Pro Medicus Limited

Annual Financial Report - 30 June 2017

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Directors' Report

Your Directors submit their report for the year ended 30 June 2017 in relation to Pro Medicus Limited (the "Company") and its subsidiaries (the "Group").

DIRECTORS

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

Peter Terence Kempen F.C.A, F.A.I.C.D (Chairman)	Peter Kempen joined Pro Medicus Limited as a Director on 12 March 2008. He is Chairman of Australasian Leukaemia and Lymphoma Group. He is also a Director of the Yara Pilbara group of companies, a Trustee of the Barr Family Foundation and a member of the Council of St Hilda's College, University of Melbourne. Peter has previously been Chairman of Patties Food Limited, Chairman of Danks Holdings Limited, Chairman of Ivanhoe Grammar School and Managing Partner of Ernst & Young Corporate Finance Australia. Peter is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Peter became Chairman in August 2010 before which he served as a Non-Executive Director of the Company. Peter is also Chairman of the audit committee.
Dr Sam Aaron Hupert M.B.B.S. (Managing Director and Chief Executive Officer)	Co-founder of Pro Medicus Limited in 1983, Sam Hupert is a Monash University Medical School graduate who commenced General Practice in 1980. Realising the significant potential for computers in medicine he left general practice in late 1984 to devote himself full time to managing the Group. Sam served as CEO from the time he co-founded the company until October 2007 at which time he stepped down to become an executive director. Sam resumed full time CEO activities in October of 2010.
Anthony Barry Hall B.Sc. (Hons), M.Sc. (Executive Director and Technology Director)	Co-founder of Pro Medicus Limited in 1983, Anthony Hall has been principal architect and developer of the core software systems. His current focus is the transition to and development of the Company's next generation RIS systems. Anthony hold a Bachelor and Master's degree in Science from La Trobe University.
Roderick Lewis John Lyle LL.B., B.Com, LL.M (Lond), MBA (Melb) (Non-Executive Director)	Roderick joined Pro Medicus Limited as a Director on 23 November 2010. He is the Senior Corporate Advisor in the Melbourne office of Clayton Utz and is a former Managing Partner of that office. Roderick is a member of the Law Institute of Victoria, a member of the Law Society of New South Wales and a member of the Law Society London. Roderick is recognised as one of Australia's leading commercial lawyers. He has been a key advisor in a large number of significant mergers and acquisitions and equity capital markets transactions throughout Australia, and internationally, for more than three decades. Roderick is also a Guest Lecturer (Mergers & Acquisitions) Melbourne Business School, MBA and EMBA courses. Roderick also serves on the audit committee.

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Anthony James Glenning B.CS, B.EE, M.EE (Non-Executive Director)	Anthony joined Pro Medicus Limited as a Director on 1 May 2016. He is Investment Director of Starfish Ventures and sits on the board of a number of private Starfish portfolio companies. Anthony is the founder and previously the CEO of Tonic Systems and a founding Non-Executive Director of Cameron Systems. Anthony holds bachelor degrees in Computer Science and Electrical Engineering from University of Melbourne and holds a Master's degree in Electrical Engineering from Stanford University California. Anthony also serves on the audit committee.

Company Secretary

Clayton James Hatch CPA	Clayton was appointed Company Secretary on 1 July 2009. Clayton has strong experience in financial and management accounting having worked in a Finance role for several years. Clayton joined Pro Medicus in June 2008 and has progressed through the Company to his current position of Chief Financial Officer which he assumed on 1 July 2012.

Interests in the shares and options of the company

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

	Ordinary Shares	Options over Ordinary Shares
A. B. Hall	30,068,500	NIL
S. A. Hupert	30,107,660	NIL
P. T. Kempen	678,082	NIL
R. Lyle	340,000	NIL
A. Glenning	4,000	NIL

Earnings per share

	Cents
Basic earnings per share	9.10
Diluted earnings per share	8.95

Dividends

Ordinary Shares	Cents	$'000
Final dividends recommended:		
Normal dividend plan	2.5	2,567
Dividends paid in the year:		
Interim for the year	1.5	1,540
Final dividend for 2016 shown as recommended in the 2016 report:		
Normal dividend plan	1.5	1,535

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OPERATING AND FINANCIAL REVIEW

Corporate Structure

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

Nature of operations and principal activities

The principal activities of the Group during the year were the supply of healthcare imaging products and services to hospitals, diagnostic imaging groups and other health related entities in Australia, North America and Europe. These products and services include:

Radiology Information Systems (RIS)

- Innovative proprietary medical software for practice management (RIS);
- Training, installation and professional services;
- After sale support and service products;
- Promedicus.net secure email; and
- Digital radiology integration products

Visage 7.0

- Innovative medical imaging software that provides radiologist and clinicians with advanced visualisation capability for rapidly viewing 2-D, 3-D and 4-D medical images;
- PACS/Digital imaging software that is sold directly and to original equipment manufacturers (OEM);
- Training, installation and professional services;
- Service and support products;

The Group undertakes research and development (R&D) in Australia for its Practice Management (RIS) and promedicus.net products including R&D for Visage RIS, its new technology platform.

The R&D for the Visage Imaging product set is carried out in Europe. The Group has continued development of both the RIS products and the Visage 7.0 product line throughout the period.

REVIEW AND RESULTS OF OPERATIONS

Investment Activities

Surplus funds which are held in several currencies are invested by the Group in a cash management account and term deposits to maximise the interest return.

Performance Indicators

Management and the Board monitor overall performance, from the strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor these KPIs on a regular basis and Directors receive appropriately structured board reports for review prior to each monthly Board meeting allowing them to actively monitor the Group's performance.

Dynamics of the Business

Australia

The Group's Australian employees undertake research and development of Pro Medicus products (RIS) as well as sales and service/support functions.

The Group's Australian revenue was 28.6% above last year as a result of new sales of both the Visage PACS and Visage RIS products with a number of sales being for the combined product offering.

Promedicus.net, the company's e-health offering, continued to hold its market position despite increasing competition.

North America

The growing North American team fulfil sales, marketing and professional services roles. Revenue from North America increased by 27.6% compared to the previous year. This was attributable to new sales and an increase in transaction based revenue from sales of Visage technology as more contracts came on stream.

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Europe

The Group's employees in its Berlin office undertake research and development of Visage Imaging products worldwide as well as sales, marketing and service/support functions for the Group's European operations. Revenue from our European operations decreased by 58.2% from last year, due to a large capital sale to a German government hospital in the prior year.

Financials

Reported profit after tax for the period was $9.32m an increase of $2.95m (46.4%) from the previous year.

Full year revenue of the Group increased from $27.58m to $31.62m, an increase of 14.7%.

The key drivers of the profit increase was the significant increase in the performance of the North American and Australian operations.

As the Group's costs are relatively fixed, an increase in sales has a significant impact on profitability.

Investments for Future Performance

The Company will continue to direct resources into the development of new products and is committed to the continued development of its Visage RIS and Visage 7.0 product sets.

It is anticipated that this strategy of ongoing development will continue to position Pro Medicus as a market leader and enable the Group to further leverage its expanded product portfolio and geographical spread.

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

The Directors express their gratitude for the efforts of the management team and all employees in achieving this year's result.

REVIEW OF FINANCIAL CONDITION

Capital Structure

The Company has a sound capital structure with a strong financial position, with no debt.

Treasury Policy

With the increase in overseas operations there is an increased currency risk as a consequence of contracts written in and cash being held in foreign currencies. Whilst this is offset to a degree by having operations in North America and Europe, this change in risk profile has been noted by the Board and action is being taken to manage this risk.

The treasury function, co-ordinated within Pro Medicus Limited, is limited to maximising interest return on surplus funds and managing currency risk. The treasury function operates within policies set by the Board, which is responsible for ensuring that management's actions are in line with Board policy.

Cash from Operations

Net cash flows from operating activities for the current period was a positive $14.83m, with receipts from customers totalling $31.87m compared with payments of $12.57m to suppliers and employees. During the year the Company paid out a total of $3.08m in dividends, the net result being total cash assets of $22.78m; an increase of 33.1% from last year.

Liquidity and Funding

The Group is cash flow positive, has adequate cash reserves and has no overdraft facility. Sufficient funds are held to finance operations.

Risk Management

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

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

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

- Board approval of strategic plans, which encompass the Company's vision, mission and strategy statements, designed to meet stakeholder needs and manage business risk;

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs;
- Overseeing of appropriate backup procedures for important company data; and
- Routine review by key executives of its established Quality Assurance program and corrective action recommendations stemming from it.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pro Medicus Limited support and have adhered to the principles of good corporate governance. Please refer to the separate "Corporate Governance" section for more details of specific policies.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholders' equity increased by 27.2% from $27.39m to $34.83m. This movement was largely the result of profit during the year, offset by dividends paid out during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

A Final Dividend of 2.5 cents per share has been declared post 1 July 2017. Please refer to Note 8 of the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors anticipate that the 2018 financial year will see more opportunity crystallise for the company due to improved prospects in North America and the continued commercialisation and roll out of Visage RIS, the company's new technology RIS platform.

Key components that are likely to affect the performance of the company are:

- Increased revenue being generated from previously won transaction based contracts which are scheduled to come on stream in the 2018 financial year.
- Continued strong interest in the Visage 7.0 suite of products in the North American market has resulted in a number of sales opportunities that the Company is actively pursuing.
- The ability of the expanded Visage 7.0 product set to address key market segments such as large Health Systems and Hospitals in addition to the private radiology and teleradiology markets.
- Market dynamics that favour the adoption of Visage 7.0 technology such as trend towards modular, best in breed solutions.
- Increased revenue from Visage RIS, the company's new technology RIS platform as the rollout of this new platform continues.

As a result, it is anticipated that the 2018 financial year will show a continuing improvement in operational results, however this is dependent upon many market factors over which the Directors have limited or no control.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

Un-issued Shares

As at the date of this report, there were 25,000 un-issued ordinary shares under options. Refer to Note 17 of the financial statements for further details of the options outstanding.

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

Shares Issued as a Result of the Exercise of Options

During the financial year, 400,000 share options were exercised by current employees and no share options expired. A further 300,000 share options were exercised by Directors or key management personnel in the current year to acquire fully paid ordinary shares in Pro Medicus Limited.

PERFORMANCE RIGHTS

Un-issued Shares

As at the date of this report, there were 1,475,590 un-issued ordinary shares under performance rights. Refer to Note 17 of the financial statements for further details of the performance rights outstanding.

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

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Shares Issued as a Result of the Exercise of Performance Rights

During the financial year, 73,375 performance rights were exercised by current employee and no performance rights expired. A further 153,000 performance rights were exercised by key management personnel in the current year to acquire fully paid ordinary shares in Pro Medicus Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, Pro Medicus Limited indemnified Clayton Utz and each one or more of the past, present or future partners of Clayton Utz (other than Mr. Lyle) against any liability (including a liability incurred by Clayton Utz to pay legal costs) arising out of Mr. Lyle's activities as a Director of Pro Medicus Limited.

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

Disclosure of the amount of insurance and the terms of this cover is prohibited by the insurance policy.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT (audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive directors and other senior executives of the Group.

(i) Non – executive directors

Peter Terence Kempen	Chairman
Roderick Lyle	Director (non-executive)
Anthony Glenning	Director (non-executive)

(ii) Executive directors

Dr Sam Aaron Hupert	Managing Director and CEO
Anthony Barry Hall	Technology Director

(iii) Other Executives

Danny Tauber	General Manager – Pro Medicus Limited
Malte Westerhoff	Managing Director – Visage Imaging GmbH
Brad Levin	General Manager – Visage Imaging Inc
Sean Lambright	Global Head of Sales – Visage Imaging Inc

Remuneration Committee

Remuneration and nomination issues are handled at the full Board level. Due to the small number of Directors no committee has been established for this purpose.

Board members, as per groupings detailed below, are responsible for determining and reviewing compensation arrangements.

In order to maintain good corporate governance the Non-Executive Directors assume responsibility for determining and reviewing compensation arrangements for the Executive Directors of the Group. The Executive Directors in turn are responsible for determining and reviewing the compensation arrangements for the Non-Executive Directors. The CEO, in conjunction with the full Board reviews the terms of employment for all executives.

The assessment considers the appropriateness of the nature and amount of remuneration of such executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

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REMUNERATION REPORT (audited) (continued)

Remuneration Philosophy

The performance of the Group depends upon the quality of its Directors and Executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Group provides competitive rewards to attract high calibre Executives.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive's remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 4 November 2005 when shareholders approved an aggregate remuneration of $500,000 per year.

The amount of the aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. No additional fee is paid for time spent on Audit Committee business.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for the Directors to have a stake in the Company on whose Board they sit.

The remuneration of Non-Executive Directors for the period ended 30 June 2017 is detailed in Table 1 of this report.

Executives (including Executive Directors remuneration)

Objective

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- align the interests of Executives with those of shareholders;
- ensure total remuneration is competitive by market standards.

Structure

Employment contracts have been entered into with all Executives of the Group. Details of these contracts are provided on page 10.

Remuneration consists predominately of fixed remuneration. Variable remuneration is provided occasionally at the Board's discretion including both short term incentives (STI) and long term incentives (LTI).

The Company does not have a policy regarding Executives entering into contracts to hedge their exposure to share options granted as part of their remuneration package.

The Board engaged external consultants throughout the year to undertake a review of the remuneration of Executives.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually and the process consists of a review of Group wide, business and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. As noted above, the company conducting the review has access to external advice independent of management.

Executives, including Executive Directors are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense

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REMUNERATION REPORT (audited) (continued)

payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration is detailed in Table 1 of this report.

Variable Remuneration – Long Term Incentive (LTI)

Performance Rights

A long term incentive plan was established during 2011-12 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered over a 5 year period and vest 4 years after grant date on completion of service. This long term incentive plan includes performance hurdles related to profitability (EBIT – 75%) which is set on an annualised basis by the Board and individual performance (25%). These measures have been selected and set to align to Company performance and to reflect individual contribution to the Company.

The fair value of the equity-settled performance rights is estimated using a Black-Scholes model at grant date taking into account the terms and conditions upon which the performance rights were granted. For further details of valuation of options, models and assumptions used please refer to Note 17 of the financial statements.

The table below outlines the proportion of LTI that were granted since the plan was established.

	2017	2016	2015	2014	2013
75% EBIT targets met	125%	85%	25%	90%	0%
25% Individual targets met	60-100%*	88%	92%	87%	96%

* subject to Board approval

A new long term incentive plan was established during 2016-17 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered over a 5 year period and vest 4 years after grant date on completion of service. This long term incentive plan includes performance hurdles related to profitability - Earnings per share (EPS) growth (60%) which is set on an annualised basis by the Board and Total shareholder returns (TSR) growth (40%). The Company's TSR growth performance hurdle is measured relative to the ASX300 Index and assessed by the Board at the end of the performance period in accordance with the terms of the plan. These measures have been selected and set to align to Company performance and shareholder value.

The fair value of the equity-settled performance rights is estimated using Black Sholes and Monte Carlo Simulation Models at grant date taking into account the terms and conditions upon which the performance rights were granted. For further details of valuation of options, models and assumptions used please refer to Note 17 of the financial statements.

Variable Remuneration – Short Term Incentive (STI)

Short term incentives in the form of cash bonuses were paid to key staff based on a mix of Company based and personal performance targets.

STI bonus for 2017

For the 2017 financial year, the total amount of STI cash bonus either paid or accrued at year end was $884,690. The maximum STI cash bonus amount payable was $1,043,623.

Key Performance Indicators

Actual STI payments granted to key staff depended on the extent to which specific targets set at the time of employment were met. The targets consist of a number of Key Performance Indicators (KPIs) covering both financial (Sales Targets) and non-financial measures of performance, including client satisfaction, patent filings and employee satisfaction.

Shareholder Returns

The Directors are confident that the holdings of reserve cash is sufficient to underpin the development and expansion needs of the Company as the business looks to increase its penetration of existing markets.

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REMUNERATION REPORT (audited) (continued)

The return on net assets and equity are shown in the table below.

	2017	2016	2015	2014	2013
Basic earnings per share – reported (cents)	9.1	6.3	3.2	1.5	5.1
Return on assets (%)	28.6	24.3	17.6	8.4	25.6
Return on equity (%)	26.8	23.3	14.7	7.3	24.2
Dividend payout ratio (%) – normal dividend plan	44.0	47.9	62.3	132.8	39.7
Dividend payout ratio (%) – total dividend	44.0	47.9	62.3	132.8	39.7
Available franking credits ($'000)	531	0	0	782	1,641

Employment Contracts

Executive Directors

Executive Service Contracts, on similar terms and conditions, have been prepared for all Executive Directors of the Company.

These agreements provide the following major terms:

- Each Executive will receive a remuneration package per annum which is to be reviewed annually;
- The agreements protect the Company and Group's confidential information and provide that any inventions or discoveries of an Executive become the property of the Group;
- Non-competition during employment and for a period of 12 months thereafter; and
- Termination by the Company on six months' notice or payment of six months remuneration in lieu of notice or a combination of both (or without notice or payment in lieu in the event of misconduct or other specified circumstances). The agreements may be terminated by the Executives on the giving of six months' notice.

Executives (excluding Executive Directors)

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing six months written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Remuneration of key management personnel of the Company and the Group

Table 1: Remuneration of key management personnel for the year ended 30 June 2017

		Short-Term		**Post Employment**	**Long Term**	**Share-Based Payment**	**Total**	**Total Performance Related (%)**
30 June 2017 ($)	Salary and Fees	Cash Bonus	Non-Monetary benefits	Superannuation	Long Service Leave	Performance Rights		
Directors								
P T Kempen	63,806	-	1,194	35,000	-	-	100,000	-
S A Hupert	465,000	-	-	35,000	7,610	-	507,610	-
A B Hall	340,000	-	-	35,000	5,708	-	380,708	-
R. Lyle	45,662	-	-	4,338	-	-	50,000	-
A. Glenning	91,324	-	-	8,676	-	-	100,000	-
Executives								
D Tauber	321,871	-	-	13,129	5,365	60,136	400,501	15.0%
M Westerhoff	417,432	108,390	16,474	2,532	-	123,427	668,255	34.7%
B Levin	303,004	66,314	-	-	-	83,275	452,593	33.1%
S Lambright	234,139	709,986	-	-	-	55,483	999,608	76.6%
	2,282,238	884,690	17,668	133,675	18,683	322,321	3,659,275	

Compensation options granted, vested and exercised during the year as part of remuneration

During the reporting period, 77,538 rights with a fair value of $139,956 were granted as performance rights to Malte Westerhoff with a grant date of 19 October 2016. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

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REMUNERATION REPORT (audited) (continued)

During the reporting period, 26,800 rights with a fair value of $48,374 were granted as performance rights to Danny Tauber with a grant date of 19 October 2016. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 40,000 rights with a fair value of $195,200 ($4.88 per performance right) were granted as performance rights to Brad Levin with a grant date of 19 October 2016. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, an additional 50,000 rights with a fair value of $44,500 ($0.89 per performance right) were granted as performance rights to Sean Lambright in relation to STI commission due for the 2014-15 financial year with a grant date 25 August 2015. The performance rights have a 12 month vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

Table 2: Remuneration of key management personnel for the year ended 30 June 2016

	Short-Term			Post Employment	Long Term	Share-Based Payment		Total	Total Performance Related (%)
30 June 2016 ($)	Salary and Fees	Cash Bonus	Non-Monetary benefits	Superannuation	Long Service Leave	Performance Rights	Options		
Directors									
P T Kempen	63,172	-	1,828	35,000	-	-	-	100,000	-
S A Hupert	465,000	110,000	-	35,000	114,858	-	-	724,858	-
A B Hall	340,000	47,500	-	35,000	52,026	-	-	474,526	-
R. Lyle	45,662	-	-	4,338	-	-	1,226	51,226	-
A. Glenning	15,221	-	-	723	-	-	-	15,944	-
Executives									
D Tauber	321,871	-	-	13,129	10,810	51,272	-	397,082	13.6%
M Westerhoff	424,140	114,311	17,373	2,670	-	92,959	-	651,453	31.7%
B Levin	279,962	68,670	-	-	-	35,309	-	383,941	27.2%
S Lambright	233,478	595,387	-	-	-	55,173	-	884,038	73.6%
	2,188,506	935,868	19,201	125,860	177,694	234,713	1,226	3,683,068	

During the reporting period, 84,313 rights with a fair value of $166,940 ($1.98 per performance right) were granted as performance rights to Malte Westerhoff with a grant date of 22 September 2015. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 45,750 rights with a fair value of $90,585 ($1.98 per performance right) were granted as performance rights to Danny Tauber with a grant date of 22 September 2015. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 39,781 rights with a fair value of $78,766 ($1.98 per performance right) were granted as performance rights to Brad Levin with a grant date of 22 September 2015. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 21,563 rights with a fair value of $42,694 ($1.98 per performance right) were granted as performance rights to Sean Lambright with a grant date of 22 September 2015. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

An additional 50,000 rights with a fair value of $44,500 ($0.89 per performance right) were granted as performance rights to Sean Lambright in relation to STI commission due for the 2014-15 financial year with a grant date 25 August 2015. The performance rights have a 12 month vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

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REMUNERATION REPORT (audited) (continued)

Table 3: Option holdings of Key Management Personnel

30 June 2017 (Number)	Balance at beginning of year 1 July 2016	Granted as Remuneration	Options Exercised	Balance at end of year 30 June 2017	Not vested	Vested/ Exercisable	Total
Directors							
P T Kempen	100,000	-	100,000	-	-	-	-
S A Hupert	-	-	-	-	-	-	-
A B Hall	-	-	-	-	-	-	-
R Lyle	200,000	-	200,000	-	-	-	-
A Glenning	-	-	-	-	-	-	-
Executives							
D Tauber	350,000	-	350,000	-	-	-	-
M Westerhoff	-	-	-	-	-	-	-
B Levin	-	-	-	-	-	-	-
S Lambright	-	-	-	-	-	-	-
Total	**650,000**	**-**	**650,000**	**-**	**-**	**-**	**-**

Table 4: Shareholdings of Key Management Personnel

Shares held in Pro Medicus Limited (Number) **30 June 2017**	Balance at beginning of year 1 July 2016 Ordinary	On Exercise of Performance rights Ordinary	On Exercise of Options Ordinary	Net Change Other Ordinary	Balance 30 June 2017 Ordinary
Directors					
P T Kempen	578,082	-	100,000*	-	678,082
S A Hupert	30,107,660	-	-	-	30,107,660
A B Hall	30,068,500	-	-	-	30,068,500
R Lyle	140,000	-	200,000**	-	340,000
A Glenning	-	-	-	4,000***	4,000
Executives					
D Tauber	129,000	38,750	350,000****	(111,338)~	406,412
M Westerhoff	32,700	54,250	-	(27,125)~~	59,825
B Levin	-	10,000	-	-	10,000
S Lambright	150,000	50,000	-	-	200,000
Total	**61,205,942**	**153,000**	**650,000**	**(134,463)**	**61,874,479**

* Peter Kempen exercised 100,000 share options throughout the year at $1.25 per share option. The intrinsic value of the share options at exercise date was $388,000 ($3.88 per share option).
** Roderick Lyle exercised 200,000 share options throughout the year at $0.55 per share option. The intrinsic value of the share options at exercise date was $1,135,200 ($5.68 per share option).
*** Anthony Glenning purchased 4,000 shares throughout the year at the prevailing market share price.
**** Danny Tauber exercised 350,000 share options throughout the year at $1.00 per share option. The intrinsic value of the share options at exercise date was $1,925,000 ($5.50 per share option).
~ Danny Tauber sold 111,338 shares throughout the year at the prevailing market share price.
~~Malte Westerhoff sold 27,125 shares throughout the year at the prevailing market share price.

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REMUNERATION REPORT (audited) (continued)

Table 5: Performance rights of Key Management Personnel

30 June 2017 (Number)	Balance at beginning of year 1 July 2016	Granted as Remuneration	Performance rights Exercised	Balance at end of year 30 June 2017	Not vested	Vested/ Exercisable	Total
Directors							
P T Kempen	-	-	-	-	-	-	-
S A Hupert	-	-	-	-	-	-	-
A B Hall	-	-	-	-	-	-	-
R Lyle	-	-	-	-	-	-	-
A Glenning	-	-	-	-	-	-	-
Executives							
D Tauber	225,500	26,800	(38,750)	213,550	213,550	-	213,550
M Westerhoff	395,751	77,538	(54,250)	419,039	419,039	-	419,039
B Levin	131,656	40,000	(10,000)	161,656	161,656	-	161,656
S Lambright	72,188	50,000	(50,000)	72,188	72,188	-	72,188
Total	**825,095**	**194,338**	**(153,000)**	**866,433**	**866,433**	**-**	**866,433**

Loans to Key Management Personnel

No loans are made to Key Management Personnel or staff.

Other transactions and balances with Key Management Personnel

Purchases

During the year lease payments of $169,476 (2016: $169,476) in respect of the Group's operating premises at 450 Swan Street Richmond were paid to Champagne Properties Pty. Ltd., an entity controlled by S. Hupert and A. Hall. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms.

DIRECTORS' MEETINGS

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

	Directors' Meetings	Eligible to attend	Audit Committee	Eligible to attend
Number of meetings held:	**9**		**2**	
Number of meetings attended:				
P. T. Kempen	9	9	2	2
R. Lyle	9	9	2	2
A. Glenning	9	9	2	2
A. B. Hall	8	9	2	2
S. A. Hupert	9	9	2	2

Committee membership

As at 30 June 2017, the company had an Audit Committee comprising the 3 Non-Executive Directors and 2 Executive Directors.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors Reports) instrument 2016/191. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Pro Medicus Limited (refer page 15).

NON-AUDIT SERVICES

The following non-audit services were provided by the company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for the auditors imposed by the Corporations Act. The nature and scope of the non-audit service provided means that auditor independence is not compromised.

Ernst & Young received the following amount for the provision of non-audit services:

Professional services rendered in respect to taxation matters	$103,736

Signed in accordance with a resolution of the Directors.



P T Kempen
Director
Melbourne, 18 August 2017

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Auditor's Independence Declaration to the Directors of Pro Medicus Limited

As lead auditor for the audit of Pro Medicus Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pro Medicus Limited and the entities it controlled during the financial year.

Ernst & Young

Paul Gower
Partner

18 August 2017

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017	Notes	Consolidated 2017 $'000	2016 $'000
Revenue	4	**31,597**	27,521
Finance revenue		**22**	56
Revenue		**31,619**	27,577
Cost of sales		**(521)**	(619)
Gross profit		**31,098**	26,958
Net foreign currency losses	5(a)	**(777)**	(89)
Accounting and secretarial fees		**(638)**	(527)
Advertising and public relations		**(962)**	(944)
Depreciation and amortisation	5(b)	**(4,283)**	(3,828)
Insurance		**(756)**	(595)
Legal costs		**(268)**	(842)
Operating lease expense		**(514)**	(474)
Other expense		**(603)**	(707)
Salaries and employee benefits expense	5(b)	**(8,178)**	(8,599)
Travel and accommodation		**(707)**	(856)
Profit before tax		**13,412**	9,497
Income tax expense	6	**(4,091)**	(3,129)
Profit for the year	16	**9,321**	6,368
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		**28**	198
Other comprehensive income for the year		**28**	198
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**9,349**	6,566
Earnings per share (cents per share)	7		
- Basic for net profit for the year		**9.1¢**	6.3¢
- Diluted for net profit for the year		**9.0¢**	6.2¢

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Consolidated Statement of Financial Position

AS AT 30 JUNE 2017	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	**22,775**	17,107
Trade and other receivables	10	**3,489**	4,771
Accrued revenue		**3,264**	2,258
Inventories	11	**54**	86
Prepayments		**598**	531
Total Current Assets		**30,180**	24,753
Non-Current Assets			
Deferred tax assets	6	**1,023**	757
Plant and equipment	12	**283**	382
Intangible assets	13	**15,478**	13,512
Prepayments		**242**	-
Total Non-Current Assets		**17,026**	14,651
TOTAL ASSETS		**47,206**	39,404
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**3,458**	2,994
Income tax payable		**1,972**	2,747
Provisions	15	**1,822**	1,826
Total Current Liabilities		**7,252**	7,567
Non-Current Liabilities			
Deferred tax liabilities	6	**5,045**	4,386
Provisions	15	**75**	66
Total Non-Current Liabilities		**5,120**	4,452
TOTAL LIABILITIES		**12,372**	12,019
NET ASSETS		**34,834**	27,385
EQUITY			
Contributed equity	16	**1,937**	1,302
Share buyback reserve		**(73)**	-
Share reserve	16	**1,717**	1,104
Foreign currency translation reserve	16	**145**	117
Retained earnings	16	**31,108**	24,862
TOTAL EQUITY		**34,834**	27,385

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Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated					
	Issued Capital	**Share Buyback Reserve**	**Share Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2015	**327**	**-**	**666**	**(81)**	**21,026**	**21,938**
Profit for the year	**-**	**-**	**-**	**-**	**6,368**	**6,368**
Other comprehensive income	**-**	**-**	**-**	**198**	**-**	**198**
Total comprehensive income for the period	**-**	**-**	**-**	**198**	**6,368**	**6,566**
Transaction with owners in their capacity as owners						
Share based payment	**-**	**-**	**438**	**-**	**-**	**438**
Exercise of share options	**975**	**-**	**-**	**-**	**-**	**975**
Dividends	**-**	**-**	**-**	**-**	**(2,532)**	**(2,532)**
At 30 June 2016	**1,302**	**-**	**1,104**	**117**	**24,862**	**27,385**
At 1 July 2016	**1,302**	**-**	**1,104**	**117**	**24,862**	**27,385**
Profit for the year	**-**	**-**	**-**	**-**	**9,321**	**9,321**
Other comprehensive income	**-**	**-**	**-**	**28**	**-**	**28**
Total comprehensive income for the period	**-**	**-**	**-**	**28**	**9,321**	**9,349**
Transaction with owners in their capacity as owners						
Share based payment	**-**	**-**	**613**	**-**	**-**	**613**
Exercise of share options	**635**	**-**	**-**	**-**	**-**	**635**
Share buy-back	**-**	**(73)**	**-**	**-**	**-**	**(73)**
Dividends	**-**	**-**	**-**	**-**	**(3,075)**	**(3,075)**
At 30 June 2017	**1,937**	**(73)**	**1,717**	**145**	**31,108**	**34,834**

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Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers		**31,874**	24,432
Payments to suppliers and employees		**(12,572)**	(13,486)
Income tax (paid)/refunded		**(4,473)**	308
Net cash flows from operating activities	9	**14,829**	11,254
Cash flows from investing activities			
Capitalised development costs	13	**(6,070)**	(5,607)
Interest received		**22**	56
Purchase of plant and equipment	12	**(80)**	(222)
Net cash flows used in investing activities		**(6,128)**	(5,773)
Cash flows from financing activities			
Payment of dividends on ordinary shares	8	**(3,075)**	(2,532)
Payment of share buyback		**(73)**	-
Proceeds from issuing shares		**635**	975
Net cash flows used in financing activities		**(2,513)**	(1,557)
Net increase/(decrease) in cash and cash equivalents		**6,188**	3,924
Net foreign exchange differences		**(520)**	248
Cash and cash equivalents at beginning of period		**17,107**	12,935
Cash and cash equivalents at end of period	9	**22,775**	17,107

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1. CORPORATE INFORMATION

The financial report of Pro Medicus Limited (the Company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of Directors on 18 August 2017.

Pro Medicus Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(b) Statement of compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Pro Medicus Limited and its subsidiaries as at 30 June each year (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains a control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 Financial Instruments: Recognition and Measurement either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements, estimates and assumptions

Capitalisation of development costs:
Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

The capitalisation of development costs includes an overhead rate which has been estimated from total costs. The estimated development overheads rate has been calculated by dividing the development labour costs over total labour costs to give a percentage of development labour rate. The development labour rate is then applied against the total overheads of the company, to give an estimate of the amount of overheads that relates to development.

Impairment of non-financial assets:
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Management has tested certain assets for impairment in this financial period. Refer to Note 13 of the financial statements for significant assumptions applied in assessing for impairment on non-financial assets.

Taxation:
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Net investment in foreign operations:
The Group maintains inter-company loans it assesses to represent a part of its net investment in its foreign operations. The judgements made in assessing these loans to represent net investments are on the basis the loans are neither planned nor likely to be settled within the foreseeable future, the loans do not include trade receivables or trade payable and the loans represent a return of funds from their investment in the respective subsidiaries.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Share-based payments:
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option/performance rights, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of share-based payment transactions are disclosed in Note 17.

4. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information is reported to the executive management team on at least a monthly basis.

Impairment is not monitored at segment level.

Types of products and services

The Group produces integrated software applications for the health care industry. In addition, the Group provides services in the form of installation and support.

Accounting policies and inter-segment transactions

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services
- Type or class of customer for the products and services
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

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4. OPERATING SEGMENTS (cont'd)

Operating segments

	Australia		Europe		North America		Total Operations	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenue	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Sales to external customers	**8,340**	6,486	**1,740**	4,166	**21,517**	16,869	**31,597**	27,521
Inter-segment sales	**14,512**	10,399	**5,253**	4,830	**-**	-	**19,765**	15,229
Total segment revenue	**22,852**	16,885	**6,993**	8,996	**21,517**	16,869	**51,362**	42,750
Inter-segment elimination							**(19,765)**	(15,229)
Total consolidated revenue							**31,597**	27,521
Results								
Segment result	**11,609**	7,281	**1,222**	1,735	**559**	425	**13,390**	9,441
Interest revenue							**22**	56
Non-segment expenses								
Income tax expense							**(4,091)**	(3,129)
Net profit							**9,321**	6,368
Assets								
Non-current assets	**19,549**	17,574	**121**	149	**55**	93	**19,725**	17,816
Deferred tax asset	**729**	431	**-**	-	**294**	-	**1,023**	431
Current assets	**26,834**	28,366	**24,057**	23,370	**24,441**	16,747	**75,332**	68,483
Segment assets	**47,112**	46,371	**24,178**	23,519	**24,790**	16,840	**96,080**	86,730
Inter-segment elimination							**(48,874)**	(47,652)
Total assets							**47,206**	39,078
Liabilities								
Segment liabilities	**31,696**	37,339	**2,147**	2,275	**23,638**	16,095	**57,481**	55,709
Inter-segment elimination							**(45,109)**	(44,016)
Total liabilities							**12,372**	11,693
Other segment information								
Capital expenditure	**6,075**	5,677	**53**	79	**23**	73	**6,151**	5,829
Depreciation and amortisation	**4,141**	3,686	**81**	88	**61**	54	**4,283**	3,828
Cash flow information								
Net cash flow from operating activities	**4,479**	5,367	**(4,733)**	(1,419)	**15,083**	7,306	**14,829**	11,254
Net cash flow from investing activities	**(6,053)**	(5,621)	**(53)**	(79)	**(22)**	(74)	**(6,128)**	(5,774)
Net cash flow from financing activities	**(2,513)**	(1,557)	**-**	**-**	**-**	-	**(2,513)**	(1,557)

Product information

Revenue from external customers

	Consolidated	
	2017	2016
	$'000	$'000
Radiology Information Systems (RIS)	**6,964**	6,032
Picture Archiving Communications Systems (Visage 7/PACS)	**24,595**	21,468
Other income	**38**	21
Total revenue per statement of comprehensive income	**31,597**	27,521

Revenue from major customers

Included in the North American segment are customers that contributed to the total consolidated Group revenue by 14.9% (2016: 13.4%) from one party and 13.0% (2016: nil) from another party. No other customer contributed 10% or more to the Group's revenue for the year ended 30 June 2017.

Revenue recognition

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

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4. OPERATING SEGMENTS (cont'd)

Rendering of services

Revenue generated from pay-per-view contracts is recognised based on the number of image views undertaken by the customer, multiplied by the contracted view rate. Minimum exam counts are recognised in the year the customer is implemented and any subsequent year that image views do not exceed minimum agreed examinations.

Revenue from the installation and ongoing support of software applications and services is recognised by reference to the stage of completion of a contract or contracts in progress. Stage of completion is measured by completion of identifiable service segments as a percentage of the total services to be provided for each contract, which is determined by a quotation with the customer.

Service revenue is recognised over the term of the contract. Where revenue is received in advance, revenue is recognised in the period during which the service is provided.

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

Licences

Licence revenue is recognised when control of the right to be compensated for the license can be reliably measured. Licence revenue is recognised when ownership of the goods have passed to the buyer, which is usually after the software application has been installed and is ready for use by the buyer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

5. INCOME AND EXPENSES	Notes	**Consolidated**	
		2017	2016
		$'000	$'000
(a) Net foreign currency gains/(losses)			
Currency gains		**3,377**	1,760
Currency (loss)		**(4,154)**	(1,849)
Total net foreign currency losses		**(777)**	(89)
(b) Expenses			
Depreciation and amortisation			
Motor vehicles	12	**7**	7
Office equipment	12	**147**	155
Furniture and fittings and property improvements	12	**25**	19
Capitalised development costs	13	**4,103**	3,646
Computer software	13	**1**	1
Total depreciation and amortisation expense		**4,283**	3,828
Salaries and employee benefits expense			
Wages and salaries		**6,594**	7,013
Long service leave provision		**68**	244
Share-based payment expense		**613**	438
Defined contribution plan expense		**903**	904
Total salaries and employee benefits expense		**8,178**	8,599

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6. INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Unrecognised temporary differences

At 30 June 2017, there are no temporary differences associated with the Group's investments in subsidiaries being recognised as the parent is able to control the timing of the reversal of any temporary differences and it is not probable any temporary difference will reverse in the foreseeable future.

Tax consolidation legislation

Pro Medicus Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2009.

The head entity, Pro Medicus Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach to determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. An allocation of income tax liabilities between the entities of the tax consolidated group will be made should the head entity default on its tax payment obligations. No such amounts have been recognised in the financial statements on the basis that the possibility of default is remote.

In addition to its own current and deferred tax amounts, Pro Medicus Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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	Consolidated	
	2017	2016
	$'000	$'000
6. INCOME TAX (cont'd)		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
Current income tax charge	**3,865**	2,015
Prior year adjustment	**(167)**	(71)
Deferred income tax		
Relating to origination and reversal of temporary differences	**393**	1,185
Income tax expense reported in the statement of comprehensive income	**4,091**	3,129
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax	**13,412**	9,497
At the applicable statutory income tax rate in each country		
- Australia	**3,489**	2,201
- United States of America	**190**	145
- Germany	**368**	523
Prior year adjustment	**(167)**	(71)
Expenditure not allowable for income tax purposes	**330**	326
Other	**(119)**	5
Income tax expense reported in the statement of comprehensive income	**4,091**	3,129

Deferred income tax	**Consolidated Statement of Financial Position**		**Consolidated Statement of Comprehensive Income**	
Deferred income tax at 30 June relates to the following:	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities				
Foreign currency exchange gain	**732**	886	**154**	28
Capitalised development expenses	**4,264**	3,500	**(764)**	(1,116)
Other	**49**	-	**(49)**	-
Deferred tax liabilities	**5,045**	4,386	**(659)**	(1,088)
Deferred tax assets				
Employee entitlements	**690**	411	**279**	85
Intellectual property expenses	**308**	326	**(18)**	(19)
Audit fee accrual	**22**	16	**6**	(8)
Other	**3**	4	**(1)**	(41)
Deferred tax assets	**1,023**	757	**266**	(97)

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7. EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Group adjusted for:

- Costs of servicing equity (other than dividends)
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares
- Dilutive potential ordinary shares adjusted for any bonus element

and then divided by the weighted average number of ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:	Consolidated	
	2017	2016
	$	$
Net profit attributable to ordinary equity holders	**9,321,331**	6,368,722
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**102,484,842**	101,378,835
Effect of dilution:		
Share options	**132,573**	686,563
Performance rights	**1,505,931**	1,379,441
Weighted average number of ordinary shares adjusted for the effect of dilution	**104,123,346**	103,444,839

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

	Consolidated	
	2017	2016
	$'000	$'000
8. DIVIDENDS PAID AND PROPOSED		
Declared and paid during the year:		
Dividends on ordinary shares		
Final unfranked dividend for 2016: 1.5 cent (2015: 1.0 cent)	**1,535**	1,006
Interim unfranked dividend for 2017: 1.5 cent (2016: 1.5 cent unfranked)	**1,540**	1,526
	3,075	2,532
Proposed for approval by directors (not recognised as a liability as at 30 June):		
Dividends on ordinary shares:		
Final franked dividend for 2017: 2.5 cents (2016: 1.5 cents unfranked)	**2,567**	1,526
Total dividends proposed	**2,567**	1,526

8. DIVIDENDS PAID AND PROPOSED (cont'd)

Franking credit balance

	Consolidated	
	2017	2016
	$'000	$'000
– franking account balance as at the end of the financial year at 30% (2016: 30%)	**531**	**-**
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	**501**	**-**
– franking debits that will arise from the payment of dividends as at the end of the financial year	**-**	**-**
– franking credits that the entity may be prevented from distributing in the subsequent financial year	**-**	**-**
– prior period adjustment	**-**	**-**
	1,032	**-**
The amount of franking credits available for future reporting periods:		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(1,102)**	-
	(70)*	-

*The deficit at 30 June 2017 is expected to be supported by income tax instalments paid in the subsequent financial year.

The tax rate at which paid dividends have been franked is 30% (2016: 0%). Dividends proposed will be fully franked.

	Consolidated	
	2017	2016
	$'000	$'000
9. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**22,775**	15,577
Short-term deposits	**-**	1,530
	22,775	17,107

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flow comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes of value.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying periods of between 30 days and 120 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is their carrying value.

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9. CASH AND CASH EQUIVALENTS (cont'd)	Consolidated 2017 $'000	2016 $'000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**9,321**	6,368
Adjustments for:		
Depreciation of property, plant and equipment	**179**	181
Amortisation of intangible assets	**4,104**	3,647
Interest received classified in investing activities	**(22)**	(56)
Foreign currency loss	**777**	89
Share-based payment expense	**613**	438
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**1,282**	(1,040)
(Increase)/decrease in inventory	**32**	43
(Increase)/decrease in deferred tax asset	**(266)**	78
(Increase)/decrease in prepayments	**(309)**	(189)
(Increase)/decrease in accrued revenue	**(1,006)**	(2,048)
(Decrease)/increase in deferred income	**(7)**	178
(Decrease)/increase in trade and other payables	**242**	(95)
(Decrease)/increase in tax provision	**(775)**	2,252
(Decrease)/increase in deferred tax liability	**659**	1,107
(Decrease)/increase in employee entitlements	**5**	301
Net cash flow from operations	**14,829**	11,254

10. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and intercompany receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for any uncollectible amounts.

A provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Financial difficulty of the debtors is considered objective evidence by the Group. Bad debts are written off when identified.

Trade receivables	**3,284**	3,533
Provision for impairment	**-**	-
	3,284	3,533
Research and development tax receivable	**-**	989
Other receivables	**205**	249
	3,489	4,771

Fair value approximates carrying value due to the short term nature of receivables.

a) Allowance for impairment loss

Movements in the provision for impairment loss were as follows:		
At 1 July	**-**	140
Charge to/(write back of) provision for the year	**-**	-
Utilised during the year	**-**	(140)
Foreign exchange translation	**-**	-
At 30 June	**-**	-

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10. TRADE AND OTHER RECEIVABLES (CURRENT) (cont'd)

At June 30, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days PDNI*	61-90 days PDNI*	+91 days PDNI*	+91 days CI**
2017 Consolidated	**3,284**	**1,978**	**290**	**712**	**304**	**-**
2016 Consolidated	3,533	1,471	391	393	1,278	-

* Past due not impaired ('PDNI')
** Considered Impaired ('CI')

Payment terms on $301,356 (2016: $526,379) of trade receivables have been renegotiated. The Company has been in direct contact with these debtors and is satisfied that payment will be received in full.

11. INVENTORY

	Consolidated	
	2017	2016
	$'000	$'000
Finished goods (at lower of cost and net realisable value)	**54**	86

Inventory write downs recognised as an expense during the year ended 30 June 2017 total nil (2016: nil)

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods represents the purchase cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

12. PLANT & EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	2017	2016
Property Improvements	**2 to 7 years**	2 to 7 years
Motor Vehicles	**4 to 5 years**	4 to 5 years
Office Equipment	**2 to 7 years**	2 to 7 years
Furniture and Fittings	**5 years**	5 years
Research and Development Equipment	**3 to 4 years**	3 to 4 years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

12. PLANT & EQUIPMENT (cont'd)

	Consolidated					
	Property Improvements	Motor Vehicles	Office Equipment	Furniture & Fittings	Research & Development Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2017						
At 1 July 2016 net of accumulated depreciation	**19**	**41**	**262**	**60**	**-**	**382**
Additions	**-**	**-**	**83**	**-**	**-**	**83**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Exchange differences	**-**	**-**	**(2)**	**(1)**	**-**	**(3)**
Depreciation charge for the year	**(2)**	**(7)**	**(147)**	**(23)**	**-**	**(179)**
At 30 June 2017 net of accumulated depreciation	**17**	**34**	**196**	**36**	**-**	**283**
At 30 June 2017						
Cost	**329**	**488**	**2,204**	**399**	**209**	**3,629**
Accumulated depreciation and impairment	**(312)**	**(454)**	**(2,008)**	**(363)**	**(209)**	**(3,346)**
Net carrying amount	**17**	**34**	**196**	**36**	**-**	**283**

	Consolidated					
	Property Improvements	Motor Vehicles	Office Equipment	Furniture & Fittings	Research & Development Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2016						
At 1 July 2015 net of accumulated depreciation	**22**	**48**	**248**	**23**	**-**	**341**
Additions	**-**	**-**	**163**	**53**	**-**	**216**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Exchange differences	**-**	**-**	**6**	**-**	**-**	**6**
Depreciation charge for the year	**(3)**	**(7)**	**(155)**	**(16)**	**-**	**(181)**
At 30 June 2016 net of accumulated depreciation	**19**	**41**	**262**	**60**	**-**	**382**
At 30 June 2016						
Cost	**329**	**488**	**2,183**	**401**	**209**	**3,610**
Accumulated depreciation and impairment	**(310)**	**(447)**	**(1,921)**	**(341)**	**(209)**	**(3,228)**
Net carrying amount	**19**	**41**	**262**	**60**	**-**	**382**

13. INTANGIBLE ASSETS

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at date of acquisition. Following initial recognition, intangible assets with a finite life are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, either individually or at the cash generating unit level. The recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

The amortisation period and method is renewed at each financial year end and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale or use, its intention to complete and its ability to use or sell the asset, how the asset will generate future

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13. INTANGIBLE ASSETS (cont'd)

economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised on a straight line basis over the period of expected benefit from the related project (5 years).

Development expenditure includes costs of materials and services and salaries and wages and other employee related costs arising from the generation of the intangible asset.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Intellectual Property – Software

Three separately identifiable intangible assets, in the form of software intellectual property, have previously been identified in the business acquisition of Visage Imaging;

- Visage PACS
- Visage MagicWeb and
- Amira

Following initial recognition, Intellectual property is measured at cost less any accumulated amortisation. A useful life of 5 years has been determined.

Software Licenses

The Group identified a separate intangible asset in the form of software licenses, in the business acquisition of Visage Imaging.

Following initial recognition, software licenses are measured at cost less any accumulated amortisation. A useful life of 4 years has been determined.

Customer List

The Group identified a separate intangible asset in the form of a customer list, in the business acquisition of Visage Imaging.

Following initial recognition, the customer list is measured at cost less any accumulated amortisation. A useful life of 4 years has been determined.

	Consolidated			
	Intellectual Property i)	**Development Costs ii)**	**Software Licenses iii)**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Year ended 30 June 2017				
At 1 July 2016 net of accumulated amortisation and impairment	**-**	**13,510**	**2**	**13,512**
Additions - internal development	**-**	**6,070**	**-**	**6,070**
Disposals	**-**	**-**	**-**	**-**
Exchange differences	**-**	**-**	**-**	**-**
Amortisation charge for the year	**-**	**(4,103)**	**(1)**	**(4,104)**
At 30 June 2017 net of accumulated amortisation and impairment	**-**	**15,477**	**1**	**15,478**
At 30 June 2017				
Cost	**1,848**	**38,725**	**294**	**40,867**
Accumulated amortisation and impairment	**(1,848)**	**(23,248)**	**(293)**	**(25,389)**
Net carrying amount	**-**	**15,477**	**1**	**15,478**

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13. INTANGIBLE ASSETS (cont'd)

	Intellectual Property i)	Development Costs ii)	Software Licenses iii)	Total
Year ended 30 June 2016				
At 1 July 2015 net of accumulated amortisation and impairment	**-**	**11,549**	**3**	**11,552**
Additions - internal development	**-**	**5,607**	**-**	**5,607**
Disposals	**-**	**-**	**-**	**-**
Exchange differences	**-**	**-**	**-**	**-**
Amortisation charge for the year	**-**	**(3,646)**	**(1)**	**(3,647)**
At 30 June 2016 net of accumulated amortisation and impairment	**-**	**13,510**	**2**	**13,512**
At 30 June 2016				
Cost	**1,848**	**32,655**	**296**	**34,799**
Accumulated amortisation and impairment	**(1,848)**	**(19,145)**	**(294)**	**(21,287)**
Net carrying amount	**-**	**13,510**	**2**	**13,512**

i) Intellectual property was acquired in 2009 through the Visage Imaging business combination and is carried at cost less accumulated amortisation. Three separately identifiable intangible assets, in the form of software intellectual property, have been identified in the business acquisition of Visage Imaging; Visage CS, Visage PACS and Amira. These intangible assets have been assessed as having a finite life and have been fully amortised using the straight line method over a period of 5 years, commencing February 2009. Amira was sold in July 2012.

ii) Development costs have been capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 5 years. As at 30 June 2017 the carrying values of capitalised development costs are Visage PACS ($10,593,365) RIS ($4,367,516) and Visage MagicWeb ($515,579), all sit within the Australian operating segment.

The Group undertook an impairment assessment of the capitalised development costs as at 30 June 2017. The recoverable amount of development costs have been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period. The projected cash flows were updated to reflect the change in forecast revenues and a post-tax discount rate of 17% (30 June 2016:17%) was applied. Cash flows beyond a 5 year period have been extrapolated using a 2.5% growth rate (30 June 2016: 2.5%). The Groups recoverable value was in excess of the carrying value using the value in use calculation and as such no impairment charges were recorded at 30 June 2017.

Key assumptions used in value in use calculations
The calculation of value in use for development costs is most sensitive to the following assumptions:

- Revenue forecasts
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Revenue forecasts – Revenue forecasts are based on current year consolidated budgets for each geographical segment. Estimated growth rates are then used to forecast the following 4 years revenue for each product used in each geographical segment. Total forecast segment growth rates range from 0% to 57% (2016: -1% to 22%) across the 4 year period.

Discount rates – The discount rate applied to the cash flow projections have been assessed to reflect the time value of money and the perceived risk profile of the industry in which each cash generating unit (CGU) operates. The post-tax discount rate applied was 17% (2016:17%).

Growth rate estimates – rates are based on industry based customer price index (CPI) forecasts. The long term rate of 2.5% (2016: 2.5%) was used in the current assessment.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of development costs, the estimated recoverable amount is in excess of its carrying value for each product, however adverse changes in assumptions could result in an impairment loss. Management has considered the possible change in each of the key assumptions applied to the respective capitalised development costs recoverable amount assessments. A reasonably

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13. INTANGIBLE ASSETS (cont'd)

possible adverse change in the revenue forecasts for the RIS product could have the potential to give rise to circumstances where the recoverable amount may be lower than the carrying amount. To illustrate the sensitivity of this assumption, if forecast revenues of the RIS product were to decrease materially, that is in the range of 7 – 10%, across the five year forecast period without the implementation of mitigation plans, cost reductions or restructure which management would look to do if such decreases were to arise, this could lead to a future impairment write-down of approximately $0.2 - $1.3 million.

14. TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Trade payables	**446**	676
Other payables and accruals	**2,086**	1,383
	2,532	2,059
Deferred Income	**926**	935
	3,458	2,994

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Other payables, other than inter-company payables are non-interest bearing and have an average term of 30 days.

Fair value approximates carrying value due to the short term nature of trade and other payables.

15. PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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

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

(i) Annual leave and sick leave
The liability for annual leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible the estimated future cash outflows. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible the estimated future cash outflows.

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15. PROVISIONS (cont'd)

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Long service leave	**821**	799
Annual leave	**1,001**	1,027
	1,822	1,826
Non-current		
Long service leave	**75**	66
	75	66

16. CONTRIBUTED EQUITY AND RESERVES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Consolidated	
	2017	**2017**
Contributed Equity	**$'000**	**$'000**
(i) Ordinary shares	**1,937**	1,302
Issued and fully paid	**1,937**	1,302

Fully paid ordinary shares carry one vote per share and carry the right to dividends

(ii) Movements in shares on issue

	Number of Shares	**2017 $'000**
At 1 July 2016	**101,750,406**	**1,302**
Cancellation for share buy-back	**(16,232)**	**-**
Issued for cash on exercise of options	**700,000**	**635**
Vesting of performance rights	**226,375**	**-**
At 30 June 2017	**102,660,549**	**1,937**

	Number of Shares	2016 $'000
At 1 July 2015	100,263,406	327
Cancellation for share buy-back	-	-
Issued for cash on exercise of options	950,000	975
Vesting of performance rights	537,000	
At 30 June 2016	101,750,406	1,302

	Consolidated	
Share reserve (i)	**2017**	2016
	$'000	$'000
Balance at 1 July	**1,104**	666
Share options expensed	**-**	1
Performance rights expensed	**613**	437
Balance at 30 June	**1,717**	1,104

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16. CONTRIBUTED EQUITY AND RESERVES (cont'd)

Foreign currency translation reserve (ii)

	Consolidated	
	2017	2016
	$'000	$'000
Balance at 1 July	**117**	(81)
Foreign currency movement	**28**	198
Balance at 30 June	**145**	117

Retained earnings

Balance at 1 July	**24,862**	21,026
Net profit for the year	**9,321**	6,368
Dividends	**(3,075)**	(2,532)
Balance at 30 June	**31,108**	24,862

(i) Share reserve
The share reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 17 for further details of these plans.

(ii) Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and for exchange differences arising from long term loan accounts resulting from net investment in subsidiaries.

Capital Management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management review the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, or issue new shares.

During the year, the company paid dividends of $3,074,568 (2016: $2,532,142).

17. SHARE BASED PAYMENTS

(i) Equity settled transactions:
The Group provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:
• The Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives and other employees.
• The Long Term Incentive Plan (LTIP), which provides benefits to senior executives and other employees.

The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a Black Scholes model or Monte Carlo simulation model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Pro Medicus Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

(i) The grant date fair value of the award;
(ii) For options with non-market vesting conditions, the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
(iii) The expired portion of the vesting period.

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17. SHARE BASED PAYMENTS (cont'd)

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 7).

Employee Share Option Scheme

An employee share incentive scheme was established on 25 August 2000 whereby Directors and staff of the Company were issued with options over the ordinary shares of Pro Medicus Limited. The options, issued for nil consideration, had an exercise price of $1.15 and 2,100,000 share options expired under the scheme on 25 August 2010. Options vested at 20% per annum commencing on the first anniversary of issue. The options cannot be transferred and will not be quoted on the ASX.

200,000 shares were granted as options to Peter Kempen on becoming a Director of the company in 2008 under a separate agreement. The options had a grant date of 12 March 2008 and an exercise price of $1.25. The fair value of the options at grant date was $40,852 ($0.13 - $0.29 per option). The options have a first exercise date of 12 March 2009 and can be exercised at anytime through to expiry date of 12 March 2018. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and 100,000 (50%) options were exercised during the year.

900,000 shares were granted as options to key Visage Imaging GmbH employees under a separate agreement. The options had a grant date of 1 April 2010 and an exercise price of $1.00. The fair value of the options at grant date was $67,278 ($0.07 per option). The options have a first exercise date of 1 April 2011 and can be exercised at anytime through to expiry date of 1 April 2020. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and 175,000 (19%) options had expired. No options were exercised during the year.

550,000 shares were granted as options to Key Executives under a separate agreement. The options had a grant date of 25 August 2010 and an exercise price of $1.00. The fair value of the options at grant date was $54,109 ($0.10 per option). The options have a first exercise date of 25 August 2011 and can be exercised at anytime through to expiry date of 25 August 2020. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and 400,000 (73%) options were exercised during the year.

200,000 shares were granted as options to Roderick Lyle on becoming a Director of the company in 2011 under a separate agreement. The options had a grant date of 18 November 2011 and an exercise price of $0.55. The fair value of the options at grant date was $45,116 ($0.23 per option). The options have a first exercise date of 18 November 2012 and can be exercised at anytime through to expiry date of 18 November 2021. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and 200,000 (100%) options were exercised during the year.

Information with respect to the number of options granted under the employee share option scheme is as follows:

	2017		2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Outstanding at the beginning of the year	**725,000**	**$0.91**	1,675,000	$0.98
- granted	**-**	-	-	-
- forfeited	**-**	-	-	-
- exercised	**(700,000)**	**$0.91**	(950,000)	$1.03
- expired	**-**	-	-	-
Outstanding at the end of the year	**25,000**	**$1.00**	725,000	$0.91
Exercisable at end of year	**25,000**	**$1.00**	685,000	$0.93

All options above have been recognised in accordance with AASB 2 as the options were granted after 7 November 2002.

The outstanding balance as at 30 June 2017 is represented by:

- 25,000 options over ordinary share with an exercise price of $1.00 each, exercisable until 1 April 2020.

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17. SHARE BASED PAYMENTS (cont'd)

Weighted average remaining contractual life

The weighted average remaining contractual life for share options outstanding at 30 June 2017 is 2.76 years (2016: 4.14 Years)

Range of exercise price
The range of exercise prices for options outstanding at the end of the year was $1.00 - $1.00 (2016: $0.55 - $1.25).

Weighted average fair value
The weighted average fair value of options granted during the year was nil (2016: nil).

Option pricing model
The fair value of the equity-settled share options granted is estimated as at the date of the grant using a Black Scholes Model taking into account the terms and conditions upon which the options were granted.

Performance Rights

Tranche 1

A long term incentive plan was established on 18 November 2011 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered for a 5 year period and vest 4 years after granting date on completion of service. The performance rights cannot be transferred and will not be quoted on the ASX. This long term incentive plan includes performance hurdles related to the Company and vesting conditions relating to the employee's period of service.

Tranche 2

A new long term incentive plan was established during 2016-17 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered for a 12 month period and vest 4 years after granting date on completion of service. The performance rights cannot be transferred and will not be quoted on the ASX. This long term incentive plan includes performance hurdles related to the Company and vesting conditions relating to the employee's period of service.

During the reporting period, 230,246 performance rights had been granted during the year with a grant date of 19 October 2016. 90,000 performance rights from Tranche 1 vest over 4 years from grant date on completion of service. The fair value of these 90,000 performance rights at grant date was $439,326 ($4.88 per performance right). A further 180,492 performance rights from Tranche 2 vest over 4 years from grant date on completion of service. The fair value of these 180,492 performance rights at grant date was $326,003. The remaining 50,000 performance rights vest in September 2017 and the fair value of these rights was $44,500 ($0.89 per performance right).

414,375 performance rights were granted in prior periods in relation to the 2015-16 financial performance. 364,375 performance rights vest over 4 years from grant date on completion of service. The fair value of the 364,375 performance rights at grant date was $721,463 ($1.98 per performance right). The remaining 50,000 performance rights vest in September 2016 and the fair value of these rights was $44,500 ($0.89 per performance right).

397,469 performance rights were granted in prior periods in relation to the 2014-15 financial performance. 247,469 performance rights vest over 4 years from grant date on completion of service. The fair value of the 247,469 performance rights at grant date was $205,166 ($0.83 per performance right). The remaining 150,000 performance rights vest in September 2015 and the fair value of these rights was $133,737 ($0.89 per performance right).

633,500 performance rights were granted in prior periods in relation to the 2013-14 financial performance. The performance rights had a grant date of 27 March 2014 and vest over 4 years from grant date on completion of service. The fair value of the performance rights at grant date was $434,766 ($0.69 per performance right).

176,375 performance rights were granted in prior periods in relation to the 2012-13 financial year. The performance rights had a grant date of 15 September 2013 and vest over 3 years on completion of service. The fair value of the performance rights at grant date was $44,094 ($0.25 per performance right).

387,000 performance rights were granted in prior periods in relation to the 2011-12 financial year. The performance rights had a grant date of 1 July 2012 and vest over 3 years on completion of service. The fair value of the performance rights at grant date was $96,750 ($0.25 per performance right).

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17. SHARE BASED PAYMENTS (cont'd)

Information with respect to the number of performance rights granted under the long term incentive scheme is as follows:

	2017 Number of Performance Rights	2016 Number of Performance Rights
Outstanding at the beginning of the year	**1,471,719**	1,594,344
- granted	**320,492**	414,375
- forfeited	**-**	-
- exercised	**(226,375)**	(537,000)
- expired	**-**	-
Outstanding at the end of the year	**1,565,836**	1,471,719
Exercisable at end of year	**-**	-

Weighted average remaining contractual life

The weighted average remaining contractual life for performance rights at 30 June 2017 is 1.8 years (2016: 2.2 Years)

Performance rights pricing model (Tranche 1)
The fair value of the equity-settled performance rights granted for Tranche 1 is estimated as at the date of the grant using a Black Scholes Model taking into account the terms and conditions upon which the performance rights were granted.

The following table lists the inputs to the models used:

	2017	2016
Dividend yield	**0.6%**	1.2%
Expected volatility	**40%**	0%
Risk-free interest rate	**3.30%**	0%
Expected life of performance rights	**1-4 years**	1-4 years
Performance rights exercise price	**$0.00**	$0.00
Weighted average share price at measurement date	**$0.89-$4.88**	$0.89-$1.98

Performance rights pricing model (Tranche 2)
The fair value of the equity-settled performance rights granted for Tranche 2 is estimated as at the date of the grant using Black Sholes and Monte Carlo Simulation Models taking into account the terms and conditions upon which the performance rights were granted.

The following table lists the inputs to the models used:

	2017
Dividend yield	**0.6%**
Expected volatility	**40%**
Risk-free interest rate	**3.30%**
Expected life of performance rights	**1-4 years**
Performance rights exercise price	**$0.00**
Weighted average share price at measurement date	**$0.85-$2.45**

18. COMMITMENTS

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease commitments – Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

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18. COMMITMENTS (cont'd)

The US operations have entered into a commercial property lease for office premises from 1 December 2015 for a 5 year period. The German operations have entered into a commercial property lease for office premises and can give notice to vacate 6 months prior to 31 March each year, whereby they sign into another 12 months. The German operations also have several motor vehicle leases which expire at various stages between December 2017 and September 2018.

	Consolidated	
	2017	2016
Future minimum rentals payable under non-cancellable operating lease as at 30 June are as follows:	**$'000**	$'000
– Within one year	**350**	356
– After one year and not more than five years	**456**	679
– After more than five years	**-**	-
	806	1,035

19. EVENTS AFTER THE BALANCE SHEET DATE

On 18 August 2017, the directors of Pro Medicus Limited declared a final dividend on ordinary shares in respect of the 2017 financial year. This dividend comprises a normal dividend of 2.5 cents per share. The total amount of the dividend is $2,566,514 which represents a franked dividend of a total of 2.5 cents per share. The dividend has not been provided for in the 30 June 2017 financial statements.

20. AUDITOR'S REMUNERATION

	Consolidated	
	2017	2016
Amounts received or due and receivable by Ernst & Young (Australia) for:		
– an audit or review of the financial report of the Company and any other entity in the Group	**169,895**	168,313
– other services in relation to the Company or Group	**55,590**	46,480
	225,485	214,793
Amounts received or due and receivable by related practices of Ernst & Young (Australia):		
- audit of the financial report of Visage Imaging GmbH	**59,143**	53,221
– other services in relation to Visage Imaging GmbH	**48,146**	8,489
	332,774	276,503

21. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	Consolidated	
	2017	2016
Short-term employee benefits	**3,184,596**	3,143,575
Post-employment benefits	**133,675**	125,860
Other long-term benefits	**18,683**	177,694
Share-based payment	**322,321**	235,939
Total compensation	**3,659,275**	3,683,068

(b) Loans to Key Management Personnel

No loans are made to Key Management Personnel or staff.

(c) Other transactions and balances with Key Management Personnel

Purchases

During the year lease payments of $169,476 (2016: $169,476) in respect of the Group's operating premises at 450 Swan Street, Richmond were paid to Champagne Properties Pty. Ltd., an entity controlled by S. Hupert and A. Hall. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms. The current arrangement is on a month to month basis.

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22. RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Pro Medicus Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	% Equity interest 2017	% Equity interest 2016	Investment $'000 2017	Investment $'000 2016
Promed (USA) Pty Ltd	Australia	**100**	100	**-**	-
PME IP Australia Pty Ltd	Australia	**100**	100	**-**	-
Visage Imaging (Aust) Pty Ltd	Australia	**100**	100	**-**	-
Pro Medicus (USA) LLC	United States	**100**	100	**-**	-
Visage Imaging Inc	United States	**100**	100	**2,389**	2,389
Visage Imaging GmbH	Germany	**100**	100	**3,638**	3,638
				6,027	6,027

(b) Ultimate parent

Pro Medicus Limited is the ultimate Australian parent entity and the ultimate parent of the Group.

(c) Key management personnel

Details relating to KMPs, including remuneration paid, are included in Note 21.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

		Sales to related parties $'000	Purchases from related parties $'000	Other transactions with related parties $'000
Related party				
Consolidated				
Champagne Properties Pty Ltd – Rental lease	**2017**	-	**169**	**-**
Champagne Properties Pty Ltd – Rental lease	2016	-	169	**-**

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured, interest free and payable on demand.

Entities within the Group that own the intellectual property earn a royalty between 30% - 97% from the sales made by other entities within the Group.

Development costs undertaken by the German operations are reimbursed by the parent on commercial terms.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and short-term deposits.

The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, interest risk and credit risk. The Board manages each of these risks as detailed below.

Foreign currency risk

(i) Functional and presentation currency

Both the functional and presentation currency of Pro Medicus Limited and its Australian subsidiaries are Australian dollars ($). The United States subsidiaries' functional currency is United States Dollars. The subsidiary in Germany has a functional currency of Euro. Foreign subsidiaries are translated to presentation currency for consolidated reporting.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies' functional currency to presentation currency

The results of the United States and German subsidiaries are translated into Australian dollars (presentation currency) using an average exchange rate for the trading period. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investments in foreign subsidiaries are taken to the foreign currency translation reserve. If a foreign subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in profit or loss.

The Group has transactional currency exposure, which arise from sales made in currencies other than the Group's presentational currency.

Approximately 92% (2016: 76%) of the Group's sales are denominated in currencies other than the presentational currency, and these sales would be predominately offset by currency exposure on costs. Foreign bank accounts have also been established, to create a natural hedge and reduce the need for regular transfers from the presentational currency (AUD) cash holdings.

At 30 June the Group had the following exposure to US$ foreign currency that is not designated in cash flow hedges or recorded in the functional currency of the subsidiary

	Consolidated	
	2017	2016
	$'000	$'000
Financial assets		
Cash and cash equivalents	**2,804**	2,114
	2,804	2,114
Financial liabilities		
Trade and other payables	**-**	-
Net exposure	**2,804**	2,114

At 30 June the Group had the following exposure to CAD$ foreign currency that is not designated in cash flow hedges or recorded in the functional currency of the subsidiary

	Consolidated	
	2017	2016
	$'000	$'000
Financial assets		
Cash and cash equivalents	**1,518**	842
	1,518	842
Financial liabilities		
Trade and other payables	**-**	-
Net exposure	**1,518**	842

At 30 June the Group had the following exposure to GBP£ foreign currency that is not designated in cash flow hedges or recorded in the functional currency of the subsidiary

	Consolidated	
	2017	2016
	$'000	$'000
Financial assets		
Cash and cash equivalents	**118**	126
	118	126
Financial liabilities		
Trade and other payables	**-**	-
Net exposure	**118**	126

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

At 30 June the Group had the following exposure to EUR€ foreign currency that is not designated in cash flow hedges or recorded in the functional currency of the subsidiary

	Consolidated	
	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**3**	600
	3	600
Financial liabilities		
Trade and other payables	**-**	-
Net exposure	**3**	600

At 30 June, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding retained profits) would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
AUD/USD +10%	**(280)**	(211)	**(69)**	(78)
AUD/USD – 5%	**140**	106	**34**	39
AUD/CAD +10%	**(152)**	(84)	**-**	-
AUD/CAD – 5%	**76**	42	**-**	-
AUD/GBP +10%	**(12)**	(13)	**-**	-
AUD/GBP – 5%	**6**	6	**-**	-
AUD/EUR +10%	**-**	(60)	**(152)**	(156)
AUD/EUR – 5%	**-**	30	**76**	78

Management believe the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

Credit risk arises from the financial instruments of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential defaults of the counter-party, with a maximum exposure equal to the carrying amount of the financial assets.

The Group trades only with recognised, credit worthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit assessment.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As the Group trades predominantly within the Diagnostic Imaging market there is a concentration of credit risk. Given the underlying Government funding support for Radiology in Hospital settings and the Imaging Centre and Diagnostic Imaging market, and the commercial successes achieved by the Group to date, credit risk is considered to be minimal.

Cash and cash equivalents are held with several financial institutions, with the majority held with the Westpac Banking Corporation and Wells Fargo Bank N.A., both AA rated banks.

Interest risk

The Group exposure to market interest rates relates primarily to the company's cash and cash equivalents.

At reporting date, the Group had the following financial assets exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

Cash and Cash equivalents in the Group ($'000) $22,775 (2016: $17,107).

The Group's policy is to place cash balances in either 30 day term deposits or commercial bills that earn higher interest rates.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

At 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding retained profits) would have been affected as follows:

Consolidated

Judgements of reasonably possible movements:	**Post tax profit higher/(lower)**		**Other comprehensive income higher/(lower)**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
+1% (100 basis points)	**228**	171	**-**	-
– 0.5% (50 basis points)	**(114)**	(86)	**-**	-

Liquidity risk

The Group has minimal liquidity risk as it has cash reserves of $22.8m, with no borrowings.

These cash reserves are deemed to be adequate and the Board believes they will underpin the ongoing growth of the business.

The table below reflects all contractually fixed pay-offs for settlement and repayments resulting from recognised financial liabilities. Cash flows for financial liabilities without fixed amount of timing are based on the conditions existing at 30 June 2017.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2017	2016
	$'000	$'000
<30 days	**752**	1,015
31-60 days	**816**	204
61-90 days	**161**	189
Over 90 days	**1,729**	1,586
TOTAL	**3,458**	2,994

24. CONTINGENCIES

Tax related contingencies

Amended assessments from the Australian Taxation Office (ATO)
As a result of the ATO's program of routine and regular tax audit, the Group anticipates that ATO audits may occur in the future. The Group is similarly subject to routine tax audits in certain overseas jurisdictions. The ultimate outcome of any future tax audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless, the Group believes that it is making adequate provision for its taxation liabilities (including amounts shown as deferred and current tax liabilities) and is taking reasonable steps to address potentially contentious issues with the ATO. However, there may be an impact to the Group of any of the revenue authority investigations results in an adjustment that increases the Group's taxation liabilities.

Ongoing transactions – transfer pricing
The Group has offshore operations in the United States and Germany (Note 22). As disclosed in Note 22, there are extra Group transactions, which include the Company and its US and German based subsidiaries Visage Imaging Inc. and Visage Imaging GmbH and Pro Medicus Limited. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

Whilst there are no investigations currently in progress, such transactions are not subject to any statutory limit in Australia.

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25. PARENT ENTITY INFORMATION

Information relating to Pro Medicus Limited	**2017 $'000**	2016 $'000
Current assets	**26,834**	28,366
Total assets	**36,211**	37,465
Current liabilities	**28,274**	27,826
Total liabilities	**29,837**	29,312
Issued capital	**1,937**	1,302
Retained earnings	**5,001**	8,088
Foreign currency translation reserve	**(2,208)**	(2,341)
Share reserve	**1,717**	1,104
Share Buyback Reserve	**(73)**	-
Total shareholders' equity	**6,374**	8,153
Profit/(loss) of the parent entity	**(13)**	(607)
Total comprehensive income of parent entity	**(13)**	(607)

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries. There are no contingent liabilities held against the parent entity. The parent entity does not have any contractual commitments for the acquisition of property, plant and equipment.

26. OTHER ACCOUNTING POLICIES

(a) New accounting standards and interpretations

Changes in Accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016. Adoption of these standards did not have any effect on the financial position or performance of the Group. The necessary disclosures have been updated to reflect amended accounting standards.

Pronouncement	**Title**	**Application date of standard***	**Application date for Group***
AASB 2014-4	*Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)* The amendments clarify the principle in AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ration of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 January 2016	1 July 2016
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* The amendments clarify certain requirements in: • AASB 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal • AASB 7 Financial Instruments: Disclosures - sservicing contracts; applicability on the amendments to AASB 7 to condensed interim financial statements • AASB 119 Employee Benefits - regional market issue regarding discount rate • AASB 134 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'	1 January 2016	1 July 2016

Pronouncement	Title	Application date of standard*	Application date for Group*
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* The Standard amends AASB 101 *Presentation of Financial Statements* to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial; statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016

(b) Accounting Standards and Interpretation issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2017. These are outlined in the table below.

Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	*Financial Instruments*	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement.* Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.	1 January 2018	The Group is currently assessing the impact on the change in standard.	1 July 2018

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Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.			
AASB 15	*Revenue from Contracts with Customers*	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount	1 January 2018	The Group is currently undertaking an impact assessment in relation to the requirements of AASB 15. The assessment is currently on-going and the Group has not reached a determination or conclusion with respect to the impact of the new accounting standard.	1 July 2017

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Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2 : Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligation in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation			
AASB 2016-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled	1 January 2018	The Group will continue to assess the impact on the change in standard, if any	1 July 2017
AASB Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non- monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially	1 January 2018	No impact	1 July 2017

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Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		recognises the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.			
AASB 16	*Leases*	AASB 16 requires lessees to account for all leases under a single on- balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from todays' accounting under AASB 117. Lessors will continue to classify all lease	1 January 2019	The Group is currently assessing the impact on the change in standard. However an asset and liability will be required to be recorded on the statement of financial position for operating leases. There will be a further shift in the classification of expenses between operating lease expense, depreciation expense and a financing charge.	1 July 2018

Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.			

26. OTHER ACCOUNTING POLICIES (cont'd)

(c) Derivative financial instruments and hedging
The Group has not transacted any derivative financial instruments to hedge its risk associated foreign currency and interest rate fluctuations.

(d) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Loans and receivables
Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

(e) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

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Directors Declaration

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

(1) In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of the performance for the year ended on that date; and

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

(c) the financial statements and notes comply with International Financial Reporting Standards (IFRS) as disclosed in Note 2(b).

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board



P T Kempen
Chairman

Melbourne, 18 August 2017

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Independent Auditor's Report to the Members of Pro Medicus Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pro Medicus Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Capitalisation of development costs

Why significant	How our audit addressed the key audit matter
The Group develops medical software related to radiology systems. Development costs are capitalised and presented as intangible assets on the consolidated statement of financial position. The carrying value of intangible assets as at 30 June 2017 was $15.5 million (33% of total assets). Capitalised development costs represents a key audit matter as product development is core to the Group's operations and it is the key asset on the Group's consolidated statement of financial position. This involves judgement to determine whether the costs meet the capitalisation criteria in accordance with Australian Accounting Standard - AASB 138 *Intangible Assets*. The measurement of capitalised development costs is based on the time and overhead costs associated with individuals employed by the Group for the specific purpose of developing software. Capitalised development costs are amortised once the product is available for use. Capitalised development costs are amortised over a useful life of five years. Refer to Note 13 to the financial report for disclosure relating to capitalised program development costs.	Our audit procedures assessed the existence and measurement of capitalised development costs and the related disclosures. In performing our assessment, we: ► Assessed key measurement inputs, including salaries and overhead costs, used in the Group's capitalisation model which determines the amount of capitalised development costs. ► Tested a sample of overhead costs capitalised within the capitalisation model to assess whether these costs were appropriately capitalised in accordance with Australian Accounting Standard – AASB 138 *Intangible Assets*. ► Tested a sample of employee costs recorded within the capitalisation model to employee timesheets and enquired with the Group regarding the development activities that were undertaken. This included an assessment of whether a sample of employees were directly involved in developing software and not maintenance (as maintenance costs are not eligible for capitalisation). ► Assessed the useful life and amortisation rate allocated to capitalised development costs. ► Assessed the consistency of the capitalisation methodology applied by the Group in comparison to prior reporting periods. ► Assessed the adequacy of the disclosures included in Note 13.

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2. Impairment of intangible assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2017 the Group held $15.5 million (or 33% of total assets) in intangible assets, predominately comprising capitalised development costs recognised in accordance with Australian Accounting Standard - AASB 138 *Intangible Assets*. As explained in Note 13 to the financial report, intangible assets are tested by the Group for impairment annually. The directors' assessment of the recoverable amounts has been determined based on a value in use model referencing discounted cash flows of the RIS, Visage PACS, and Visage Magic Web cash generating units (CGU). This impairment model contains estimates and significant judgements regarding future cash flow projections and, therefore, the recoverable amount of intangible assets has been identified as a key audit matter.	Our audit procedures assessed the recoverable amount of intangible assets and the related disclosures. In performing our assessment, we involved our valuation specialists and: ► Assessed the appropriateness of the valuation methodologies. ► Assessed the incorporation of the Board approved 2018 cash flows into the Group's impairment analysis. ► Evaluated the key inputs and assumptions including cash flows, discount rates and growth rates adopted in the valuation of the recoverable amounts. In doing so, we assessed the Group's ability to achieve historical forecasts and assessed the assumptions with respect to forecasted future revenues and the probability of achieving such revenues. ► Assessed key assumptions including cash flow projections and discount rate to external market data. ► Assessed the adequacy of the disclosures made in the financial report per those required by Australian Accounting Standard - AASB 136 *Impairment of Assets*.

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3. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group generated $31.6 million in revenue across three jurisdictions for the year ended 30 June 2017. Revenue recognition is deemed a key audit matter as it represents a key measurement of the Group's performance and demonstrates the growth of the Group. Revenue is predominately generated from pay-per-view contracts which are driven by the number of image views undertaken by the customer. Revenue from the installation and ongoing support of software applications and services is recognised by reference to the stage of contract completion. Service revenue is recognised over the term of the contract. Refer to Note 4 to the financial report for disclosure relating to revenue recognition.	Our audit procedures assessed the recognition of revenue and the related disclosures. In performing our assessment, we: ► Reviewed new significant customer contracts. ► Tested whether the recognition of revenue was in accordance with the customer contracts by testing a sample of revenue transactions to contracts and customer invoices. ► Analytically reviewed revenue recognised to compare and contrast the revenue recognition profile between reporting periods, including on a customer, product and geographical basis. ► Tested a sample of revenue transactions recognised prior to and after year end, to assess whether revenue was recognised in the appropriate period.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Pro Medicus Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Paul Gower
Partner
Melbourne

18 August 2017

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ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

(a) Distribution of equity securities

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

			Ordinary shares Number of holders	Number of shares
1	–	1,000	1,193	685,509
1,001	–	5,000	1,334	3,450,797
5,001	–	10,000	326	2,572,929
10,001	–	100,000	302	8,385,510
100,001	and Over		45	87,565,804
			3,200	102,660,549
The number of shareholders holding less than a marketable parcel are:			69	1,445

(b) Twenty largest shareholders

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

		Listed ordinary shares Number of shares	Percentage of ordinary shares
1	**Dr S Hupert (multiple shareholdings)**	**30,107,660**	**29.33%**
2	**Mr A Hall (multiple shareholdings)**	**30,068,500**	**29.29%**
3	**J P Morgan Nominees Australia Limited**	**6,196,601**	**6.04%**
4	**UBS Nominees Pty Ltd**	**3,731,531**	**3.63%**
5	**Citicorp Nominees Pty Ltd**	**3,183,055**	**3.10%**
6	**National Nominees Limited**	**2,275,880**	**2.22%**
7	**BNP Paribas Noms Pty Ltd**	**1,468,282**	**1.43%**
8	**Mr Bram Vander Jagt & Mrs Maaike Vander Jagt**	**900,000**	**0.88%**
9	**One Managed Investment Funds Limited**	**878,776**	**0.86%**
10	**HSBC Custody Nominees (Australia) Limited – A/C No 2**	**878,756**	**0.86%**
11	**Grain Exporters (Australia) Pty Ltd**	**720,297**	**0.70%**
12	**Mr Peter Terence Kempen & Mrs Elaine Margaret Kempen (multiple shareholdings)**	**678,082**	**0.66%**
13	**HSBC Custody Nominees (Australia) Limited**	**532,900**	**0.52%**
14	**Mr Danny Tauber**	**406,412**	**0.40%**
15	**Mr Kenneth John Vander Jagt & Mrs Tanya Vander Jagt**	**403,600**	**0.39%**
16	**Mr John Charles Plummer**	**365,000**	**0.36%**
17	**Mr Roderick Lyle (multiple shareholdings)**	**340,000**	**0.33%**
18	**Mr Stephen Geoffrey Wilson & Ms Denise Adele Prandi**	**337,537**	**0.33%**
19	**Mr Evan Philip Clucas and Ms Leanne Jane Weston**	**328,980**	**0.32%**
20	**Mr Michael Wu**	**275,912**	**0.27%**
		84,077,761	**81.90%**

(c) Substantial shareholders

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

	Number of shares
S. Hupert	**30,107,660**
A Hall	**30,068,500**

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2017

The Board of Directors of Pro Medicus Limited is responsible for the corporate governance of the entity having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Pro Medicus Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summaries the Group's compliance with the CGC's recommendations.

		Comply	**Reference/**
	Recommendation	**Yes/No**	**explanation**
Principle 1 - Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: a) roles and responsibilities of its board and management; and b) those matters expressively reserved to the board and those delegated to management.	Yes	Page 64
1.2	A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	Page 64
1.3	A listed entity should have written agreement with each director and senior executive setting out the terms of their agreement.	No	Page 64
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 64
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Page 65
1.6	A listed entity should: a) have and disclose a process for periodically evaluation the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 65
1.7	A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 65

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		Comply	**Reference/**
	Recommendation	**Yes/No**	**Explanation**
Principle 2 - Structure the board to add value			
2.1	The board of a listed entity should: a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent directors, and disclose 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at this meetings; or b) if it does not have a nomination committee, disclose the fact and the process it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	Page 66
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Directors Report
2.3	A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	Yes	Page 64
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Page 64
2.5	The chair of the board of a listed entity should be an independent directors and, in particular, should not be the same person as the CEO of the entity.	Yes	Page 64
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a directors effectively.	Yes	Page 64
Principle 3 - Act ethically and responsibly			
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes	Page 68
Principle 4 - Safeguard integrity in corporate reporting			
4.1	The board of a listed entity should: a) have an audit committee which: 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) is chaired by an independent director, who is not the chair of the board; and disclose 3) the charter of the committee 4) the relevant qualifications and experience of the members of the committee; and	No	Page 66

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	5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner.		
		Comply	**Reference/**
	Recommendation	**Yes/No**	**Explanation**
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 67
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	Page 67
Principle 5 - Make timely and balanced disclosure			
5.1	A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	Page 67
Principle 6 - Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Page 67
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 67
6.3	A listed entity should disclose policies and progress it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Page 67
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 67
Principle 7 - Recognise and manage risk			
7.1	The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No	Page 68

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7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Page 68
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving effectiveness of its risk management and internal control processes.	No	Page 68
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 68
Principle 8 – Remunerate fairly and responsibly			
8.1	The board of a listed entity should: a) have a remuneration committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	No	Page 66
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Page 66
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	No	Page 66

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Pro Medicus Limited's corporate governance practices were in place throughout the year ended 30 June 2017.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

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

- The Board should comprise at least four directors and should maintain a majority of non-executive directors, or at least a 50/50 ratio of non-executives and executive directors;
- The Chairperson must be a non-executive director and not occupy the role of CEO;
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board shall meet monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

Directors of Pro Medicus Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Pro Medicus Limited are considered to be independent**:**

Name	Position
P T Kempen	Chairman, Non-Executive Director, Chairman Audit Committee
R Lyle	Non-Executive Director
A Glenning	Non-Executive Director

The Board wishes to advise that it continues to maintain responsibility for the actions of the Chief Executive Officer and any tasks delegated to the management by the Board.

The appointment of appropriately skilled Non-Executive Directors, together with a broadly unchanged business base has meant one new director nomination has occurred this year.

Executive Directors' Appointment Letters have not been revised in the prescribed format as the board considered this unnecessary given the small number of fairly recently appointed current directors who understand their roles and responsibilities. The board has undertaken that the recommended format should be used for any future director appointments.

Non-Executive Directors and senior executives have a written employment agreement with the Company setting out the terms of their appointment.

Mr. Sam Hupert and Mr. Anthony Hall were directors in Pro Medicus Pty Ltd since incorporation in 1983. Mr. Peter Kempen was appointed in March 2008, Mr Roderick Lyle was appointed in November 2010 and Mr Glenning was appointed in May 2016.

Company Secretary

The Company Secretary is accountable to the Board on all matters to do with the proper functioning of the Board. The Company Secretary, who is also the Chief Financial Officer, attends all Board meetings and ensures that the business at Board meetings is accurately captured in the minutes of these meetings.

Board Functions

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

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The Board has delegated responsibility for the operation and administration of the group to the Chief Executive Officer and the executive team (as detailed in Note 21). The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

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

- approval of strategic plans, which encompass the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- involvement in developing the strategic plan (a dynamic document) and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- overseeing implementation of operating plans and budgets by management and monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- utilising appropriately skilled professionals to provide advice on relevant discussion topics and procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period the board conducted performance evaluations that involved an assessment of each board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria.

The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Pro Medicus Limited.

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairman annually reviews the performance of all Directors who will be asked to retire from the board if not performing in a satisfactory manner.

Diversity

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. Pro Medicus believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While Pro Medicus is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group.

The Group has established a diversity policy outlining the board's measureable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives.

The table below outlines the diversity objectives established by the board, the steps taken during the year to achieve these objectives and the outcomes.

Objectives	**Steps taken/Outcome**
Increase the number of women in the workforce, including senior management positions and at board level.	• There were no key senior female appointments made during the year as there were no key senior appointments made during the year. • Pro Medicus did not appoint any females in managerial roles as there were no managerial appointments made during the year • As at 30 June 2017, women represented 21% in the Group's workforce (2016:22%), 20% in key executive positions (2016:20%) and 0% at board level (2016:0%)

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	• Women represented 0% of new hires during the year (2016:33%) For the upcoming financial year, the Group targets to increase female representation in the Group's workforce to 25-30%
Promote an inclusive culture that treats the workforce with fairness and respect.	• Pro Medicus has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination. • No cases of discrimination were reported during the year (2016: nil).
Objectives	**Steps taken/Outcome**
Provide career development opportunities for every employee, irrespective of any cultural, gender or other differences.	• Whilst Pro Medicus place focus on gender diversity, career development opportunities are equal for all employees. During the year, representation at training and development programs was based on performance of the employees.

The achievement of the measurable objectives in the current financial year was taken into consideration in assessing bonuses for employees. The Group will continue to review and update the measureable objectives to promote diversity for the upcoming year.

Committees

Due to the small number of Directors, the Board decided it was more appropriate to handle nomination and remuneration issues at full Board level. No Committees for these functions have been established at this time.

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

In order to maintain good corporate governance the Non-Executive Directors assume responsibility for determining and reviewing compensation arrangements for the Executive Directors of the Group. The Executive Directors in turn are responsible for determining and reviewing the compensation arrangements for the Non-Executive Directors. The CEO, in conjunction with the full Board reviews the terms of employment for all executives.

The Board has delegated the responsibility of executive remuneration to the management who will assess the appropriateness of the nature and amount of remuneration of such executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Company does not have a policy in regards to whether participants are permitted to enter into transactions (whether through derivatives or otherwise) which limit the economic risk of participating in the scheme, however the Board are in the process of evaluating a policy for such issues.

Strategic planning has been an important objective of the Board. Meetings are scheduled so that all Board members can attend and are conducted in an informal fashion to allow non-executive directors to gain enhanced industry, customer, product and research knowledge.

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The members of the audit committee are:
P T Kempen Chairman
S A Hupert
A B Hall
R Lyle
A Glenning

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The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half yearly audit review.

Due to the small number of Directors, the Committee does not meet the requirements of Recommendation 4.1 as all members of the Board serve on the Audit Committee, whilst the Board Chairman is also the Audit Committee Chairman as his area of expertise is in Accounting and Finance.

The number of meetings held and individual attendance of Committee members at those meetings are disclosed in the Directors Report.

Prior to approval of the Company's annual financial statements, the Board obtains a declaration from the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

A representative of the external auditors Ernst & Young will continue to attend the Annual General Meeting and is available to answer questions from security holders relevant to the audit.

Continuous Disclosure Policy

The board has developed a written policy to ensure compliance with the ASX Listing Rules on continuous disclosure and has adopted measures to ensure the market and shareholders are fully informed. The measures in place require all potential market sensitive matters are discussed with the Chief Executive Officer who in conjunction with the Chairman and other relevant directors decide whether to make an appropriate announcement to the market.

Only nominated authorised persons have the authority to release these communications to the ASX. This policy is displayed on the company website.

Shareholder Communication

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

- the annual report which is distributed to all shareholders registered to receive copies;
- through the release of information to the market via the ASX
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate;
- an up to date website - www.promedicus.com.au;
- email contact with registered users; and
- special written communications to shareholders distributed with the dividend notifications.

The company ensures that any material given to a particular group is available to all interested parties via the company website. This includes any material presented at the Annual General Meeting. Shareholders are encouraged to receive communications electronically as requested and can elect to do so through the company's share registry.

A copy of the Corporate Governance Statement is also available of the Company's website – www.promedicus.com.au.

The Company effectively facilitates two-way communication with shareholders, through six monthly investor relations roadshows and through constant investor meetings and conference calls with shareholders on request.

Trading policy

Under the group's security trading policy, an executive, director, or any employee of the group, must not trade in any securities of the parent company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Executives, directors and employees of the group may only trade in the securities of the parent company during an open period.

Only in exceptional circumstances will approval be forthcoming outside of an open period which is 30 days after:-

- One day following the announcement of the half-yearly and full year results as the case may be.
- One day following the holding of the annual general meeting.
- One day after any other form of earnings forecast update is given to the market.

As required by the ASX listing rules, the Group notifies the ASX of any transaction conducted by directors in the securities of the parent company.

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Code of Conduct

The board has developed a "Code of Conduct"" consistent with the recommendations and details are disclosed on the company website.

Risk Management Policies

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

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

Whilst the Company has not established an internal audit function, it is committed to the identification; monitoring and management of risks associated with its business activities and has included in its management and reporting systems a number of risk management controls, such as:

- Annual budgeting and monthly reporting systems for all operations which enable the monitoring of progress against performance targets and to evaluate trends
- Guidelines and limits on capital expenditure and purchasing authority matrix
- Executive approvals for staffing requirements
- Detailed monthly management reports including cash flow reports, and to identify any foreign currency risks associated with contracts written in and cash being held in foreign currencies

The Company up until late in the financial period was not exposed to any interest rate or significant currency sensitive loans or debts. Given the increase in overseas operations there is now an increased currency risk as a consequence of contracts written in and cash being held in foreign currencies. This change in risk profile has been noted by the board and action is being taken to manage this risk. The Board oversees appropriate backup procedures for important company data. Detailed annual review of insurance policies in force to ensure cover is at appropriate levels to safeguard key executives, Company assets and operations. The Board regularly considers succession planning to ensure staff of appropriate skill and experience are available to the Company.

A review of the Company risk management policy was not undertaken during the year.

The Board does not believe the Company has any material exposure to economic, environmental and social sustainability risks at the present time.

Corporate Information

ABN 25 006 194 752

Directors

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

Peter Terence Kempen	Chairman/Non-Executive Director/Chairman Audit Committee
Dr Sam Aaron Hupert	Chief Executive Officer/Managing Director
Anthony Barry Hall	Technology Director
Roderick Lyle	Non-Executive Director
Anthony Glenning	Non-Executive Director

Company Secretary

Clayton James Hatch

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www.promedicus.com
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Solicitors

Sci-Law Strategies
Morrison Foerster

Bankers

Westpac Banking Corporation

Auditors

Ernst & Young

Share Registry

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Level 12, 680 George Street
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Website: www.linkmarketservices.com.au

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You can do so much more online

Did you know that you can access – and even update – information about your holdings in Pro Medicus Limited via the Internet.

Visit Link Market Services' website www.linkmarketservices.com.au and access a wide variety of holding information, make some changes online or download forms. You can:

- Check your current and previous holding balances
- Choose your preferred annual report delivery option
- Update your address details
- Update your bank details
- Lodge, or confirm lodgement of, your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- Check transaction and dividend history
- Enter your email address
- Check the share prices and graphs
- Download a variety of instruction forms
- Subscribe to email announcements

You can access this information via a security login using your Security holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Don't miss out on your dividends
Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

Better still, why not have us do your banking for you.
Wouldn't you prefer to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia as cleared funds on dividend payment date – and we will still mail [(or email if you prefer)] you a dividend advice confirming your payment details.
Not only can we do your banking for you, but payment by direct credit eliminates the risk of cheque fraud.

Top 5 tips for Pro Medicus Limited investors visiting Link's (our registry) website

1. Bookmark www.linkmarketservices.com.au – to bookmark, click on 'Favourites' on the menu bar at the top of your browser then select 'Add to Favourites'
2. Create a portfolio for your holding or holdings and you don't have to remember your SRN or HIN every time you visit
3. Lodge your email via the 'Communications Options' and benefit from the online communications options Pro Medicus Limited offers its investors
4. Check out the 'FAQs' page (accessible via the orange menu bar) for answers to frequently asked questions
5. Use the 'Client List' page (accessible via the orange menu bar) to link to Pro Medicus Limited website and the website of the other Link clients in which you invest.

Contact Information
You can also contact the Pro Medicus Limited share registry by calling
+61 2 8280 7111 or Toll Free 1300 554 474