

**MEDICAL MONITORS LIMITED**  
**ACN 009 161 522**

**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2004**

# **MEDICAL MONITORS LIMITED**

**ACN 009 161 522**

**and its Controlled Entities**

## **COMPANY PARTICULARS**

### **DIRECTORS**

Dr Allan Shell (Chairman & Managing Director)  
Mr Neville Buch  
Mr John Genner  
Mr Boris Patkin  
Mr Harry Platt

### **COMPANY SECRETARY**

Geoffrey A. Rann

### **REGISTERED OFFICE**

Suite 407 Office Tower  
Westfield Eastgardens  
152 Bunnerong Road  
EASTGARDENS NSW 2036

### **ADMINISTRATION OFFICE**

Suite 407 Office Tower  
Westfield Eastgardens  
152 Bunnerong Road  
EASTGARDENS NSW 2036

### **AUDITORS**

**KPMG**  
10 Shelley Street  
SYDNEY NSW 2000

### **BANKERS**

**Westpac Banking Corporation**  
130 Pitt Street  
SYDNEY NSW 2000

### **SHARE REGISTRY**

**Computershare Investor Services Pty Limited**  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

### **HOME EXCHANGE**

**Australian Stock Exchange Ltd**  
2 The Esplanade  
PERTH WA 6000

### **SOLICITORS**

**Commercial & Technology Law**  
159 Moverly Road  
South Coogee  
SYDNEY NSW 2034

# MEDICAL MONITORS LIMITED

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### MANAGING DIRECTOR'S REPORT

The past year has further consolidated Medical Monitors' position as an international provider of unique home based ECG and Blood Pressure monitoring products and services. To achieve this goal, the Company is working with major international pharmaceutical companies, as well as key medical opinion leaders and clinical researchers, in Australia, Italy, the UK and the USA. The Company has also maintained its investment potential in those overseas markets, through relationships with other local commercial entities.

In particular, the BPfone<sup>®</sup> blood pressure monitor is being recognised as a superior tool for use in clinical trials requiring data collection of blood pressure. This year, the prestigious Johns Hopkins University, Baltimore, has been using the BPfone<sup>®</sup> in one such trial in the USA. Similar trial opportunities are under discussion for the UK.

Subsequent to the balance date, the Company has granted a new licensing and distribution agreement to Primedical International Plc, (Primedical), a newly established UK-based investment group. Primedical will have the exclusive license and distribution rights, for the USA, the UK and European Community (EU) countries, for Medical Monitors' products and services, subject to the completion of a further capital raising by Primedical. Under the terms of the agreements, Medical Monitors will obtain a major shareholding in Primedical, and will benefit from an agreed profit margin manufacturing contract and royalty revenue.

#### *Australian Activities*

The Australian market has experienced steady growth in patient numbers over the year, with the contracted pharmaceutical companies distributing the BPfone<sup>®</sup> monitors to General Practitioners nationwide. More than 20,000 patients have been followed through the monitoring service.

The Company contracts with pharmaceutical companies to provide BPfone<sup>®</sup> monitors, with an option to renew annually, and this underlines a commitment from pharmaceutical companies to an ongoing program. Further renewals and new contracts are expected in the coming year.

The Company generates ongoing interest by marketing to the medical community through, for example, presentations at national general practitioner conferences (GPCE) and cardiology conferences (CSANZ). These provide an opportunity to introduce new doctors to use the service. More than 600 medical practices have already used the service, for more accurate long-term blood pressure and ECG monitoring of their patients. Medical Monitors remains the only company providing an Australia-wide service.

#### *United States*

The Company has achieved a significant goal with a contract for blood pressure monitoring now in place through the prestigious Johns Hopkins University, Baltimore. It is anticipated that the BPfone<sup>®</sup> will receive considerable recognition from this trial, as a superior tool for use in clinical trials requiring long term data collection of blood pressure information. A number of other monitoring opportunities are in discussion with Company's executives.

As has been previously noted, a new business venture will specifically target the other market segments, each of which has the potential to establish the BPfone<sup>®</sup> as the leading data collection technology. These high value niche market segments are in large scale clinical trials, pharmaceutical company programmes and home healthcare services. The US pharmaceutical industry spends more than US\$165 million each year on blood pressure trials alone.

Enhancing the Company's market offering in the home healthcare segment is the PER heart monitor. The PER heart monitor has clearance from the US Food and Drug Administration (FDA) for marketing and sales. The Company has assisted in the establishment of a heart monitoring service, in the USA, similar to that currently operating as the HEARTLINE<sup>®</sup> Monitoring Service in Australia. The market for cardiac rhythm monitoring in the USA is estimated to be in excess of US\$450 million, and the Directors expect that Medical Monitors' technology and service will become a significant part of that market over the next two years.

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### *United Kingdom*

The Company's appointment of Prof. Bryan Williams, as medical advisor to the UK operation, has provided Medical Monitors with the opportunity to be involved in projects with both research institutions and international pharmaceutical companies in the coming year. Prof. Williams' appointment is further recognition from the international medical community, particularly for its BPfone® blood pressure monitoring system.

### *Revenue and Expenses*

Revenue from ordinary activities was down by 48%, when compared to the previous financial year. However, under the terms of the Primedical licensing and distribution agreement, Primedical has committed to an initial purchase of 5,000 ECG units (USD \$210,000) and 3,000 BPfone monitors (USD \$480,000) in FY 2004/2005, subject to the completion of a further capital raising. This will demonstrate the Company's ability to generate revenue in the long term.

As announced to the market, a number of large projects in blood pressure monitoring, with top tier pharmaceutical companies in the UK and USA, and the ECG monitoring business in the USA, are expected to be undertaken in the near term and provide for ongoing and significant sales revenue in FY 2004/2005.

### *Shareholder Share Placement Scheme and Private Placement Activities*

The successful completion of the Shareholder Share Placement Scheme, in November, and Private Placement offers following approval as highlighted at the AGM in 2003, provided the Company with additional funding of more than \$3.0 million. The funds were for additional working capital and for marketing to promote the successful international roll out of product and services across a number of markets and were received with the strong support of both existing and from new shareholders. Importantly, these transactions confirm shareholder and stock market support for the Company's current and future anticipated activities, and provide ongoing support for the opportunities that have been created by the Company's unique products and services in Australia and overseas.

As well, the Company has markedly reduced its shareholder base, with a successful sale of 'small parcel' shareholdings completed in July 2004 – under Clause 26 of the Company's Constitution. More than 900 shareholders were taken off the Register.

### *Sale of Mining Tenements*

Final settlement of the remaining mining tenements occurred in November 2003.

### *Future Market Opportunities*

The Company is now an established player in the international medical diagnostic services business, and is recognised world-wide by the healthcare profession and the pharmaceutical industry for our leading edge products and services.

As planned, international blood pressure monitoring services are established and operational in the USA, the UK, and in Italy and a cardiac rhythm monitoring service has now been established in the USA. Revenues and royalties from these monitoring services are expected to grow significantly over the coming year.

Finally, we thank the shareholders for their continued and very solid support and the Company's employees for their significant input during the year. We believe that the future will continue to consolidate the opportunities that have been created and provide for substantial revenues and sustainable profits.



**Dr Allan Shell**  
Managing Director

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## DIRECTORS' REPORT

Your Directors submit herewith their report on the consolidated accounts for the year ended 30 June 2004 and the auditors report thereon.

### DIRECTORS

The following persons held office as Directors of Medical Monitors Limited ("the Company") at any time during or since the end of the financial year:

Dr Jerome Goldberg (Chairman – Resigned 8 December 2003)

Mr John Genner

Mr Harry Platt

Dr Allan Shell (Managing Director & Chairman 2004)

Neville Buch (appointed 16 February 2004)

Mr Boris Patkin (appointed 16 February 2004)

### PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is the provision of diagnostic medical services.

Medical Monitors has designed, and is marketing worldwide, a number of unique products and services for monitoring of blood pressure and heart conditions. It is the only provider of an Australia-wide home based, transtelephonic, cardiac monitoring service.

### RESULTS

The consolidated loss for the financial year after provision for income tax attributable to members of the consolidated entity was \$4,141,122, up 36% from the 2003 loss of \$3,052,202.

During the year, the Company has:

- (i) undertaken significant cost reduction in the activities of the USA subsidiary
- (ii) finalised the sale and disposal of mining assets and the related tenements
- (iii) amortised the goodwill and reviewed the carrying value of the Intellectual Property (IP).

### DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2004 (2003: nil), nor have the Directors recommended that any dividend be paid.

### REVIEW OF OPERATIONS

#### *Development of business opportunities*

Over the year, the Company has continued to develop business opportunities both in Australia and overseas. The Directors believe that the coming year will provide for sustainable strong commercial growth, with a number of significant sales expected from its overseas operations.

Medical Monitors' strategy remains focused on becoming a significant provider of home based cardiac monitoring services, particularly to the pharmaceutical industry and to healthcare providers.

#### *Research and Development*

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Research and Development activities have continued during the year, both in relation to the development of new products and further enhancements to the Company's existing products, to deliver leading edge, low cost based monitoring products. This has been a critical factor in successfully penetrating highly lucrative overseas markets.

### *Sale of Exploration Assets*

During the year, the Company finalised the sale of its remaining tenement to joint venture partner Harmony Gold, with final settlement in November 2003.

### EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, the Company has granted a new licensing and distribution agreement to Primedical International Plc, (Primedical), a newly established UK-based investment group. Primedical will have the exclusive license and distribution rights, for the USA, the UK and European Community (EU) countries, for Medical Monitors' products and services, subject to the completion of a further capital raising by Primedical. Under the terms of the agreements, Medical Monitors will obtain a major shareholding in Primedical, and will benefit from an agreed profit margin manufacturing contract and royalty revenue.

In addition, the number of shareholders on the Register was reduced from 3,386 to 2,417 in July, 2004, through the sale of Unmarketable Parcels of Shares, as per Clause 26 of the Company's constitution.

### FUTURE DEVELOPMENTS

Refer Review of Operations. The Company continues to work with major Pharmaceutical companies and clinical researchers in Australia, Italy, the UK and the USA to provide highly efficient medical data management systems using Medical Monitors products and services.

### SHARE OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of Shares
30 June 2005	\$0.20	82,930,713

These options do not entitle the holder to participate in any share issue other than the body corporate.

## 10. PARTICULARS OF DIRECTORS

Particulars of the qualifications and experience of the Directors are:

### **Dr Jerome Goldberg**

**Chairman**  
**Director since 18 June 2001**  
**Resigned 8 December 2003**  
**Age 47**

Dr Goldberg is an Orthopedic Specialist and VMO to the Prince of Wales (Public) Hospital and Prince of Wales Private Hospital. He is a clinical lecturer in Orthopedic Surgery at the University of NSW and is a Co-Director of the Prince of Wales Hospital Orthopedic Research Laboratory.

### **Dr Allan Shell**

**Managing Director &**  
**Chief Medical Officer**  
**Director since 18 June 2001**  
**Chairman since February 2004**  
**Age 54**

Dr Shell has over 25 years experience in clinical medicine as a medical practitioner in private practice, and in private and public hospital systems in Australia and the UK. He also has significant experience in telemedicine and related technology products for the healthcare sector.

Dr Shell is a member of the Royal Australian College of Medical Administrators, a member of the Australian Institute of Company Directors and a Director and Board member of the Wolper Hospital, in Sydney.

Dr Shell is responsible for the day-to-day activities of the Company and operation of the monitoring service, and is acting Chairman of the Board.

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### Mr Harry Platt

**Operations Director**  
**Director since 18 June 2001**  
**Age 49**

Mr Platt has more than 20 years experience in the development and management of technology projects and has a background in biomedical technology consulting. He has consulted to several major medical companies in the area of cardiac technology and has conducted, and published, research in cardiac electrophysiology and monitoring.

Mr Platt is responsible for management and product development. In addition, he provides ongoing advice on the technical direction of the Company.

### Mr John Genner

**Non-Executive Director**  
**Director since 18 June 2001**  
**Age 64**

Mr Genner has a background in finance and accounting. For approximately 9 years he was the chief executive of a national mortgage insurance company. For approximately 18 years he has operated as a private investor and company director.

Mr Genner is Managing Director of the ASX listed BQT Solutions Limited.

### Mr Boris Patkin

**Non-Executive Director**  
**Director since 16 February 2004**  
**Age 53**

Mr Patkin has a background in financial management and marketing. He has worked in senior management for a large multinational in Australia, and has been involved in corporate and financial restructuring and international trade.

Mr Patkin holds directorships in two other public companies, and is active in promoting good investor relations for the Company.

### Mr Neville Buch

**Non-Executive Director**  
**Director since 16 February 2004**  
**Age 40**

Mr Buch has a background in global marketing, strategy and major account sales. He has had significant experience in the USA, Europe and Asia, as an executive of a major US-based medical, electronic and security conglomerate.

Mr Buch has taken on a number of directorships with un-listed Australian technology companies in an advisory role.

Mr Buch is Chairman of the Audit Committee

### Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each director.

Directors	Held	Attended
Dr Jerome Goldberg **	3 (to date of resignation)	3
John Genner §	6	6
Harry Platt	6	6
Dr Allan Shell	6	6
Neville Buch*§	3 (from date of appointment)	3
Boris Patkin**§	3 (from date of appointment)	3

\*New Directors, N. Buch and B. Patkin appointed 16 February 2004.

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§ Members of the Audit Committee. An Audit Committee meeting to consider the 31 December 2003 Half-Year Report was held in February 2004 and attended by Mr Patkin. An Audit Committee meeting to consider the 2004 Financial Report was held in August 2004 and attended by all Audit Committee members.

\*\* Dr Goldberg's attendance as at the resignation of his position 8 Dec 2003

### Directors' Interests

The relevant interests of each director, in the ordinary shares and options over shares issued by the Company as at 1 September, 2004, are as follows:

#### - Share holdings

Directors	Shares Held Directly	Shares Held Indirectly
Dr Jerome Goldberg	872,857	7,825,717
John Genner	-	6,315,926
Harry Platt	12,881,195	5,224,784
Dr Allan Shell	12,881,195	6,067,641
Boris Patkin	-	533,943
Neville Buch	29,000	-

\*\* Dr Goldberg's holding is at the date of his resignation, 8 December 2003

#### - Option holdings

Directors	Options Held Directly	Options Held Indirectly	Exercise Price	Expiry Date
Dr Jerome Goldberg **	175,000	791,540	\$0.20	30 June 2005
John Genner	-	2,068,900	-	30 June 2005
Harry Platt	4,475,350	1,815,375	\$0.20	30 June 2005
Dr Allan Shell	4,475,350	2,440,375	\$0.20	30 June 2005
Boris Patkin	-	-	-	-
Neville Buch	-	-	-	-

Each option converts to one ordinary share.

\*\* Dr Goldberg's holding as at the resignation of his position 8 December 2003

### Directors' Benefits

Directors' benefits are set out in note 28 of the accounts.

## 11. ENVIRONMENTAL REGULATIONS

The Company is no longer involved in exploration or in the mining of tenements within Australia.

The Directors are not aware of any significant breach, or pending legal action, in the period covered by this report.

## 12. DIRECTORS AND SENIOR EXECUTIVES' REMUNERATION

The Board reviews the remuneration packages and policies where applicable to the Executive Directors, Senior Executives and Non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced personnel. If necessary, the Board will obtain independent legal advice on the appropriateness of remuneration packages.

Details of the nature and amount of each major element of the emolument made to each Director of the Company are:

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Directors	Remuneration	Non-cash Benefits	Superannuation	Termination Benefit	Total
<b>Non -Executive</b>					
Dr Jerome Goldberg	30,000	-	-	-	30,000
John Genner	18,000	-	-	-	18,000
Boris Patkin	29,815	-	-	-	29,815
Neville Buch	18,000	-	-	-	18,000
<b>Executive</b>					
Harry Platt	149,850	-	-	-	149,850
Dr Allan Shell	129,800	-	-	-	129,800

In view of the small size of the Company, and the economic entity, all management decisions are undertaken by the executive directors and the non-executive directors making up the Board. As the Company grows, it is anticipated that these management roles will be taken over by executive officers appointed at some time in the future.

During the financial year, no shares or options (over unissued ordinary shares) were granted to directors as part of their remuneration. However, this matter is to be raised in the Notice of Meeting for the Annual General Meeting, November 2004.

See note 27, for related party and consultancy services matters.

### 13. CORPORATE GOVERNANCE POLICY

The Board is responsible for the corporate governance of the consolidated entity. It monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

At the date of this report, an Audit Committee has been established and is responsible to the Board of Directors. There being only five Directors of the Company, all other matters are dealt with by the Board of Directors.

The Board of Directors currently holds six scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The following formalises the main corporate governance practices established to ensure the Board is well equipped to discharge its responsibilities:

#### Composition of the Board

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

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- The Board shall not comprise a majority of executive Directors; and
- Directors shall bring characteristics, which allow a mix of qualifications, skills and experience.

While there is no formal review process in place, in order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is informally reviewed by the Chairman. Directors whose performance is unsatisfactory may be asked to retire.

#### The Board's Performance and Communication to Shareholders

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 all Directors. Information is communicated to the shareholders through:

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- Annual Report which is distributed to all shareholders, and posted on the ASX site [www.asx.com.au](http://www.asx.com.au)
- The Half-yearly Reports which is made available to all shareholders, and posted on the ASX site [www.asx.com.au](http://www.asx.com.au)
- The Annual General Meeting and other meetings called to obtain approval for Board action as appropriate
- The Company's compliance with ASX continuous disclosure requirements; and
- All public announcements and associated documents are made available on the Company website, at [www.medmon.com.au](http://www.medmon.com.au)

### Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board believes the current cost control framework to be suitable for the Company's current operations. There is no Internal Audit function as the cost would significantly outweigh the benefits at this stage of the Company's development.

### The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs:

- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- Notices of all meetings of shareholders are made available to shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

The External Auditor is requested to attend the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

### Conflict of interest

In accordance with the Corporations Act 2001 and the company's constitution, the directors must keep the Board advised on an ongoing basis of any interests that could potentially conflict with those of the company. Details of director related entity transactions with the Company and the consolidated entity are set out in Note 27.

### Directors dealings in Company shares

The Constitution permits Directors to acquire shares in the Company. Company policy prohibits directors from dealing in Company shares or exercising options whilst in possession of price sensitive information.

### Independent Professional Advice

Each Director will have the right to seek independent professional advice at the Company's expense. However, prior approval by the Chairman will be required, which will not be unreasonably withheld.

### Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for management of the consolidated entity.

The external auditors were invited to Audit Committee meetings, and the committee met 2 times during the year.

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The responsibilities of the Audit Committee include:

- Reviewing the financial report and other financial information distributed externally
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, prompt and remedial action is taken by management
- Review the nomination and performance of the auditor.

Members of the Audit Committee at the date of this report are Neville Buch, John Genner and Boris Patkin.

### **Business Risk Management**

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas which were initially identified and which will be regularly considered by at Board Meetings include foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

### **Ethical Standards**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

## **14. INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS**

As stated in the Constitution of the Company, "except as may be prohibited by the Corporations Law, every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company, against liability incurred by him in his capacity as Officer or auditor or agent of the Company".

The report is signed in accordance with a resolution of the Directors, made pursuant to Section 310(2) of the *Corporations Act 2001*.

On behalf of the Board



**Dr Allan Shell**  
Managing Director

Dated: 1<sup>st</sup> October 2004

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**STATEMENTS OF FINANCIAL PERFORMANCE**

for the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from sale of goods		194,455	454,235	111,477	381,992
Revenue from rendering of services		133,261	136,087	6,503	50,100
Other revenues from ordinary activities		120,904	330,926	120,882	330,924
<b>Total revenue from ordinary activities</b>	2	<u>448,620</u>	<u>921,248</u>	<u>238,862</u>	<u>763,016</u>
Changes in inventories of finished goods		91,052	419,357	43,352	360,063
Carrying amount of mineral interests sold		5,000	235,750	5,000	235,750
Corporate Expenses		187,153	51,829	167,613	51,829
Staff expenses		726,437	482,073	554,087	318,502
Consulting expenses		979,867	842,743	924,901	769,330
Rent expenses		250,440	103,516	127,680	57,941
Borrowing costs		350,699	159,699	274,924	90,444
Depreciation and amortisation		1,403,693	1,315,749	159,496	125,467
Foreign currency loss		(43,317)	42,846	17,070	225,502
Other expenses from ordinary activities		220,944	319,888	157,712	234,677
International Marketing expenses		417,774	-	405,027	-
<b>Loss from ordinary activities before income tax</b>	3	<u>(4,141,122)</u>	<u>(3,052,202)</u>	<u>(2,598,001)</u>	<u>(1,706,489)</u>
Income tax benefit relating to ordinary activities	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net loss</b>		<u>(4,141,122)</u>	<u>(3,052,202)</u>	<u>(2,598,001)</u>	<u>(1,706,489)</u>
Non-owner transaction changes in equity					
<b>Total changes in equity</b>		<u>(4,141,122)</u>	<u>(3,052,202)</u>	<u>(2,598,001)</u>	<u>(1,706,489)</u>
<b>Earnings Per Share</b> (cents per share)	29	(2.0)	(1.9)		
- Basic					
- Diluted		(2.0)	(1.9)		

The 82,930,713 share options on issue have not been included in the diluted EPS calculation as the options are not considered dilutive at reporting date.

*The accompanying notes form part of these financial statements.*

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**STATEMENTS OF FINANCIAL POSITION**  
**as at 30 June 2004**

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets	5	341,800	89,773	315,649	82,069
Receivables	6	187,407	151,229	42,810	78,223
Inventories	7	390,557	437,525	352,364	399,333
Other current assets	8	434,240	417,240	434,240	417,240
<b>Total Current Assets</b>		<u>1,354,004</u>	<u>1,095,767</u>	<u>1,145,063</u>	<u>976,865</u>
<b>Non Current Assets</b>					
Property, plant & equipment	9	328,181	468,736	167,464	202,757
Intangibles	10	5,204,591	6,324,478	-	-
Other financial assets	11	153,138	153,825	10,096,339	9,585,353
Exploration and evaluation expenditure	12	-	5,000	-	5,000
Capitalised research and development	13	696,334	1,041,207	674,517	1,019,390
<b>Total Non Current Assets</b>		<u>6,382,244</u>	<u>7,993,246</u>	<u>10,938,320</u>	<u>10,812,500</u>
<b>Total Assets</b>		<u>7,736,248</u>	<u>9,089,013</u>	<u>12,083,383</u>	<u>11,789,365</u>
<b>Current Liabilities</b>					
Payables	14	1,010,156	1,138,431	1,036,433	1,113,998
Interest bearing liabilities	15	448,425	986,660	400,650	897,085
Other financial liabilities	16	-	-	127,451	127,451
Provisions	17	49,005	23,287	49,005	23,287
<b>Total Current Liabilities</b>		<u>1,507,586</u>	<u>2,148,378</u>	<u>1,613,539</u>	<u>2,161,821</u>
<b>Non Current Liabilities</b>					
Interest Bearing Liabilities	15	712,369	771,330	28,754	76,563
<b>Total non current liabilities</b>		<u>712,369</u>	<u>771,330</u>	<u>28,754</u>	<u>76,563</u>
<b>Total Liabilities</b>		<u>2,219,955</u>	<u>2,919,708</u>	<u>1,642,293</u>	<u>2,238,384</u>
<b>Net Assets</b>		<u>5,516,293</u>	<u>6,169,305</u>	<u>10,441,090</u>	<u>9,550,981</u>
<b>Equity</b>					
Contributed Equity	18	32,574,548	29,086,438	32,574,548	29,086,438
Reserves	19	493,152	493,152	393,153	393,153
Accumulated losses	20	(27,551,407)	(23,410,285)	(22,526,611)	(19,928,610)
<b>Total Equity</b>		<u>5,516,293</u>	<u>6,169,305</u>	<u>10,441,090</u>	<u>9,550,981</u>

*The accompanying notes form part of these financial statements.*

**MEDICAL MONITORS LIMITED**  
**ACN 009 161 522**  
**and its Controlled Entities**

**STATEMENTS OF CASH FLOWS**

for the year ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Cash Flows from Operating Activities</b>					
Cash payments in the course of operations		(2,654,495)	(2,522,648)	(2,119,141)	(2,083,989)
Cash receipts in the course of operations		317,013	714,430	108,926	556,204
Interest received		11,554	5,804	11,533	5,801
Interest Paid		(350,699)	(92,856)	(275,778)	(90,444)
<b>Net Cash Used in Operating Activities</b>	28(b)	<u>(2,676,627)</u>	<u>(1,895,270)</u>	<u>(2,274,460)</u>	<u>(1,612,428)</u>
<b>Cash Flows from Investing Activities</b>					
Payments for plant and equipment		(101,773)	(161,966)	(46,589)	-
Proceeds from mineral interests sold		5,000	235,750	5,000	235,750
Payments for security deposits		-	(153,823)	-	(150,000)
Payments for research and development		(144,780)	(621,285)	(144,780)	(621,285)
Export Marketing Development Grant		103,831	-	103,831	-
Research & Development Grant		267,259	317,418	267,259	317,418
Refund of security deposits		693	71,758	-	71,758
Payments for controlled entities		-	-	-	(6)
<b>Net Cash Used in Investing Activities</b>		<u>130,230</u>	<u>(312,148)</u>	<u>184,721</u>	<u>(146,365)</u>
<b>Cash Flows from Financing Activities</b>					
Proceeds from share issue	18	3,395,620	869,000	3,395,620	869,000
Transaction costs from issue of shares	18	-	-	-	-
Borrowings - secured		-	150,000	-	150,000
Borrowings - unsecured		-	974,074	-	659,998
Repayment of Borrowings		(597,196)	(156,947)	(544,244)	(81,780)
Loans to controlled entities		-	-	(528,057)	(205,645)
Loans from third parties	15	-	272,600	-	272,600
<b>Net Cash Provided/(Used) from/in Financing Activities</b>		<u>2,798,424</u>	<u>2,108,727</u>	<u>2,323,319</u>	<u>1,664,173</u>
<b>Net Increase (Decrease) in Cash Held</b>		252,027	(98,691)	233,580	(94,620)
Cash at the Beginning of the Financial Year		89,773	188,464	82,069	176,689
Cash at the End of the Financial Year	30 (a)	<u>341,800</u>	<u>89,773</u>	<u>315,649</u>	<u>82,069</u>

*The accompanying notes form part of these financial statements.*

# MEDICAL MONITORS LIMITED

ACN 009 161 522

## and its Controlled Entities

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

#### *Going concern*

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred an operating loss of \$4.141 million during the year ended 30 June 2004, which included depreciation and amortisation charges of \$1.404 million, and had a deficiency of net current assets of \$0.153 million.

The directors nevertheless believe that it is appropriate to prepare the financial statements on a going concern basis for the following reasons:

- The company has completed initial sales with major pharmaceutical companies and with established clinical research units over the 2003 and 2004 financial years. The directors are confident that further major sales will be achieved from these customers in the future as the related clinical programs develop.
- The directors have developed plans to market the company's products, initially in the USA and UK, through a new channel. Discussions are well advanced with a number of proposed strategic partners to establish and capitalise a UK based service company to distribute the company's products and deliver monitoring services in these major markets. The directors expect that the new entity will be operational by 31 December 2004 subject to the successful completion of the necessary capital raising. Refer to note 37 for further details
- The directors believe that the company has sufficient working capital arrangements in place to be able to achieve its objectives as contemplated in its business plan.

The consolidated entity's ability to generate positive net cash flow in the twelve months from the date of this report, as contemplated in the business plan, is dependant on a number of factors but primarily on its ability to successfully develop both the US and UK / European markets, and the continued supply of monitoring devices from the manufacturer on a timely basis.

If the Company is unable to successfully develop the business as contemplated in the business plan, alternative strategies may be employed to either raise additional capital or debt funding, or reduce expenditure through a scale back of the international marketing strategies.

In the event that the Company does not meet its planned revenue and cashflow targets, or successfully adopts alternative strategies in the period to 30<sup>th</sup> September 2005, the Company may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. Accordingly, the going concern basis used in the preparation of the financial report would not be appropriate.

#### (b) Principles of consolidation

##### *Controlled entities*

The financial statements of controlled entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements. Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
and its Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amounts of GST.

##### *Revenue from rendering of services*

Revenue from rendering of monitoring and diagnostic services is recognised in proportion to the stage of completion of the contract when the stage of the contract can be reliably measured.

##### *Sale of Goods*

Revenue from the sale of goods (net of returns, discounts and allowances) is recognised when the consolidated entity has passed control of the goods or other assets to the customer.

##### *Interest Revenue*

Interest revenue is recognised as it accrues.

##### *Sale of Non-Current Assets*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

#### (d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Items included in the Statement of Cash Flows are disclosed on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (e) Foreign Currency

##### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Foreign Currency (continued)

##### *Translation of controlled foreign entities*

The assets and liabilities of integrated foreign operations are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

#### (f) Income Tax

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

To the extent that dividends are proposed by controlled entities incorporated overseas, the consolidated entity has provided for withholding tax. A provision is also made for the withholding tax on the balance of unremitted profits that eventually will be remitted to the Company.

#### (g) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their preset value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads, and other incidental cost, are also capitalised to the asset.

Expenditure including that on internally generated assets is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

##### *Research and development costs*

Research and development (R&D) expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred. Where a grant is received relating to R&D costs that have been deferred, the grant is deducted from the carrying amount of capitalised R&D costs.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Subsequent additional costs*

Costs incurred on assets subsequent to initial recognition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

#### **(h) Receivables**

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. The ability to recover amounts owed to the company are regularly assessed and specific provisions are made if required.

#### **(i) Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost includes direct materials, direct labour, other direct viable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

#### *Manufacturing activities*

The cost of manufacturing inventories and work-in-progress are assigned on a first-in, first-out basis. Costs arising from exceptional wastage are expensed as incurred.

#### *Mining activities*

The cost of mining inventories is determined using a weighted average basis.

#### *Net realisable value*

Net realisable value is determined in the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

#### **(j) Investments**

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

#### **(k) Leased assets**

Leases under which the company or its controlled entity assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

#### *Finance leases*

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

#### *Operating leases*

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Exploration & Evaluation Expenditure

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest, and carried forward in the Statement of Financial Position where:

- (a) rights to tenure of the area of interest are current; and
- (b) one of the following conditions is met:
  - (i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - (ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Accumulated expenditure on areas, which have been abandoned, or are considered to be of no value, are written off in the financial period in which such a decision is made.

#### (m) Goodwill

Goodwill represents the excess of purchase consideration plus incidental costs over the fair value of identifiable net assets acquired. Goodwill is amortised over a period of five years on a straight line basis being the estimated useful life of this intangible asset.

#### (n) Recoverable Amount of Non Current Assets valued on a cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. Cashflows have not been discounted to their present value in assessing recoverable amount.

Current valuations for land and buildings valued on the cost basis are carried out at least once every three years. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing the recoverable amount/recoverability of non-current assets, including intangibles, capitalised research and development, loans and investments in controlled entities, the directors have had regard to cashflow forecasts underlying the company's business plan. As disclosed in Note 1(a), the company's cashflow forecasts assume that the company, along with a number of proposed strategic partners, will be successful in establishing and capitalising a new UK based service company that will distribute the company's products and deliver monitoring services. The forecasts also include assumptions regarding the quantum and timing of future sales to pharmaceutical companies and clinical research units. The directors have considered the key assumptions underlying the cashflow forecasts and believe them to be reasonable based on information available at the date of this report including the director's assessment of the market potential of the company's products, the status of negotiations with proposed strategic partners and a recent valuation report of the proposed entity prepared in respect of the proposed Primedical capital raising by a London based investment bank.

Except where specifically stated, non-current assets are recorded at the lower of cost and recoverable amount.

#### (o) Depreciation and amortisation

##### *Complex assets*

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
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## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Useful Lives*

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of carried forward exploration and evaluation expenditure. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Assets are depreciated or amortised from the state of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until the commercial production commences. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation /amortisation rates used for each class of each class of non-current asset in the current and prior year are as follows:

Property, plant and equipment	13-40%
Research and development costs	20%
Goodwill	20%
Intellectual property	10%

#### **(p) Payables**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and/or services.

#### **(q) Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

#### **(r) Provisions**

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, except where noted below.

#### **(s) Capital Raising Costs**

Costs incurred in relation to the proposed and foreseeable issue of share capital are capitalised as a current asset pending the issue of the shares to which they relate. On issue of these shares the balance of the capitalised share issue costs are recognised in contributed equity.

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### (f) Employee share and option plans

Where shares or options are issued to employees as remuneration for past services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of these shares or options issued is recorded as contributed equity. Other share or options issued to employees are recorded in contributed equity at the fair value of consideration received if any.

Transaction costs associated with issuing shares and options are recognised in equity subject to the extent of the proceeds received, otherwise expensed. Other administrative costs are expensed.

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>				
<b>Revenue from operating activities</b>				
Revenue from sale of BPfone goods	194,455	454,235	111,477	381,992
Rendering of services revenue from operating activities	133,261	136,087	6,503	50,100
<b>Other revenues:</b>				
<i>From operating activities</i>				
Interest:				
- Other parties	12,073	5,804	12,051	5,802
<i>From outside operating activities</i>				
- Proceeds from sale of mineral interests	5,000	235,750	5,000	235,750
- Sundry income - Government Grant	103,831	89,372	103,831	89,372
<b>Total revenue from ordinary activities</b>	<b>448,620</b>	<b>921,248</b>	<b>238,862</b>	<b>763,016</b>
<b>3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>				
<b>Individual expense/(revenue) items included in profit from ordinary activities before income tax expense:</b>				
Cost of inventory sold	91,052	419,357	43,352	360,063
Carrying amount of mineral interests sold	5,000	235,750	5,000	235,750
Auditor's remuneration	69,180	51,100	69,180	51,100
Employee entitlements	25,717	18,614	25,717	18,614
Depreciation of:				
- Plant and office equipment	73,711	61,381	14,298	5,085
Amortisation of:				
- Intellectual property	592,960	592,960	-	-
- Goodwill	526,927	526,932	-	-
- Capitalised research and development	77,614	38,807	77,614	38,807
- Leased equipment	132,481	95,669	67,584	81,575
	<b>1,329,982</b>	<b>1,254,368</b>	<b>145,198</b>	<b>120,382</b>
<b>Total depreciation and amortisation</b>	<b>1,403,693</b>	<b>1,315,749</b>	<b>159,496</b>	<b>125,467</b>
Legal fees	170,009	123,106	161,378	122,381
Net foreign exchange loss / (gain)	(43,317)	42,846	17,070	225,502
Research and development expenditure expensed as incurred	144,780	45,404	144,780	43,996

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>4. INCOME TAX</b>				
Prima facie income tax expense on pre-tax accounting income reconciles to the income tax expense as follows:				
Operating loss from ordinary activities	<u>(4,141,122)</u>	<u>(3,052,202)</u>	<u>(2,598,001)</u>	<u>(1,706,489)</u>
Prima facie income tax benefit, calculated at 30% (2003 : 30%), of operating loss from ordinary activities	<u>(1,242,337)</u>	<u>(915,661)</u>	<u>(779,400)</u>	<u>(511,947)</u>
Increase/(decrease) in income tax benefit due to:				
Allowable research and development costs	(175,000)	(186,386)	(175,000)	(186,386)
Non-deductible amortisation of goodwill	158,080	158,080	-	-
Non-deductible legal expenses	-	14,700	-	14,700
Timing differences and tax losses not recognised as Future Income Tax Benefits	<u>1,259,257</u>	<u>929,267</u>	<u>954,400</u>	<u>683,633</u>
Income tax expense or benefit attributable to the operating loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Future income tax benefits not brought to account as assets:	3,078,217	1,838,960	1,547,736	593,336

The taxation benefits will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income tax Assessment Act 1997;
- (ii) the relevant company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the law;
- (iii) no changes in tax legislation adversely affect the relevant company and/or consolidated entity in realising the benefit.

The nature of the Company's operations and ownership changed substantially during the year ended 30 June 2002. Accordingly, future income tax benefit not brought to account in the 2004 year excludes unrecognised prior tax benefits on the basis that the Company is unlikely to satisfy the same business or same ownership requirements of the Income Tax Assessment Act.

Since the substantive enactment of the Tax Consolidation legislation, Medical Monitors consolidated group has decided not to enter the tax consolidation for the 2003 taxation year. It is possible that an election to enter the tax consolidation regime will be made for the 2004 taxation year.

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

5. CASH ASSETS	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash in hand	341,800	89,773	315,649	82,069
	341,800	89,773	315,649	82,069
6. RECEIVABLES	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade Debtors	2,768	58,901	1,639	58,901
Other	184,639	92,328	41,171	19,322
	187,407	151,229	42,810	78,223
7. INVENTORIES	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Direct materials – at cost	123,144	130,563	123,144	130,563
Finished goods – at cost	267,413	306,962	229,220	268,770
	390,557	437,525	352,364	399,333
8. OTHER CURRENT ASSETS	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Prepayments	434,240	417,240	434,240	417,240
	434,240	417,240	434,240	417,240
9. PROPERTY, PLANT AND EQUIPMENT	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Plant & equipment – at cost	310,585	241,095	52,517	9,982
Less: Accumulated depreciation	(186,848)	(101,440)	(31,835)	(8,595)
	123,737	139,655	20,682	1,387
Office Equipment – at cost	25,733	58,420	18,588	42,534
Less: Accumulated depreciation	(7,145)	(19,675)	-	(8,942)
	18,588	38,745	18,588	33,592
Leased Equipment	405,398	459,715	268,747	323,064
Less: Accumulated amortisation	(219,542)	(169,379)	(140,553)	(155,286)
	185,856	290,336	128,194	167,778
	328,181	468,736	167,464	202,757

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations of the carrying amount for each class of Property, Plant and Equipment are set out below:

	Consolidated			
	Plant and Equipment	Office Equipment	Leased Equipmen	TOTAL
	\$	\$	\$	\$
<b>Gross Carrying Amount</b>				
Balance at 30 June 2003	241,095	58,420	459,715	759,230
Disposals	-	(51,275)	(82,317)	(133,592)
Additions	69,490	18,588	28,000	116,078
Balance at 30 June 2004	310,585	25,733	405,398	741,716
<b>Accumulated Depreciation / Amortisation</b>				
Balance at 30 June 2003	101,440	19,675	169,379	290,494
Disposals	-	(9,776)	(82,317)	(92,093)
Additions	8,942	-	-	8,942
Depreciation expense	76,466	(2,754)	132,480	206,192
Balance at 30 June 2004	186,848	7,145	219,542	413,535
<b>Net Book Value</b>				
As at 30 June 2003	139,655	38,745	290,336	468,736
As at 30 June 2004	123,737	18,588	185,856	328,181
	Company			
	Plant and Equipment	Office Equipment	Leased Equipment	TOTAL
	\$	\$	\$	\$
<b>Gross Carrying Amount</b>				
Balance at 30 June 2003	9,982	42,534	323,064	375,580
Disposals	-	(42,534)	(82,317)	(124,851)
Additions	42,535	18,588	28,001	89,123
Balance at 30 June 2004	52,517	18,588	268,747	339,852
<b>Accumulated Depreciation / Amortisation</b>				
Balance at 30 June 2003	8,595	8,942	155,286	172,823
Disposals	-	(8,942)	(82,317)	(91,259)
Additions	8,942	-	-	8,942
Depreciation expense	14,298	-	67,584	81,882
Balance at 30 June 2004	31,835	-	140,553	172,388
<b>Net Book Value</b>				
As at 30 June 2003	1,387	33,592	167,778	202,757
As at 30 June 2004	20,682	18,588	128,194	167,464

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Plant and equipment	73,711	51,079	14,298	4,457
Office Equipment	-	10,302	-	628
Leased Equipment	132,481	95,669	67,584	81,576
	<u>206,192</u>	<u>157,050</u>	<u>81,882</u>	<u>86,661</u>

### 10. INTANGIBLES

Intellectual property	5,929,600	5,929,600	-	-
Less: provision for amortisation	(1,778,880)	(1,185,920)	-	-
	<u>4,150,720</u>	<u>4,743,680</u>	<u>-</u>	<u>-</u>
Goodwill on consolidation	2,634,662	2,634,662	-	-
Less: provision for amortisation	(1,580,791)	(1,053,864)	-	-
	<u>1,053,871</u>	<u>1,580,798</u>	<u>-</u>	<u>-</u>
	<u>5,204,591</u>	<u>6,324,478</u>	<u>-</u>	<u>-</u>

### 11. OTHER FINANCIAL ASSETS

Investment in controlled entities at cost	-	-	7,809,843	7,809,838
Unsecured loans to controlled entities	-	-	2,136,494	1,625,507
Associate accounted for using the Equity method	-	6	-	6
Security deposits	153,138	153,819	150,002	150,002
	<u>153,138</u>	<u>153,825</u>	<u>10,096,339</u>	<u>9,585,353</u>

### 12. EXPLORATION & EVALUATION EXPENDITURE

Balance at beginning of year	5,000	240,750	5,000	240,750
Less: disposals /deposits	(5,000)	(235,750)	(5,000)	(235,750)
Balance at end of year	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>

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## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>13. CAPITALISED RESEARCH AND DEVELOPMENT</b>				
<b>Gross Carrying Amount – at cost:</b>				
Balance at beginning of year	1,080,014	776,147	1,058,197	754,330
Costs capitalised during the year	-	621,285	-	621,285
Income from R&D concession allocated against capitalised costs	(267,259)	(317,418)	(267,259)	(317,418)
Balance at end of year	<u>812,755</u>	<u>1,080,014</u>	<u>790,938</u>	<u>1,058,197</u>
<b>Accumulated Amortisation</b>				
Balance at beginning of year	38,807	-	38,807	-
Amortisation expense	77,614	38,807	77,614	38,807
Balance at end of year	<u>116,421</u>	<u>38,807</u>	<u>116,421</u>	<u>38,807</u>
Capitalised Research and Development	812,755	1,080,014	790,938	1,058,197
Less: accumulated amortisation	(116,421)	(38,807)	(116,421)	(38,807)
	<u>696,334</u>	<u>1,041,207</u>	<u>674,517</u>	<u>1,019,390</u>
<b>14. PAYABLES</b>				
Unearned Income	26,804	93,640	26,804	93,640
Unsecured borrowing	391,304	483,788	391,304	483,788
Trade creditors	592,048	561,003	618,325	536,570
	<u>1,010,156</u>	<u>1,138,431</u>	<u>1,036,433</u>	<u>1,113,998</u>
Unhedged foreign currency payables at 30 June 2004 represent a total of AUD \$42,984 (USD\$14,233 + GBP£8,800).				
<b>15. INTEREST BEARING LIABILITIES</b>				
<b>Current</b>				
Lease liability (Note 33)	164,020	122,783	116,245	87,087
Loans – unsecured	284,405	863,877	284,405	809,998
	<u>448,425</u>	<u>986,660</u>	<u>400,650</u>	<u>897,085</u>
<b>Non-Current</b>				
Lease liability (Note 33)	80,803	162,362	28,754	76,563
Loans-secured	49,506	63,532	-	-
Government R&D start loan – unsecured	582,060	545,436	-	-
	<u>712,369</u>	<u>771,330</u>	<u>28,754</u>	<u>76,563</u>
	<u>1,160,794</u>	<u>1,757,990</u>	<u>429,404</u>	<u>973,648</u>
<b>16. OTHER FINANCIAL LIABILITIES</b>				
Unsecured loan from controlled entity	-	-	127,451	127,451
<b>17. PROVISIONS -CURRENT</b>				
Employee entitlements	49,005	23,287	49,005	23,287
Number of employees at year end	<u>9</u>	<u>9</u>	<u>7</u>	<u>8</u>

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## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>18. CONTRIBUTED EQUITY</b>				
<b>Issued Capital</b>				
Balance at beginning of year:	29,086,438	28,217,438	29,086,438	28,217,438
<b>Movements 2003/2004</b>				
9,288,571 fully paid out shares issued at \$0.035 each	325,100	-	325,100	-
16,562,500 fully paid out shares issued at \$0.08 each	1,325,000	-	1,325,000	-
1,800,000 fully paid out shares issued at \$0.09 each	162,000	-	162,000	-
6,630,000 fully paid out ordinary shares issued, as approved at AGM Nov. 2003 and for Employees Share Plan	-	-	-	-
16,500,005 fully paid out shares issued at \$0.05 each	825,000	-	825,000	-
13,508,100 fully paid out shares issued at \$0.063 each	851,010	-	851,010	-
<b>Movement: 2002/2003</b>				
700,000 fully paid ordinary shares issued at \$0.075 each	-	52,500	-	52,500
13,614,281 fully paid ordinary shares issued at \$0.035 each	-	476,500	-	476,500
9,999,879 fully paid ordinary shares issued at \$0.035 each	-	350,000	-	350,000
Less: Share issue expenses	-	(10,000)	-	(10,000)
Balance at year end	32,574,548	29,086,438	32,574,548	29,086,438

A Shareholder Share Purchase Scheme (SSPS) was completed in December, 2003, and Private Placement (PP) of shares finalised during the year, to fund the ongoing operations and the expansion of the company's products and services both in Australia and internationally.

The Company received \$162,000 from the SSPS and \$1,676,010 from the PP-capital raising in 2004. A total of 30,008,105 fully paid ordinary shares were issued, to June 30, 2004, under (ASX) Listing Rule 7.1 and as approved in November, 2003, at the Company's Annual General Meeting in Sydney.

	No. of Shares	
	2004	2003
Fully paid ordinary share capital		
Balance at beginning of year:	172,354,343	148,040,183
<b>Movements:</b>		
<b>2003 / 2004:</b>		
9,288,571 shares issued at \$0.035 each	9,288,571	-
16,562,500 shares issued at \$0.080 each	16,562,500	-
1,800,000 shares issued at \$0.090 each	1,800,000	-
16,500,005 shares issued at \$0.050 each	16,500,005	-
6,630,000 shares issued at \$0.000 each	6,630,000	-
13,508,100 shares issued at \$0.063 each	13,508,100	-

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## NOTES TO THE FINANCIAL STATEMENTS

### 18. CONTRIBUTED EQUITY (continued)

	2004	2003
<b>2002 / 2003:</b>		
700,000 shares issued at \$0.075 each	-	700,000
13,614,281 shares issued at \$0.035 each	-	13,614,281
9,999,879 shares issued at \$0.035 each	-	9,999,879
Balance at (30 June) year end:	236,643,519	172,354,343

#### Rights attaching to ordinary shares

Members are entitled to notice of, and to attend and vote at, general meetings.

Subject to any shares that may in the future be issued with special or preferential rights, (currently there are none) every member present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each share.

Subject to any shares that may in the future be issued with special or preferential rights (currently there are none), the surplus assets of the Company after winding-up will be divided amount the members in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares.

However, a liquidator in a winding up may, with the sanction of a special resolution of members, divide among the members the whole or any part of the property of the Company and determine how the division is to be carried out as between the members or different classes of members.

	No. of Options	
	2004	2003
<b>Share Options</b>		
Balance at beginning of year	79,430,713	102,226,500
Add: Other issues	3,500,000	-
Less: Expired (June 30, 2003)	-	(22,795,787)
Listed options	82,930,713	79,430,713

	2004	2003	2004	2003
	\$	\$	\$	\$
<b>19. RESERVES</b>				
Share option reserve	393,153	393,153	393,153	393,153
Other reserves	99,999	99,999	-	-
Total reserves	493,152	493,152	393,153	393,153

There have been no movements in reserves during the year.

#### Option Reserve

Where options are used as part of consideration for acquisitions or are issued at other than nil consideration the cost of the options are recognised by the Company in the option reserve.

#### Other Reserves

The outstanding credit to other reserves has resulted from prior period allocations of retained profits for non-specific purposes.

	2004	2003	2004	2003
	\$	\$	\$	\$
<b>20. ACCUMULATED LOSSES</b>				
Balance at beginning of financial year	(23,410,285)	(20,358,083)	(19,928,610)	(18,222,121)
Net loss	(4,141,122)	(3,052,202)	(2,598,001)	(1,706,489)
Balance at end of financial year	(27,551,407)	(23,410,285)	(22,526,611)	(19,928,610)
Franking credits for subsequent financial years are nil				

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### 21. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities	Class of Share	Ownership Interest	
		2004	2003
<b>Parent Entity</b>		%	%
Medical Monitors Limited			
<b>Controlled Entities</b>			
Snowy Plains Pty Ltd	Ordinary	100	100
Kalgoorlie Tailings Project Pty Ltd	Ordinary	100	100
Heart Monitors Pty Ltd	Ordinary	100	100
Wellness Monitoring Inc.	Ordinary	100	100
Medical Monitors (UK) Limited	Ordinary	100	100
E-Medicine Services Limited	Ordinary	100	-

Wellness Monitoring Inc. was incorporated, and carries on a business, in the United States of America. Medical Monitors (UK) Limited and E-Medicine Services Limited were incorporated in the United Kingdom. All other controlled entities were incorporated in Australia.

### 22. INTERESTS IN JOINT VENTURES

The consolidated entity has interests in unincorporated joint ventures as follows. All joint ventures have principal activities in mineral exploration. The carrying value of each joint venture is nil.

Joint Venture	Percentage Interest	
	2004	2003
	%	%
Cave Rock – Merougil JV	-	100

During the year, the Company successfully completed the sale of its interest in the Cave Rock – Merougil joint venture in November 2003, to the JV party Harmony Gold.

### 23. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Percentage Interest	
	2004	2003
	%	%
Care Medical Limited	50	50

This entity is incorporated in the United Kingdom. The Company is in dispute with the Directors of the JV partner, Primary Care Group, plc, regarding alleged expenses incurred and has noted a contingent liability of GBP£55,000 in Note 36. The Directors are confident that the matter will be settled with a satisfactory outcome for the Company

### 24. COMMITMENTS

#### Exploration Expenditure Commitments

The consolidated entity has disposed of all its mining tenements, therefore the minimum commitments for the forthcoming year is nil (2003 - \$ NIL)

The Group has no other capital commitments

#### Capital Expenditure Commitments

There are none.

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

24. COMMITMENTS (continued)	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Operating Lease Commitments</b>				
Within one year	71,629	74,040	71,629	31,140
One year or later, and no later than five years	65,659	73,745	65,659	18,305
	137,288	147,785	137,288	49,445

### 25. EMPLOYEE BENEFITS

The company contributes to a defined contribution Superannuation fund and makes contributions on behalf of employees at the rate of 9%.

### 26. SEGMENT REPORTING

#### *Primary Segment Reporting:- Business Segment*

Segment Revenue:	Consolidated	
	2004	2003
	\$	\$
Medical Monitoring and Diagnostic Services	327,716	590,320
Mining Exploration	5,000	235,750
Total Segment Revenue	332,716	826,070
Unallocated Revenue	115,904	95,178
Total Revenue	448,620	921,248
(There are no inter-segment revenues)		
<b>Segment Result:</b>		
Medical Monitoring Diagnostic Services	(4,141,122)	(3,042,202)
Mining Exploration	-	(10,000)
Segment result	(4,141,122)	(3,052,202)
Share of net profit of equity accounted investment	-	-
Unallocated corporate expenses	-	-
Loss from ordinary activities before income tax	(4,141,122)	(3,052,202)
Income tax benefit	-	-
Net loss	(4,141,122)	(3,052,202)
Depreciation and amortisation of fixed assets – Medical Monitoring and Diagnostic Services	206,192	157,050
Depreciation and amortisation of fixed assets – Mining Exploration	-	-
Amortisation of intangibles – Medical Monitoring and Diagnostic Services	1,197,501	1,158,699
<b>Segment Assets:</b>		
Medical Monitoring Diagnostic Services	7,736,248	9,084,013
Mining Exploration	-	5,000
Total Assets	7,736,248	9,089,013
<b>Segment Liabilities:</b>		
Medical Monitoring Diagnostic Services	2,219,955	2,919,708
Mining Exploration	-	-
Unallocated corporate liabilities	-	-
Total Liabilities	2,219,955	2,919,708

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## NOTES TO THE FINANCIAL STATEMENTS

### 26. SEGMENT REPORTING (continued)

#### Secondary Segment Reporting:- Geographical Segment Revenue:

	Consolidated	
	2004	2003
Australia	349,247	724,905
Italy	16,395	18,181
USA	82,978	-
UK	-	178,162
Total Revenue	448,620	921,248

#### Segmented Assets by Location of Assets

Australia	7,701,077	9,075,586
UK	10,235	-
USA	24,936	13,427
Total Assets	7,736,248	9,089,013

### 27. DIRECTORS AND EXECUTIVES' DISCLOSURE FOR DISCLOSING ENTITIES

*Remuneration of specified directors by the consolidated entity.*

The names of each person holding the position of Director of the chief entity during the financial year are:

Messrs. N Buch,, J Genner, J Goldberg, B Patkin, H Platt and A Shell.

Specified Directors	Primary	Post - employment Super - annuation		Equity Compensation	Other Compensation		Total
		Salary / Fees	Non-monetary Benefit		Value of Options	Term Benefits	
Non-executive Directors							
Dr J Goldberg	2004	30,000	-	-	-	-	30,000
	2003	30,000	-	-	-	-	30,000
J Genner	2004	18,000	-	-	-	-	18,000
	2003	18,000	-	-	-	-	18,000
B Patkin	2004	29,815	-	-	-	-	29,815
N Buch	2004	18,000	-	-	-	-	18,000
<b>Executives Directors</b>							
Dr A Shell	2004	129,800	-	-	-	-	129,800
	2003	149,975	-	-	-	-	149,975
H Platt	2004	149,850	-	-	-	-	149,850
	2003	149,397	-	-	-	-	149,397

**Note:** The above executive and non-executive directors have not received post-employment benefits, or equity compensation or any other compensation, as at the 30 June 2004. Mr Buch's remuneration was unpaid at 30 June 2004.

#### Specified Executives

Due to the size of the Company, there are no employees that meet the current definition of 'Specified Executives'.

# MEDICAL MONITORS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### 27. DIRECTORS AND EXECUTIVES' DISCLOSURE FOR DISCLOSING ENTITIES (continued)

#### Directors' Share and Option Holdings

	2004		2003	
	Shares	Options	Shares	Options
J A Goldberg	8,698,574	966,540	8,698,574	966,540
J Genner	6,315,926	2,068,900	6,315,926	2,068,900
H Platt	18,105,979	6,290,725	18,105,979	6,290,725
Dr A Shell	18,948,836	6,915,725	18,105,979	6,290,725
N Buch	29,000	-	-	-
B Patkin	533,943	-	-	-

#### Note:

- i) Dr A Shell has increased his holding in Shares and Options indirectly, through a Director position and shareholding in a private Australian company, Moside Pty Ltd., and in Arana Superannuation Fund, in which he is a beneficiary. The Shares and the Options have been purchased 'on market'.
- ii) Dr JA Goldberg holding is at the date of his resignation, 8 December 2003.
- iii) Messrs. Buch and Patkin have purchased Shares in the Company prior to their appointment as Directors.
- iv) No Director has received shares or options as remuneration, as at the date of this report.

#### Related Party Transactions

- (a) During the financial year \$149,850, (2003: \$149,397) was paid for consultancy services provided in the normal course of business to Morgan Tomas Maxwell Pty Ltd, a company associated with Mr. H. Platt.
- (b) During the financial year \$129,800 (2003:\$149,975) was paid for consultancy services provided in the normal course of business to Kaitek International Pty Ltd, a company associated with Dr. A. M. Shell.
- (c) During the financial year \$29,815 (2003: NIL) was paid for consultancy services provided in the normal course of business to Patkin Investments Pty Ltd, a company associated with Mr. B.Patkin, during his tenure as a director of the Company.

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>28. NOTES TO THE STATEMENT OF CASH FLOWS</b>				
<b>(a) Reconciliation of Cash</b>				
Cash on hand	341,800	89,773	315,649	82,069
	<u>341,800</u>	<u>89,773</u>	<u>315,649</u>	<u>82,069</u>
<b>(b) Reconciliation of Operating Loss After Income Tax to Net Cash Used in Operating Activities</b>				
Operating loss after income tax	(4,141,122)	(3,052,202)	(2,598,001)	(1,706,489)
Add/(less) non-cash items:				
Unrealised forex gain / loss	17,070	19,909	17,070	225,501
Amortisation/Depreciation of fixed assets	206,192	157,050	81,882	94,975
Amortisation of intellectual property and capitalised R&D	670,574	631,767	77,614	38,807
Amortisation of goodwill on acquisition	526,927	526,932	-	-
Amounts set aside to provisions	6	-	6	-
Items reclassified to Investing Activities - Gov't. Grant	(103,831)	-	(103,831)	-
- R & D	144,780	-	144,780	-
Net Cash Used In Operating Activities before Changes in Assets & Liabilities	(2,679,404)	(1,716,544)	(2,380,480)	(1,347,206)

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## NOTES TO THE FINANCIAL STATEMENTS

28. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Changes in Assets &amp; Liabilities during the Financial Year:</b>				
(Increase) in trade and other receivables	(53,183)	(105,439)	35,420	(58,901)
(Decrease)/Increase in unearned income	(66,836)	93,640	(66,836)	93,640
(Increase)/decrease in prepayments/debtors	-	(377,605)	(17,000)	(377,611)
Increase/(decrease) in trade creditors	67,181	122,673	81,755	62,245
Increase/(decrease) in provision for employee benefits	25,718	18,614	25,718	18,614
Increase in inventories	46,968	67,774	46,969	(4,826)
Other	(17,071)	1,617	(6)	1,617
<b>Net Cash Used In Operating Activities</b>	<b>(2,676,627)</b>	<b>(1,895,270)</b>	<b>(2,274,460)</b>	<b>(1,612,428)</b>

29. EARNINGS PER SHARE (EPS)

	Consolidated	
	2004	2003
Basic earnings per share (cents per share)	<u>(2.0)</u>	<u>(1.9)</u>
(a) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	<u>205,110,342</u>	<u>164,754,560</u>

- (b) The weighted average number of shares in the 2004 year has been calculated based on the number of shares outstanding prior to the capital reconstruction, which occurred shortly before the end of the period. The 82,930,713 share options on issue have not been included in the diluted EPS calculation as the options are not considered dilutive at reporting date.

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## NOTES TO THE FINANCIAL STATEMENTS

### 30. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk:

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market, interest rates and the effective weighted average interest rates on those financial assets, as below:

	Weighted Average Interest Rate (%)	Variable Interest	Fixed Interest Rate Maturity			Non -Interest Bearing	Total
			Less than 1 Year	1 to 5 Years	More than 5 Years		
<b>2003</b>							
<b>Financial Assets</b>							
Cash	5.0	89,773	-	-	-	-	89,773
Prepayments		-	-	-	-	413,171	413,171
Receivables		-	-	-	-	151,229	151,229
Total		-	-	-	-	564,400	654,173
<b>Financial Liabilities</b>							
Unearned Income		-	-	-	-	93,640	93,640
Creditors		-	-	-	-	561,003	561,003
Lease liabilities	7.95	-	122,783	162,532	-	-	285,315
Borrowings unsecured		-	-	-	-	483,789	483,789
Govt .R&D Start Loan	3.02	545,436	-	-	-	-	545,436
Secured loans	7.95	-	203,879	63,362	-	-	267,241
Line of Credit	9.00	659,998	-	-	-	-	659,998
Employee entitlements		-	-	-	-	23,287	23,287
Total		1,205,434	326,662	225,894	-	1,161,719	2,919,709
<b>2004</b>							
<b>Financial Assets</b>							
Cash	4.5	341,800	-	-	-	-	341,800
Receivables		-	-	-	-	187,407	187,407
Prepayments		-	-	-	-	434,240	434,240
Total		-	-	-	-	621,647	963,447
<b>Financial Liabilities</b>							
Unearned income		-	-	-	-	26,804	26,804
Creditors		-	-	-	-	592,048	592,048
Lease Liabilities	7.95	-	164,020	80,803	-	-	244,823
Borrowing- unsecured		-	-	-	-	391,304	391,304
Government R&D Start Loan	3.02	582,060	-	-	-	-	582,060
Secured Loans	7.95	-	-	49,506	-	-	49,506
Line of Credit ** (unsecured)	9.00	284,405	-	-	-	-	284,405
Employee Entitlements		-	-	-	-	49,005	49,005
Total		866,465	164,020	130,309	-	1,059,161	2,219,955

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## NOTES TO THE FINANCIAL STATEMENTS

### 30. FINANCIAL INSTRUMENTS (continued)

#### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at the balance date, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by it.

#### (c) Net Fair Values

Methods and assumptions used in determining net fair value:

For assets and other liabilities, the net fair value approximates their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to and forming part of the financial statements.

#### (d) Financing Arrangements

In 2003, the Company arranged a 'line of credit' facility (\$660,000), with Provident Trade Capital Limited, which was fully drawn to fund inventory manufacture.

As at the report date, this facility has been fully extinguished. (\*\*Financial Liabilities in item 30 (a) above)

	Consolidated		Company	
	2004	2003	2003	2002
	\$	\$	\$	\$
<b>31. FINANCE LEASE COMMITMENTS</b>				
<b>Finance leases commitments are payable</b>				
Within one year	178,428	140,599	125,870	96,707
One year or later and no later than five years	87,902	173,222	32,273	80,743
Later than five years	-	-	-	-
Less: Future lease finance charges	(21,507)	(28,506)	(13,144)	(13,800)
	244,823	285,315	144,999	163,650
 Lease liabilities provided for in the financial statements				
Current	164,020	122,783	116,245	87,087
Non-current	80,803	162,532	28,754	76,563
	244,823	285,315	144,999	163,650

### 32. AUDITOR'S REMUNERATION

Audit and review of Financial Reports	69,180	51,100	69,180	51,100
Other services	-	-	-	-
	69,180	51,100	69,180	51,100

# **MEDICAL MONITORS LIMITED**

**ACN 009 161 522  
and its Controlled Entities**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **33. DISCONTINUED OPERATIONS**

The remaining mining and exploration assets held by the Company were sold in November 2003, with the proceeds used to assist the Medical Monitors business. Financial information for the mining segment has been disclosed in Note 25.

### **35. EMPLOYEE SHARE PLAN**

The 2002 Annual General Meeting approved an Employee Share Plan. Shares issued under the Plan are issued free of charge to full-time or permanent part-time employees selected by the Board who have at least 12 months experience with the Company. The number of shares issued to each employee is determined by the Board taking into account such factors as the employee's length of service, performance and contributions to the Company. Shares issued under the plan are subject to restrictions on sale or transfer for a period or periods determined by the Board. Shares will not be issued under the ESP to directors or related parties of the Company. The ESP is structured so as to conform with ASIC Class Order 00/220.

A total of 2,630,000 ordinary shares have been issued to employees only on a pro rata basis, and in line with seniority and contribution to the Company's progress in 2003. The cost base was set at \$0.05 per share.

### **36. CONTINGENT LIABILITIES**

The Directors of Medical Monitors are in dispute with the Directors of a UK based company, Primary Care Group plc (PCG), which has a 50% joint venture interest in Care Medical Limited (UK). The Directors of Medical Monitors (MDM) are in receipt of unaudited accounts, from the accountant acting for PCG, which allegedly present MDM with a share of the joint venture losses (GBP £55,000). These losses have arisen from the recharge of costs by PCG to the joint venture, and are being disputed by the Directors of MDM. The Directors of MDM have taken appropriate legal and accounting advice, and are of the opinion that the matter will be resolved favourably in due course and with no significant further cost to the Company.

### **37. EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to balance date, the Company has granted a new licensing and distribution agreement to Primedical International Plc, (Primedical), a newly established UK-based investment group. Primedical will have the exclusive license and distribution rights, for the USA, the UK and European Community (EU) countries, for Medical Monitors' products and services, subject to the completion of a further capital raising by Primedical. Under the terms of the agreements, Medical Monitors will obtain a major shareholding in Primedical, and will benefit from an agreed profit margin manufacturing contract and royalty revenue.

In addition, the Company successfully completed a re-distribution of Unmarketable Parcels of Shares in July, 2004, as per Clause 26 of the Company's constitution, and reduced the total number of shareholders on the Register from 3,386 to 2,417.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
and its Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS

### 37. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

#### *International Financial Reporting Standards*

The Company will be required to prepare financial statements using Australian Standards that comply with International Financial Reporting Standards (IFRS), beginning with the half year ending 31 December 2005.

The Board of Directors has obtained professional advice in relation to the significant differences between Australian Accounting Standards and International Financial Reporting Standards (IFRS) affecting the company and is monitoring the IFRS reporting implications of proposed transactions. Based on advice received, no significant changes to systems or policies are expected, except as noted below.

#### *Significant differences between Australian Accounting Standards and IFRS*

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Consolidated Entity's financial performance and financial position are summarised below.

The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

#### *Research and development costs*

The Consolidated Entity currently expenses all development expenditures as incurred through the statement of financial performance except to the extent that its recovery is assured beyond reasonable doubt, in which case it is capitalised. IFRS requires that development costs be capitalised to the statement of financial position to the extent they meet certain recognition criteria including the ability to demonstrate the technical feasibility of developing an asset so that it will be available for use or sale and whether the development costs will generate probable economic benefits.

The company is still completing its assessment of development costs incurred in the period to 1 July 2004 to determine whether their costs meet the criteria for deferral under IFRS. Depending on the outcome of this assessment, an initial adjustment may be made to retained profits at 1 July 2004 to the extent that previously expensed development costs are capitalised, or alternatively, previously capitalised costs are expensed. After the transitional adjustment, development costs that satisfy the criteria for deferral will be capitalised to the statement of financial position and amortised to net profit over the period that the benefits are expected to be realised.

#### *Options and share based payments*

Equity based compensation in the form of shares and options will be recognised as an expense in the period during which the employee provides related services. The consolidated entity does not currently recognise an expense for options or shares issued to employees, unless the options were issued in consideration for past services performed. On adoption of IFRS the consolidated entity will recognise an expense for employee options and shares and will amortise the expense over the relevant vesting period.

# MEDICAL MONITORS LIMITED

ACN 009 161 522  
and its Controlled Entities

## NOTES TO THE FINANCIAL STATEMENTS

### 37. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

#### *Goodwill*

Goodwill will be tested for impairment annually with decrements in carrying value recognised in the statement of financial performance. Goodwill will no longer be amortised, resulting in a change in accounting policy as goodwill is currently amortised over a period not exceeding 5 years.

#### *Income tax*

The Consolidated Entity currently applies the “income statement” approach to account for income tax. Under IFRS, a “balance sheet” approach will be adopted, whereby deferred tax balances are recognised in the statement of financial position when there is a difference between the carrying value of an asset or liability and its tax cost base. The impact on the statement of financial position and earnings is not expected to be material.

#### *Asset Impairment*

Under AASB 136, the recoverable amount of Property, Plant and Equipment and Intangibles is determined as the higher of fair value less cost to sell and value in use. This will result in a change in the group’s current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flow. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

#### *Business Combinations*

Under the IFRS transition rules prescribed by AASB 1, the company can elect to restate previous business combinations in accordance with AASB 3 Business Combinations. Application of AASB 3 could result in changes to the value of Goodwill and Intangibles recognised on the statement of financial position, potentially reducing the level of future amortisation charges. The Company is currently assessing the potential impacts of restating its previous business combinations. As at the date of this report, no determination has been made on whether the elections in AASB 3 will be adopted.

**MEDICAL MONITORS LIMITED**

**ACN 009 161 522  
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS**

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Medical Monitors Limited ("the Company"):

- (a) The financial statements and notes, set out on pages 11 to 37, are in accordance with the Corporations Act 2001, including:
  - (i). giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June, 2004, and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii). complying with Accounting Standards and the Corporations Regulations 2001; 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.

Dated this 1<sup>st</sup> day of October 2004

Signed in accordance with a resolution of the Directors.



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**Dr. Allan Shell**  
Managing Director

## **Independent audit report to members of Medical Monitors Limited**

### ***Scope***

#### *The financial report and directors' responsibility*

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Medical Monitors Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### ***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### ***Audit opinion***

In our opinion, the financial report of Medical Monitors 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 2004 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

### ***Inherent uncertainty regarding continuation as a going concern***

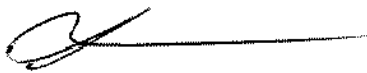
Without qualification to the opinion expressed above, attention is drawn to the following matter.

As a result of matters described by the Directors in Note 1(a), there is inherent uncertainty surrounding the ability of the Company and the consolidated entity to continue as a going concern and therefore realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Should the Company and the consolidated entity be unable to achieve the objectives referred to in Note 1(a), the Company and the consolidated entity may not be able to realise the full value of their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.



KPMG



J W Wigglesworth  
Partner  
Sydney  
1<sup>st</sup> October 2004

## ADDITIONAL INFORMATION

This information has been collated from the Company's registry at Computershare Investor Services, Perth, and is included in accordance with the listing requirements of the Australian Stock Exchange Limited (the ASX).

### 1. SHAREHOLDING AT 1 SEPTEMBER 2004

#### (a) Distribution of shareholders

Size Of Holding	Number Of Holders	Shares Held
1 - 1,000	49	27,803
1,001 - 5,000	292	936,410
5,001 - 10,000	485	4,043,255
10,001 - 100,000	1,248	46,241,050
100,001 - Over	333	185,394,051
	<u>2,407</u>	<u>236,642,569</u>

There were 520 shareholders who held less than a marketable parcel.

#### (b) Twenty largest shareholders

Shareholder	Number of Ordinary Fully Paid Shares Held	% Interest
Harry Platt	12,881,195	5.44
Allan Shell	12,881,195	5.44
And Technologies Pty Ltd	11,639,874	4.92
Yarandi Investments Pty Ltd	9,660,882	4.08
Nouse Pty Ltd	6,315,926	2.67
Drawgrove Pty Limited	6,164,288	2.6
Kaitek International Pty Ltd	5,224,784	2.21
Morgan Tomas Maxwell	5,224,784	2.21
Dr H Weinstein	3,198,770	1.35
Cannavo Investments Pty Ltd	2,672,252	1.13
Allan Dale Holdings Pty Ltd	2,450,000	1.04
Goulburn Beer Wine & Spirits Supply Pty Ltd	2,250,000	0.95
Chepan Pty Ltd	2,107,878	0.89
Robert A. Hannam	1,745,357	0.74
Chriswall Holdings Pty Ltd	1,728,511	0.73
Ms T Zaicov	1,560,000	0.66
Gerandasi Holdings Pty Ltd	1,482,007	0.63
Kardinia Nominees Pty Ltd	1,342,019	0.57
Everken Pty Ltd	1,321,380	0.56
Mr E Miglas	<u>1,200,000</u>	<u>0.51</u>
	<u>93,051,102</u>	<u>39.33</u>

#### Substantial Shareholders

The substantial shareholders of the Company as defined by Section 9 of the Corporations Act 2001:

Mr Harry Platt  
Dr Allan Shell

## 2. OPTIONHOLDINGS AT 1 SEPTEMBER 2004

(a) Distribution of Option holders: Exercisable on or before 30 June 2005

Size Of Holding	Number Of Holders	Options Held
1 - 1,000	633	335,645
1,001 - 5,000	1,488	3,672,789
5,001 - 10,000	442	3,314,793
10,001 - 100,000	674	17,988,962
100,001 - Over	109	57,618,524
	<u>3,346</u>	<u>82,930,713</u>

(b) Twenty largest Option holders: Exercisable on or before 30 June 2005

Optionholder	Number of Options Held	% Interest
And Technologies Pty Ltd	6,288,150	7.58
Harry Louis Platt	4,475,350	5.40
Allan Michael Shell	4,475,350	5.40
Hillridge Pty Ltd	3,863,407	4.65
JP Morgan Nominees Australia Limited	2,469,333	2.98
Nouse Pty Ltd	2,193,900	2.65
Kaitek International Pty Ltd	1,815,375	2.19
Morgan Tomas Maxwell	1,815,375	2.19
Helmut Rocker	1,454,807	1.75
Mr R F Colefax	1,405,476	1.69
Fat Profits Super Fund	1,029,828	1.24
Benom Pty Ltd	969,584	1.17
Goulburn Beer Wine & Spirits Pty Ltd	750,000	0.90
Ianball investments Pty Ltd	637,000	0.77
Moside Pty Limited	625,000	0.75
Penelope Pringle	625,000	0.75
Shero Investments Pty Ltd	611,076	0.74
Drawgrove Pty Ltd	602,550	0.73
News Real Estate Pty Ltd Super Fund	600,000	0.72
Mr IG & Mrs DA MacFarlane	569,725	0.69
	<u>37,276,286</u>	<u>44.94</u>

## 3. VOTING RIGHTS

- (a) At meetings of members each member entitled to vote can vote in person by proxy or attorney or, in the case of a member which is a body corporate, by a representative duly authorised.
- (b) On a show of hands every member entitled to vote can be present in person or by proxy or attorney or a representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.
- (c) On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

## 4. AUDIT COMMITTEE

At the reporting date, an audit committee of the Board of Directors exists and comprises three non-executive directors.

## 5. RETIREMENT BENEFITS

The Company and its subsidiaries have no contingent liability for termination benefits under service agreements with Directors and persons who take part in the management of the Company as at balance date.

## 6. SECURITIES SUBJECT TO ESCROW

As at the report date, there were no issued securities subject to escrow.