<b>Option Premium Reserve</b>				
Opening and closing balance	72,480	72,480	72,480	72,480



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 15 : Accumulated Losses</b>				
Accumulated losses at beginning of year	(5,954,109)	(3,283,475)	(66,111)	(263,732)
Net profit (loss) for year	(4,689,847)	(2,670,634)	423,873	197,621
Accumulated losses at end of year	(10,643,956)	(5,954,109)	357,762	(66,111)
<b>Contribution to Loss</b>				
Optiscan Imaging Limited	(250,788)	(477,043)		
Optiscan Pty Ltd	(4,439,059)	(2,193,591)		
	(4,689,847)	(2,670,634)		
<b>Note 16: Earnings Per Share</b>				
Basic earnings per share ( cents per share )	(7.44)	(4.98)		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	62,738,513	53,668,256		
All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive.				
<b>Note 17: Expenditure Commitments</b>				
<b>Leases</b>				
Operating leases ( non cancellable )				
Not later than one year	209,803	190,548	-	-
Later than one year and not later than five years	394,333	604,136	-	-
Aggregate lease expenditure contracted for at balance date not provided in accounts	604,136	794,684	-	-
Operating leases are entered into as a means of acquiring access to rental property. Rental payments are generally fixed, subject to inflation escalation clauses on which contingent rentals are determined. Renewal options exist, being one further term of three years, and a second further term of three years.				
<b>Other Expenditure Commitments</b>				
Not later than one year	51,000	-	-	-
Later than one year and not later than two years	-	-	-	-
	51,000	-	-	-



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 18: Contingent Liabilities</b>				
Termination benefits on service agreements with directors	<b>35,000</b>	35,000	-	-
Bank Guarantees	<b>24,425</b>	-	-	-
	<b>59,425</b>	35,000	-	-
<b>Note 19: Subsequent Events</b>				
The directors are not aware of any subsequent events that would have a material impact on the financial statements at 30 June, 2001.				
<b>Note 20: Remuneration of Officers</b>				
<b>Income of Directors</b>				
The directors of Optiscan Imaging Limited at balance date are:				
R L Martin				
P M Delaney				
M R Harris				
A S Finkel				
Income paid or payable or otherwise made available in respect of the financial year to all directors of each entity in the consolidated entity, directly or indirectly by the entities of which they are directors:				
Salary & Directors' Fees	<b>260,500</b>	245,000	-	-
Superannuation	<b>18,440</b>	14,467	-	-
Subtotal - Ordinary income	<b>278,940</b>	259,467	-	-
Value of options issued during the year derived by application of the Black Scholes valuation model (2001: Nil, 2000: \$1.94)	-	737,200	-	-
Total income including options at valuation	<b>278,940</b>	996,667	-	-

The total of all income paid or payable, directly or indirectly, from the respective entities of which they are a director, or from any related party, to all the directors of each entity in the consolidated entity was \$294,398 (2000: \$1,008,510). This amount includes the value of insurance premiums made for the benefit of directors, and options at valuation.

Number of directors of the parent entity who received, or were due to receive remuneration directly or indirectly from the company or any related corporation, as shown in the following bands were:

\$ 20,000 - \$ 29,999	1	-
\$ 30,000 - \$ 39,999	1	-
\$ 90,000 - \$ 99,999	1	-
\$ 130,000 - \$ 139,999	1	-
\$ 170,000 - \$ 179,999	-	1
\$ 220,000 - \$ 229,999	-	1
\$ 270,000 - \$ 279,999	-	1
\$ 310,000 - \$ 319,999	-	1



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
<b>Note 20: Remuneration of Officers</b> (continued)				
<b>Income of Executives</b>				
The numbers of executive officers whose total income for the year falls within the following bands, were:				
\$130,000 - \$139,999	1	-	-	-
\$1,850,000 - \$1,859,999	-	1	-	-
The aggregate income of the executives referred to above:	\$	\$	\$	\$
Salary	120,750	115,000	-	-
Superannuation	9,660	8,050	-	-
Subtotal - Ordinary income	130,410	123,050	-	-
Market value, at date of issue, of shares allotted pursuant to employment agreement	-	1,489,008	-	-
Value of options issued during the year derived by application of the Black Scholes valuation model	-	243,800	-	-
Total income including shares & options at valuation	130,410	1,855,858	-	-
<b>Note 21: Remuneration of Auditors</b>				
Amounts received or due and receivable by the auditors of the consolidated entity for:				
Audit and review of the financial statements	22,500	21,000	2,000	2,000
<b>Note 22: Related Party Disclosures</b>				
Transactions between related parties are on normal commercial terms and conditions.				
(a) Transactions in the wholly owned group				
Amounts loaned by parent entity to Optiscan Pty Ltd	-	-	5,799,905	3,035,911
Amount owing at year end by Optiscan Pty Ltd to parent entity (interest free, at call)	-	-	10,949,173	5,149,268



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

## Note 22: Related Party Disclosures (continued)

### (b) Directors

The directors of the consolidated entity during the financial year, and since incorporation were :

R. L. Martin

P. M. Delaney

M. R. Harris

A. S. Finkel

Information on the remuneration of directors is set out in Note 20. Details of amounts payable upon termination of service agreements with directors are set out in Note 18.

### (c) Director related entities

#### **Axon Instruments Inc ("Axon")**

Alan Finkel is a director of Axon Instruments, and has a controlling interest in Axon.

Optiscan has granted distribution rights of fibre optic confocal microscopes in North and South America to Axon.

#### **Fibre Optics (Aust) Pty Ltd ("Fibre Optics")**

Circadian Technologies Limited owns 100% of Fibre Optics. Professor Ray Martin is a director of Circadian and Fibre Optics.

#### **SWR Harris Holdings Pty Ltd ("SWRH")**

Martin Harris was a director and shareholder in SWRH, until 29 December 2000, when the company restructured. As a result of the restructure, 6,260,448 ordinary shares were transferred to Ixohoxi Pty Ltd, a company owned and controlled by Martin Harris.

#### **HBH Technological Industries Pty Ltd ("HBH")**

Martin Harris is a director and shareholder in HBH.

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
(d) Director & director related entity transactions				
(i) Shares and options :				
Shares acquired during the year	-	50,000	-	50,000
Shares sold during the year	<b>625,000</b>	2,558,000	<b>625,000</b>	2,558,000
Options acquired during the year	<b>7,720</b>	414,280	<b>7,720</b>	414,280
Options sold during the year	-	678,516	-	678,516
Shares held at end of year	<b>28,826,363</b>	29,451,363	<b>28,826,363</b>	29,451,363
Options held at end of year	<b>3,250,247</b>	3,242,527	<b>3,250,247</b>	3,242,527



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 22: Related Party Disclosures (continued)</b>				
(e) Transactions with other related parties:				
(i) interest bearing loans :				
<b>Axon Instruments Inc</b>				
Interest expense incurred during the year	1,500	4,167	-	-
Interest paid during the year	5,667	20,350	-	-
Interest owing at year end	-	4,167	-	-
Loans repaid during the year	80,000	20,000	-	-
Loans payable at year end	-	80,000	-	-
<b>Fibre Optics (Aust) Pty Ltd</b>				
Interest expense incurred during the year	1,500	3,667	-	-
Interest paid during the year	5,667	5,000	-	-
Interest owing at year end	-	4,167	-	-
Loans repaid during the year	80,000	20,000	-	-
Loans payable at year end	-	80,000	-	-
<b>SWR Harris Holdings Pty Ltd</b>				
Interest expense incurred during the year	3,000	8,333	-	-
Interest paid during the year	11,333	41,700	-	-
Interest owing at year end	-	8,333	-	-
Loans repaid during the year	160,000	40,000	-	-
Loans payable at year end	-	160,000	-	-
(ii) Royalties :				
<b>Royalties payable to HBH Technological Industries</b>				
Royalties incurred during the year	4,050	31,536	-	-
Royalties paid during the year	-	42,096	-	-
Royalties owing at year end	4,050	-	-	-
Cumulative royalty payments to June, 2001	89,913	85,863		
Royalties are due to HBH Technological Industries Pty Ltd, calculated as 6% of Optiscan's gross revenue from sale of products manufactured in accordance with patents assigned under a Joint Venture agreement, up to a total of \$250,000.				



# Notes to the financial statements CONTINUED

for the year ended 30 June 2001

## Note 22: Related Party Disclosures (continued)

(iii) Other transactions :

From time to time, various related companies may provide executive time and premises on an ad hoc, no charge basis.

(f) Employee share plan

Optiscan Employee Share Plan Company Pty Ltd ACN 075 794 508 ('OESPC') was formed as an employee share plan company for the benefit of officers and employees of the Optiscan Group in 1997.

At commencement, all 11 employees of the consolidated entity participated in the plan. No new employees have since joined the plan. New employees may be invited to participate at the discretion of the directors.

OESPC owns nil (2000: 620,420) shares in Optiscan Imaging Ltd. All shares were transferred to employees during the year, in accordance with employment agreements. The market value of this holding at balance date is nil (2000: \$1,116,756).

The company has been granted 3,323,200 employee options. Details of movements during the year are as follows:

	2001	2000
Date of Issue	<b>1 Aug, 1998</b> <b>No. of Options</b>	1 Aug, 1998 No. of Options
On issue at beginning of year	<b>3,043,092</b>	3,323,200
Issued to OESPC during the year	-	-
Exercised during the year	<b>(989,800)</b>	(280,108)
Expired during the year	-	-
	<b>2,053,292</b>	3,043,092
Exercise price	<b>\$0.20</b>	\$0.20
Last exercise date	<b>28 Feb, 2002</b>	28 Feb, 2002

Optiscan Imaging Limited granted 3,323,200 originating options free to the Optiscan Employee Share Plan Company Pty Ltd with an exercise price of \$0.20. The market value of the options at balance date is \$2,012,226 (2000: \$4,747,224).

OESPC's capital structure comprises Manager Shares, Employer Shares, Employee Shares and Residiary Shares. The Manager Shares and Employer Shares confer no economic benefit on their holders other than the repayment of their par value on a return of capital or a winding up. The 100 Manager Shares are held by:

Axon Instruments Inc  
 Fibre Optics (Aust) Pty Ltd  
 Peter Delaney, Director  
 Martin Harris, Director  
 Roger Wallis, General Manager



## Notes to the financial statements CONTINUED

**for the year ended 30 June 2001**

### **Note 22: Related Party Disclosures** (continued)

The Employer Shares are held by Optiscan Pty Ltd.

Employee Shares are redeemable preference shares of \$0.01 each. They confer rights to Employee Dividend Entitlements declared by the directors of OESPC on the advice of the holders of the Manager Shares and the holders of the Employer Shares as long as the Employee Shares have not been redeemed and no Disentitling Event (ie specified events leading to loss of dividend entitlement) has occurred in the interim.

Employee Shares are redeemable:

- (a) at the option of OESPC on the occurrence of a Disentitling Event or at the Mandatory Redemption Date (ie on a winding up of OESPC);
- (b) at the option of the holder at times specified in their terms of issue.

The Employee Shares confer on the holders of the employee shares the right to receive the 'Employee Redemption Amount' if redeemed within the terms of issue by the holder of the Employee Shares then the holder shall be entitled to receive an amount equal to the market value of the investments held by OESPC in respect of those Employee Shares. The following summarises the investments held by OESPC in respect of the holders of the Employee Shares:

Type of investment	Total number issued	Number of Holders
Employee Options	2,053,292	8

Residuary Shares are redeemable preference shares of \$1.00 each in OESPC that confer upon the holders the right to receive the Residuary Dividend Entitlement and upon winding up of OESPC the Residuary Redemption Amount, but subordinated to the rights of holders of Employee Shares. They are redeemable at the option of OESPC when there are no members of OESPC who are employed by the Optiscan Group or on the winding up of OESPC.



## Notes to the financial statements CONTINUED

for the year ended 30 June 2001

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>Note 23: Employee Entitlements</b>				
The number of full-time equivalents employed as at 30 June 2001 are:	<b>33</b>	26	-	-
Employee Share Option Plan				
Optiscan Imaging Limited has an Employee Share Option Plan which was approved by shareholders in 1999. The exercise price of options issued under the plan is calculated as the weighted average share price over the fortnight immediately prior to the issue date, increased by a further 10%. The options are first exercisable two years after the issue date, and are then exercisable in gradual portions over a further three year period.				
Details of the issues under this plan are as follows:				
Total number issued to employees during the year			<b>586,870</b>	1,838,000
Total number issued to employees since commencement fo the scheme			<b>2,424,870</b>	1,838,000
Total number that have become available for purchase since commencement fo the scheme			<b>446,220</b>	-
Total number of employees eligible to participate in this scheme			<b>48</b>	37
Total market value of issues during the year			<b>739,456</b>	3,308,400
Proceeds received and receivable from issues during the year			-	-

### Note 24: Segment Information

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and health care industry and Australia respectively. Revenue is derived from the manufacture and sale of research grade benchtop confocal microscope systems.



# Directors' declaration

The directors declare that:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view of the financial position as at 30 June 2001 and the performance of the company and consolidated entity for the year then ended;
- (c) in the opinion of Directors;
  - (i) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (ii) the financial statements and notes are in accordance with the Corporations Act (2001), including Sections 296 and 297.

Made in accordance with a resolution of the Directors

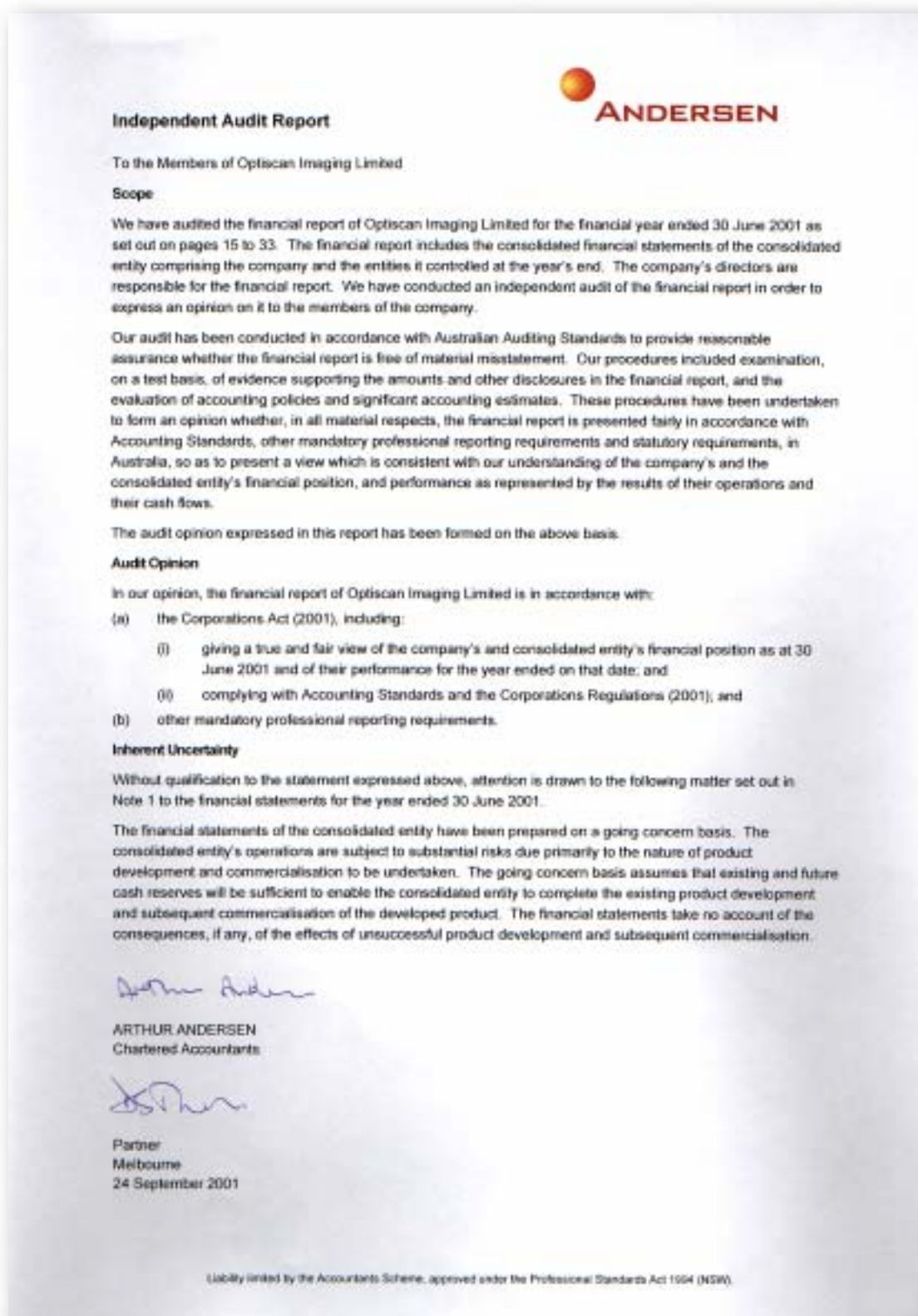
For and on behalf of the board

A handwritten signature in black ink, appearing to read "Peter Delaney".

Peter Delaney  
Melbourne  
24 September 2001



# Independent audit report



## Independent Audit Report



To the Members of Optiscan Imaging Limited

### Scope

We have audited the financial report of Optiscan Imaging Limited for the financial year ended 30 June 2001 as set out on pages 15 to 33. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end. 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, 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 and the consolidated entity's financial position, and performance as represented by the results of their operations and their 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 Optiscan Imaging Limited is in accordance with:

- (a) the Corporations Act (2001), including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations (2001); and
- (b) other mandatory professional reporting requirements.

### Inherent Uncertainty

Without qualification to the statement expressed above, attention is drawn to the following matter set out in Note 1 to the financial statements for the year ended 30 June 2001.

The financial statements of the consolidated entity have been prepared on a going concern basis. The consolidated entity's operations are subject to substantial risks due primarily to the nature of product development and commercialisation to be undertaken. The going concern basis assumes that existing and future cash reserves will be sufficient to enable the consolidated entity to complete the existing product development and subsequent commercialisation of the developed product. The financial statements take no account of the consequences, if any, of the effects of unsuccessful product development and subsequent commercialisation.

A handwritten signature in blue ink, appearing to read "Arthur Andersen".

ARTHUR ANDERSEN  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "Partner".

Partner  
Melbourne  
24 September 2001



# Corporate Governance

The Board of Directors of Optiscan Imaging Limited is responsible for protecting the rights and interests of shareholders, and is accountable to them for the overall management of the Company.

## Responsibilities of the Board of Directors

The primary responsibilities of the board include:

- Establishing strategic direction and milestone goals for the organisation
- Appointing, remunerating and evaluating the performance of senior management
- Identifying and complying with sound governance practices
- Monitoring performance and achievements against targets
- Identifying and managing the risk profile of the organisation
- Ensuring all regulatory and ethical obligations are observed

The Board has established the following policies to ensure it is proficient in discharging its duties and obligations.

## Board Committees

The Board has created the following committees:

Nomination and Remuneration Committee  
Audit Committee

The policies of the board in relation to these committees are as follows:

- The committees should be comprised of a majority of non-executive directors and be chaired by a non-executive director
- The Committee should be entitled to obtain such independent advice as it deems necessary at the expense of the company, subject to the prior consent of the Chairman
- The Committee must be provided with free access to all information, records, management and employees as is necessary to properly discharge its duties

## Nomination and Remuneration Committee

The charter of the former Remuneration Committee has been expanded to include board membership. It is responsible for policy, appointment criteria and recommendations for appointment to the board. It is also responsible for performance appraisal and determining and reviewing compensation arrangements for the directors and senior management. The members of the Remuneration Committee during the year were Professor Raymond Martin and Dr Alan Finkel.

## Audit Committee

The principal responsibility of the Audit Committee is to oversee the financial affairs of the group, including preparation of financial statements, including adequate disclosure, maintenance of appropriate accounting records and internal controls, the selection and application of accounting policies, liaison with external auditors, ensuring regulatory compliance and the safeguarding of assets.

This includes the following functions:

- to consider all risk areas and ensure that appropriate safeguards are in place;
- to ensure operating procedures are efficient, with the necessary internal checks and built-in controls;
- to report to the Board, on the foregoing and related issues, from time to time;
- to assist Management as appropriate in relation to risk areas, operating procedures and, if instances arise, conflicts of interest;
- to liaise with the company's management and Auditor on a continuing basis.

The Audit Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

All members of the Audit Committee are non-executive directors. The members of the audit committee during the year were Professor Raymond Martin and Dr Alan Finkel.

## Ethical Standards

The company recognises the importance for directors and employees to observe the highest standards of behaviour and business ethics. Officers and employees are expected to act in accordance with the law and the highest standards of propriety. The company should always exhibit the characteristics of a good corporate citizen.



## Corporate Governance CONTINUED

### **Conflict of Interest**

If a potential conflict of interest involving a director should arise, the director must declare the interest, withdraw from all deliberations of the matter, and refrain from discussion with other members of the board.

### **Dealing in Company Securities**

The board has issued strict guidelines for dealing in the company's shares or options by directors and employees. The requirements include:

- Directors must discuss any proposed trade with the Chairman, CEO or other directors
- Employees must discuss any proposed trade with the CEO or Company Secretary
- Trading in shares and options should be limited to the period of one month after the release of financial results or material information to the market
- Trading is forbidden where a director or employee may be in possession of price sensitive information

### **Board's Communication to Shareholders**

The Board of Directors aims to ensure that communication to shareholders is provided through:

- the annual report which is distributed to all shareholders;
- the half yearly report provided to the Australian Stock Exchange;
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate;
- keeping shareholders informed of any major developments through distribution of shareholder update letters.



# Shareholder Information

## Substantial Shareholders as at 31 August 2001

The following information is extracted from the Company's Register of Substantial Shareholders.

Name	Number of ordinary shares	Number of options over shares
Axon Instruments Inc	9,647,280	-
Fibre Optics (Aust) Pty Ltd	6,370,001	-
Ixohoxi Pty Ltd	5,260,448	-
S W R Harris Holdings Pty Ltd	3,468,633	600,000

## Distribution of Shareholdings as at 31 August 2001

Size of holding	Ordinary Shareholders	Ordinary Share Option Holders
1 to 1,000	1,270	240
1,001 to 5,000	2,516	466
5,001 to 10,000	691	154
10,001 to 100,000	479	170
100,001 and over	31	10
Total shareholders	4,987	1,040

Number of ordinary shareholders with less than a marketable parcel	636	244
--	-----	-----

## Voting Rights

Articles 42 to 51 (incl.) of the Company's Constitution stipulate the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands, and on a poll have one vote for each share held.



## Shareholder Information CONTINUED

### Twenty Largest Shareholders as at 31 August 2001

Name	Ordinary Number	Shares %
Axon Instruments Inc	9,647,280	15.24
Fibre Optics (Aust) Pty Ltd	6,370,001	10.06
Ixohoxi Pty Ltd	5,260,448	8.31
S W R Harris Holdings Pty Ltd	3,468,633	5.48
Mr Peter Maxwell Delaney	2,680,001	4.23
Thorney Holdings Pty Ltd	2,557,200	4.04
Microcaps Limited	1,400,000	2.21
Mr Roger Harold Wallis	646,820	1.02
Mr David Ian Mitchell	600,001	0.95
Helm Melbourne Limited	470,000	0.74
Cogent Nominees Pty Ltd	398,224	0.63
Equity Trustees Ltd <Australian New Horizons A/C>	292,782	0.46
National Nominees Limited	284,926	0.45
Hochma Development Fund Ltd	227,273	0.36
Westpac Custodian Nominees	208,160	0.33
Hemda Nominees Pty Ltd <Super Fund No 2 A/c>	204,527	0.32
Keensay Pty Limited	200,000	0.32
Jagen Nominees Pty Ltd	185,669	0.29
Sash Pty Ltd <Sash Super Fund A/c>	155,000	0.24
Alfred & Christine Winkelmeier	153,300	0.24
<b>Total</b>	<b>35,410,245</b>	<b>55.92</b>

# Company Directory

## Directors

Professor Raymond Leslie Martin (Chairman)  
Peter Maxwell Delaney, (Managing Director)  
Professor Martin Russell Harris  
Dr Alan Simon Finkel  
Keith Peter Daniel

## Secretary

Bruce Richard Andrew

## Registered Office

15-17 Normanby Road  
Notting Hill, Victoria 3168  
Australia

Phone: (61 3) 9538 3333  
Fax: (61 3) 9562 7742  
URL: [www.optiscan.com](http://www.optiscan.com)

## Solicitors

Minter Ellison

## Auditors

Arthur Andersen

## Share Registry

Computershare Registry Services Pty Ltd  
Level 12, 565 Bourke Street  
Melbourne, Victoria 3000  
Phone: (03) 9611 5711

## Stock Exchange Listings

Optiscan Imaging Limited shares are quoted on the Australian Stock Exchange.

ABN 81 077 771 987



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