

Pro Medicus Limited

ABN 25 006 194 752

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2022



ABOUT THIS REPORT

COMMITMENT TO INTEGRATED REPORTING

Our 2022 Annual Report provides an overview of our financial and non-financial performance. In preparing this report, we have been guided by the International Integrated Reporting Framework (IIRF). This format comprehensively recognises the alignment of the long-term value we create primarily for our investors but also all our stakeholder groups as a developer and supplier of healthcare imaging software and services. Our journey to better describe our business and its values continues with this new report style, which represents a commitment to the improved reporting presentation that IIRF presents. The Company intends to build out the content of the IIRF sections in future Annual Reports and content on its website.

SCOPE AND CONTENT

This report covers Pro Medicus' operations with information referring to the year ended 30 June 2022 unless otherwise stated. It includes the key disclosures required under Australian legislation and provides a holistic overview of our business.

The boundary for reporting captures Pro Medicus' international operations in Berlin, San Diego and its headquarters in Melbourne.

Our Directors' Report has been prepared in accordance with the Corporations Act 2001 and is integrated throughout the annual report consisting of:

- Corporate Structure (Page 10);
- Nature of Operations and Principal Activities; Pro Medicus at a glance (Page 10);
- Our strategic goals (Page 14);
- How we create value (Page 13);
- Review and results of operations (Page 12 and 17);
- Review of financial condition (Page 18);
- Risk management (Page 15);
- Remuneration Report (Page 26-34);
- Corporate Governance (Page 36);
- Outlook (Page 25) and
- Other (Page 24).

Our Financial Statements from page 37 have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards (AAS). Compliance with AAS ensures compliance with the International Financial Reporting Standards (IFRS). Detailed information on the basis of preparation of our Financial Statements is available on page 42.

THE INTEGRITY OF OUR REPORTING

Pro Medicus has an Audit and Risk Management Committee in place tasked with the responsibility of managing the process of verifying the integrity of any periodic corporate report released to the market that has not been audited or reviewed by the Company's external auditor, EY.

The process involves receiving confirmation from either the respective business units or management as to the completeness and accuracy of the information contained within the report and subsequent approval by Senior Executives, the CEO and the Pro Medicus Board as deemed necessary before external release.

The Annual Report and Interim Financial Report are audited and reviewed respectively by EY. EY has conducted an independent audit of the Financial Statements and Remuneration Report. A copy of EY's audit report is contained on pages 73-77.

MATERIALITY

This report provides information on matters that we believe could substantively affect value creation at Pro Medicus. This year the Board has collectively identified and prioritised the material issues for inclusion in this report.

In this report, we present the identified material information through a structured narrative. We review who we are and how we create value through our governance practices and business model (pages 10-36). We report those matters significantly impacting value (pages 13-14) and outline our strategy, performance, and outlook to ensure long-term value creation (page 25).

The Board will continue to engage with key stakeholders and consult with them on matters that interest and impact them and add to our Annual Report when necessary. We will also continue to capture their views during our regular business engagements with them.

OUR REPORTING SUITE

Report	Key information
Annual Report (including Directors report)	Our Annual Report is a succinct report prepared with reference to the principles of integrated reporting, setting out how Pro Medicus creates sustainable value. It sets out our governance and business model, strategy, operating context, and operational performance and prospects. While the Report is targeted primarily at current and prospective investors, and other providers of financial capital, it will be of interest to other stakeholders. It includes a detailed analysis of our financial results and our audited financial statements, prepared in accordance with AAS and the Corporations Act 2001.
Corporate Governance Statement	Our Corporate Governance Statement provides information about Pro Medicus' governance framework and application of the 4th Edition of the ASX Corporate Governance Principles & Recommendations. http://www.promed.com.au/wp-content/uploads/2021/10/PME-Corporate-Governance-Statement-2022-Final.pdf
Investor Presentation	Our Investor Presentation summarises our operational performance and prospects, targeted primarily at institutional investors. It includes a summary of our financial results and outlook. http://www.promed.com.au/wp-content/uploads/2021/10/PME-Investor-Presentation-FY2022-Final.pdf

These are all available at Promed.com.au

CONTENTS

ABOUT THIS REPORT	2
Our Reporting Suite	3
Contents.....	3
Why we exist.....	4
Highlights for the year	5
CEO and Chairman's Letter	6
Global Leadership Team.....	8
About Pro Medicus.....	10
Organisational Overview and External Environment.....	12
How We Create Value.....	13
Risk management	15
The Value We Created.....	17
Other	24
Into the Future / Outlook	25
Remuneration Report(Audited)	26
Corporate Governance.....	36
Contents to financial report	37

WHY WE EXIST

OUR VISION

To be the leading provider of best-in-class enterprise medical imaging software.

OUR MISSION

To provide the best value enterprise Healthcare Imaging Software solutions “moving the needle” on clinical outcomes and return on investment.

OUR VALUES

Service and Product Excellence

- We are committed to providing well-supported, stable products and services to our customers enabling them to improve workflow and diagnoses, ultimately providing more efficient patient care.
- We are committed to continuous improvement of our systems, product and services.

Integrity and Trust

- We do the right thing for our people, customers and patients
- We do what we say we will do
- We maintain confidentiality
- We commit to a culture that is inclusive, respectful, honest and transparent in all that we do

HIGHLIGHTS FOR THE YEAR

Our Finances



- Reported profit after tax for the period was \$44.44m an increase of 44.1% from the previous year.
- Underlying profit before tax (PBT) \$62.4M – up 46.8% (refer to financial outcomes Page 17 for explanation of Underlying PBT and reason for inclusion).
- Cash and other financial assets \$90.55m – up 46.5%
- Full-year revenue of the Group increased from \$67.88m to \$93.46m, an increase of 37.7%.
- Transaction revenue up year on year (YoY)
- Full contracted revenue increase to \$418m over the next 5 years
- Net cash inflows from operating activities for the current period were \$61.58m.
- Declared dividends of 22.0c per share fully-franked – up 47%
- Company remains debt-free
- Strong pipeline in terms of quantity and quality of opportunities

Our Customers and key Relationships



- Won three key contracts in North America and a further extension of a government contract in Europe. Renewed two key contracts in North America.
- Nine of the “top-20” Hospitals in the US (<http://health.usnews.com/best-hospitals>) now standardised on Visage-7.
- Diverse customer base ranging from leading Academic Hospitals through to large Integrated Delivery Network (IDN's), regional hospitals and imaging centers.
- Customers based in Australia, North America and Europe.
- The ability for Visage-7 technology to work seamlessly and efficiently over the public internet enable radiologist to seamlessly “read remotely” and work safely from home as the COVID-19 pandemic gained pace.
- By using Visage CloudPACS™, customers could minimise the complexity and cost of on-premises provision of servers and hardware.

Our Team



- Employee turnover percentage has decreased from 5.71% to 5.29%.
- Stable management structure with no turnover.
- The total percentage of women across the entire organisation increased from 18.89% to 23.23%, while 25% remain in managerial roles.
- Maintained a strong health and safety record and had zero workplace injuries.
- Continued to support a hybrid remote workplace and allow support and safety for onsite employee when required.
- Strong sense of loyalty, engagement and ownership with many staff holding shares in the Company.

Our Software Implementation Process and R&D Capabilities



- Released new ejection fraction software at RSNA 2021 conference, a significant enhancement to the company's cardiology offering.
- Further enhancements to Visage CloudPACS™
- Successfully completed three of the industry's largest cloud deployments making Visage the leading Cloud PACS vendor.
- Released enhancements to Visage AI Accelerator, an end-to-end AI platform bridging research and integration of AI into clinical workflow and the diagnostic process.
- Released new capabilities in Visage RIS, the companies leading Radiology Information System software.
- Continued R&D investment in Visage 7 Viewer, Visage Open Archive and Visage Workflow products.
- Established new R&D hub at NYU Langone in NYC in August 2021.
- Progress with major Research Collaboration Agreements.
- R&D spend of 9.4% of revenue.

CEO AND CHAIRMAN'S LETTER

Chairman/CEO's Letter

Dear Shareholders,

We are delighted to report that 2022 has been the company's most successful year to date. It was another record year financially with revenue rising by 37.7% to \$93.5million and underlying net profit after tax increasing by 43.7% to \$44.0 million. The company experienced ongoing sales success winning four major contracts, three in North America and one in Europe as well as successfully completing four major implementations including three very large-scale cloud deployments positioning Visage as the leader in cloud based PACS.

The strong result was driven by growth in all three jurisdictions in which the company operates.

Our North American business experienced strong growth throughout the period with transaction revenue increasing by 65% year on year, it's largest increase to date. We continued to expand our footprint in the region winning 3 major contracts in the non-academic/IDN space. These include Novant (\$40m, 7 year deal) Inova Health (A\$32.0m, 8-year deal), and Allina Health (A\$28m, 7-year deal). The company also renewed three major contracts in the period in Allegheny Health, Wellspan and Sutter Health all of which were renewed with contract periods of 5 years or more and at an increased fee per transaction. The company now proudly services nearly half of the top 20 US hospitals (as voted by U.S. News Best Hospital 22/23) as well as a rapidly growing number of other large and mid-sized IDNs and health systems across North America.

Our Australian and European divisions were also solid contributors. In Europe, the company won a key contract extension with a German Government agency which contributed to our revenue growth in the region. In Australia our RIS product continues to be the undisputed market leader with revenue increasing due to the ongoing rollout of our key contracts during the period.

The streaming capability of our Visage platform is a key part of this process enabling us to perform all core business functions including customer support, sales and marketing and implementation activities remotely as required. It also continues to play a crucial role in enabling our clients to respond to an ever changing landscape by seamlessly facilitating their ability for remote reading and image sharing. Our research and development efforts continued unabated throughout the year, supplemented by the commencement of our new R&D centre at NYU Langone in New York in August 2021. We are already starting to see benefits from our collaboration.

We pride ourselves on our reputation of completing complex, large-scale implementations in a fraction of the time of industry norms. Over the past year, the company successfully completed four major implementations in a matter of months, including three large scale fully Cloud deployed implementations, an industry first.

The company continues to witness the momentum shift towards Cloud, with seven out of our last seven major contract wins selecting our Visage CloudPACS™ solution, a trend we see continuing. This combined with our highly modular solution, enables us to provide the most flexible and scalable options to our clients, which the company believes provides us with a significant strategic advantage.

Our investments in R&D have been rewarded. The company has continued its ongoing investments in our core products, namely Visage RIS, Visage 7 Viewer, Visage 7 Open Archive and our newest product, Visage 7 Workflow all of which contributed to our performance.

The trends we have previously identified as driving the industry are continuing unabated. Exponentially larger data sets and the image-enabling of a patient's electronic health record (EHR) and transition to Cloud create demands that are uniquely satisfied by Visage 7 with its fast, highly modular and scalable technology. We continue to see increasing interest in the emerging field of artificial intelligence (AI) whose technology shows promise to improve clinical outcomes. We believe we are uniquely positioned to take advantage of this trend via our Visage-7 AI Accelerator which provides a unique end-to end, AI ready platform.

We finish the year financially stronger than ever before with cash reserves and other financial assets totalling \$90.6 million, up 46.5%, supporting a final dividend of 12c fully franked (year total of 22c per share). The company remains debt-free and has sufficient reserves to fund organic growth and invest strongly in its future.

Key to this successful year are the management team and our staff, who have worked tirelessly and adapted to the challenges of remote working. We thank the management team, the staff at all levels and our fellow directors for their efforts throughout the year and look forward to another year of continuing growth in FY2023.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter T Kempen'.

Peter T Kempen AM
Chairman

A handwritten signature in blue ink, appearing to read 'Sam Hupert'.

Dr Sam Hupert
Chief Executive Officer

GLOBAL LEADERSHIP TEAM

The 2022 financial year has been the most successful in the company's history confirming the board's belief that the global management structure has served the company well and continues to position us to cater for anticipated future growth.



MALTE WESTERHOFF
General Manager –
Europe and Global Chief
Technology Officer

Malte Westerhoff is the General Manager for Visage Imaging GmbH, the European branch of Visage Imaging. He is also the Group's Chief Technical Officer (CTO) and is responsible for product management and R&D globally. He has more than thirteen years of experience in medical imaging and software development, holding positions in both research and industry. Malte holds a master's degree in physics from Technical University, Berlin, and a Ph.D. in computer science and mathematics from Free University, Berlin.

Malte was one of the founders of Indeed - Visual Concepts GmbH the precursor to Visage Imaging and is an author/co-author of several papers in scientific visualization and high-performance computing. In the role as CTO, he is involved in developing and overseeing the company's growing intellectual property patent portfolio. Before joining Pro Medicus, he served in senior technical leadership positions at Mercury Computer Systems and Indeed - Visual Concepts.



SEAN LAMBRIGHT
Global Head of Sales

Sean Lambright is the Global Head of Sales for Visage Imaging as well as VP Sales, North America. He is responsible for the company's global sales strategy, including all third-party and channel relationships. Sean joined Visage in 2010 and has been instrumental in positioning Visage as a complete enterprise imaging solution capable of dealing with some of the largest and most prestigious health systems in North America. Prior to Visage, his career in imaging IT has spanned 17 years, having served in senior sales roles with AGFA Healthcare, AMICAS and Emageon.

Sean holds a Bachelor of Science degree from Arizona State University.



TERESA GSCHWIND
Global Head of Customer Service

Teresa Gschwind is the Global Head of Customer Service for Visage Imaging, where she is responsible for pre- and post-sales customer service activities worldwide. Prior to this role, Teresa managed the Company's U.S. Customer Service team based in Massachusetts, and then the European Customer Service team based in Berlin, Germany. Teresa has extensive experience working with Visage's global customer base, having joined the company in 2002 when Visage was part of Mercury Computer Systems. Prior to Visage, Teresa held numerous management positions at Datacube, Inc, where she specialized in image processing.

Teresa holds a Bachelor of Science degree in Electrical Engineering from the University of New Hampshire.



BRAD LEVIN
General Manager -
North America and Global
Head of Marketing

Brad Levin's broad experience has spanned a variety of leadership roles, including government, consulting, and marketing. While in government, Brad worked as a PACS subject matter expert for the U.S. Department of Defence's Digital Imaging Network-Picture Archiving and Communications System (DIN-PACS) initiative, as well as consulting for top healthcare institutions across the U.S.

After leaving his consulting role, Brad went on to spearhead marketing for two web based PACS start-ups, first AMICAS, and then Dynamic Imaging. Both firms experienced rapid commercial growth leading to acquisition, by Vitalworks and GE Healthcare, respectively. In his most recent role, Brad was GE Healthcare's Commercial Marketing Director, where he had radiology and cardiology marketing responsibility for their RIS, PACS and CVIT product portfolios.



DANNY TAUBER
General Manager -
Australia

Danny Tauber joined Pro Medicus in 1993 after a diverse career in accounting, property development and IT. Assuming the role of General Manager – Australia in 2011 he is recognised as an industry expert and leads our Australian operation, which includes software development, application support and professional services.

ABOUT PRO MEDICUS

WHO WE ARE

PME is a developer and supplier of healthcare imaging software and services to hospitals, diagnostic imaging groups and other related health entities in Australia, North America and Europe.

Corporate structure

Pro Medicus Limited is an Australian incorporated and domiciled company, listed on the ASX with subsidiaries in Europe and North America (collectively the Group).

Nature of Operations and Principal Activities

The principal activities of the Group during the year were the development and supply of healthcare imaging software, Radiology Information System (RIS) software and services to hospitals, diagnostic imaging groups and other related health entities in Australia, North America and Europe.

Pro Medicus at a glance

Our key business activities consist of the following:

- **Research & Development** - Software enhancements, updates, innovation, program extensions, AI, research.
- **Sales and customer engagement** - Sales/relationships
- **Product implementation** - System implementation and continual upgrades (as needed)
- **Product support and training** - Customer support and ongoing training
- **Support services** – billing, risk management, governance, HR, management.

Our key products and services include:

- **Visage RIS** – Proprietary medical software for practice management, training, installation and professional services, after-sale support and service products, Promedius.net secure email and Integration products.
- **Visage 7** – Healthcare imaging software that provides radiologists and clinicians with advanced visualisation capability for rapidly viewing 2-D, 3-D and 4-D medical images, Picture Archive and Communication System (PACS)/Digital Imaging software that is sold directly and to original equipment manufacturers (OEM), training, installation and professional services and support products.

The Group has continued development of both the RIS products and the Visage 7 product line throughout the period. The Group undertakes research and development (R&D) in Australia for its Practice Management (RIS) and promedius.net products including R&D for Visage RIS, its new technology platform. The R&D for the Visage Imaging product set is performed in Europe. Further information on our products can be found at <http://www.promed.com.au/visage-ris/> and <https://visageimaging.com/platform/>.

OUR COMPETITIVE ADVANTAGE

To understand how we create value for stakeholders, we have reviewed our market position and competitive advantages and listed them below.

- Our software is renowned for being the market leader when it comes to speed, functionality and scalability.
- Visage-7's ability to stream images (rather than compress and send) makes accessing images significantly faster for clinicians than competitor software.
- The company's Visage-7 viewer offers a single integrated desktop system that performs the functions previously achieved by multiple independent systems including 3D, 4D and advanced visualisation functions.
- The Visage 7 software suite offers unparalleled scalability having a much smaller hardware footprint as compared to our competitors and is therefore very energy efficient.
- The company possesses "best in breed", highly modular components that allow it to address opportunities in mixed vendor environments as well as offer a single vendor, Visage based solution.
- Visage-Ease the Visage 7 Mobile App provides clinicians with the ability to review images on demand anywhere on any device, leading to better outcomes for patients.
- Visage-7 streaming architecture is based on the same GPU processors used for running AI algorithms ensuring the Visage 7 architecture is intrinsically AI-capable.
- We have a proven rapid implementation capability that minimises the cost and disruption of changing systems delivering the benefits of the system in the shortest possible time frame.
- The Visage 7 platform and the services provided around implementation and ongoing support provide customers with the best financial and clinical Return on Investment (RoI), enabling them to do on the Visage platform what they can't easily do with others.
- The company's cloud native solution, Visage CloudPACS™ enables customers to avail themselves of the scalability and security of public cloud infrastructure – a trend that is gaining significant momentum in the healthcare industry.
- Visage RIS is a comprehensive, enterprise-class and state-of-the-art radiology information system (RIS) which leverages modern, open-source, standard-based technology.

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

DYNAMICS OF THE BUSINESS / GLOBAL OPERATIONS

We outline the result of our global operations below and how it impacts our finance outcomes.

Australia	North America	Europe
Australian employees undertake the research and development of Pro Medicus products Visage RIS as well as sales and service/support function. Our Australian revenue increased by 7.9% compared to the previous year, with the main contributors being transaction volumes from the Healius contract and additional licence revenue from the extension of the contract with I-MED Radiology Network. Promedius.net, the Company's e-health offering, held its market position.	The North American team fulfil sales, marketing and professional services roles relating to the Visage-7 series of Enterprise Imaging products. The company has established an R&D centre in New York to support and collaborate with customer research projects. Revenue from North America increased by 46.8% compared to the previous year. This was largely attributable to increases in transaction-based revenue from sales of Visage technology as more contracts came on stream.	The Group's employees in the 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 for software from our European operations increased by 24.4% compared to the previous year. This was attributable to an extension of the German government hospital contract to a fourth site and additional support revenue for the Ludwig-Maximilians University in Munich.

EXTERNAL ENVIRONMENT

The following external factors positively affect our ability to create value.

Significant increase of image data and size.

Image files sizes have increased from 2-3 GB to 6-10 GB per file. Visage-7 technology, which efficiently streams data to the customer, provides a significant advantage over competitors relying on traditional "compress and send" technology.

Adoption of Electronic Medical Records (EMR)

The Electronic Medical Records (EMR) Mandate in the US requires healthcare providers to convert all medical records to a digital format. Images are a significant component of the medical record and adoption of EMR systems triggers the need to acquire technology to store and display them, creating a market demand for Visage technology.

Transaction based licensing

The industry is moving to a "pay per view" model. Converting an up-front capital cost into an operational usage fee makes it less expensive for the customer to commence use and provides a stream of income for the lifetime of the relationship. Visage technology is predominantly sold on a "pay per view" operational model.

Remote/Home Reporting

The COVID 19 pandemic has accelerated the need for remote/home reporting. Visage 7 with its unique streaming capability allows radiologists to seamlessly report from home without degradation of speed or functionality over a consumer grade internet connection. This provides healthcare institutions maximum flexibility in terms of managing increasing work from home requirements.

Public Cloud

There is a growing trend for health enterprises to move away from on-premise solutions in favour of public Cloud offerings. Visage 7 with its cloud native design is ideally suited to support this transition via the company's Visage CloudPACS™ offering. This reduces not only the upfront cost and complexity of provisioning and managing server hardware, but it also provides customers with the added security and scalability offered by public Cloud providers.

Artificial intelligence

Machine learning in the field of medical imaging and patient diagnosis is an ongoing trend. Visage-7 AI accelerator provides an end-to-end platform for customers to support their AI research efforts and incorporate them into diagnostic imaging workflow.

HOW WE CREATE VALUE

We employ our key inputs (our capitals) to our business model and transform them by our business activities to provide a suite of products and services to our customers. We deliver outcomes creating sustainable enterprise value whilst enhancing the capitals available to the business for use in future years. As part of the integrated reporting journey the Board will determine metrics in addition to existing financial measures (such as Net Profit after Tax (NPAT) and revenue growth) to quantify our performance in delivering outcomes in the coming years.

Some of the key 'outcomes' for stakeholders on value creation are:

- Customers – Our products and services reduce the cost of business for our customers, which flows through to their pricing models and profitability
- Community – Our customers and their patients - Improved accessibility and fast, high quality image interpretation creates better financial and health outcomes
- Customers - Our products and services are highly scalable allowing accessibility to a range of customers
- Customers - Our products are developed to minimise the computer hardware and storage requirements of our customers by being cloud deployable
- Employees – Our staff are loyal and engaged, with low turnover with many senior staff invested in the company
- Employees – Competitively remunerated and incentivised through fixed remuneration, short-term incentive and long-term incentives
- Investors – Our products and services are in demand and attract strong margins, securing good growth in revenue, profit and shareholder returns, thus rewarding our investment in R&D and people

OUR BUSINESS STRATEGY

We have three overarching strategic business goals which drive our business model and the way we create value.

Goal 1: Best in class Healthcare Imaging & RIS software through continuous innovation	Goal 2: Make a meaningful impact on customer financial and clinical outcomes	Goal 3: Sustained revenue and NPAT margin growth
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First and foremost, the Company strives to develop and market software and services for the medical imaging profession that are best in class. The fact that the company's success in many open tenders has been won on the basis of feature, function and performance rather than price supports that we are on track to achieve this goal.

Secondly, to maintain the pricing premium for our software, it is necessary to provide meaningful value to our customers. Financially, this is seen through the efficiencies gained by adopting Visage-7 technology which provides greater throughput of patient images interpreted within an organisation and significantly reduces IT costs. Clinically, the software enhances the diagnostic process acuity due to its ability to display the full spectrum of medical imaging including 2D, 3D, 4D and advanced imaging in the one desktop enabling clinicians to do in seconds what would otherwise take minutes with multiple other systems. This value to the interpreting radiologist is further augmented through insights derived through the use of image analysis using Artificial Intelligence algorithms.

Finally, we are rewarded for our quality and service by regular and increased custom from a growing and loyal customer base.

RISK MANAGEMENT

Risk Management

Key risks

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 identified risk and opportunities.

The Company has an Audit and Risk Committee (ARC) which has a guiding role in the development and evolution of the risk management framework. The ARC's primary risk management responsibility is to monitor and review the Company's risk management framework at least annually to assess whether it is sound and is operating in accordance with the nature and extent of the acceptable levels of risk determined by the Board and report to the Board the results of those assessment. We have appointed a specific employee of the company to take responsibility for identifying risk across the organisation in conjunction with the management team and reporting to the CFO.

In the reporting period the Company created a Risk Management Plan, Risk Management Framework and Risk Appetite Statement to describe our approach to managing risks and sets out the policies and processes established by the Board to identify, assess and manage risk.

The material strategic, operational and financial risks being managed by the company are outlined below.

Financial Risks

Fraud / inappropriate conduct

The risk of fraud / inappropriate conduct leading to significant loss or reputational damage is managed and mitigated through periodic financial reconciliations. Delegation of Authority policy and periodic cyber security reviews. An external audit is conducted on the Company's financials annually.

Changes in market competition

The threat of new entrants to the market and the impact on revenue base is managed and mitigated through long term contracts, continuous product development, proactive customer engagement to determine needs and requirements and offering additional products to customers to add value.

Alignment of customers, products and services to strategic objectives

The threat of losing key customers due to non-performance, non-compliance with Service Level Agreements (SLAs) or competition is managed and mitigated through regular reporting on key client satisfaction and assisted by automation of performance analysis of customer software.

Quality management

The risk of poor-quality management or lack of policies and procedures are managed and mitigated through internal control measures.

Strategic and operational risks

Cyber security

The risk of direct external cyber-attack on PME IT systems or third party (client) systems using PME relationships is managed and mitigated through internal control measures. In the event of a breach to key systems, the Company can either shut down, reinstall or revert to system and source code backups. As at the date of this report, there have been no material cyber security breaches or penetration.

Security of private data

The risk of non-compliance or breach of the regulations of private data has been managed and mitigated through ISO27001 risk assessments and audit compliance. As at the date of this report, there were no known non-compliance or breaches of the regulations of private data noted for the financial year ended 2022.

Succession planning

The risk of succession of key executives has been identified and an external review was undertaken during the year to identify the roles and responsibilities of these executives. The review is currently being used to determine future talent needs, source potential recruitment needs for the future, develop a strategic plan to fill identified skills and talent gaps and plan for succession of the key roles identified, some of which have been successfully recruited throughout the year.

Clinical risk

Clinical misdiagnosis risks are managed and mitigated through the FDA (510k) process undertaken in the United States. This process requires demonstration that the software produces clinically equivalent results to other known legally marketed devices.

Technology obsolescence

The risk of Pro Medicus technology becoming obsolete and threat of emerging technologies has been managed and mitigated through frequent interaction with customers and leaders across the industry to help identify emerging innovations and disruptions to the market and through our continuous research and development efforts.

IP issues

The risk of transgressing others' IP and the risk of IP being lost due to theft, copying by third party or rogue employee has been managed and mitigated through insurance, agreements, the ownership of key patents and active surveillance. Should the likelihood of an inadvertent IP transgression arise, the Company is able to change and update product software to avoid any continuing patent breaches.

Climate change

An initial review by Board and management has identified climate change as a key risk to the global community and the Board accepts the science and responsibility that companies face in responding to climate change. The Board and management have considered from a governance and risk perspective however, whilst a risk, it would have a lower impact on enterprise value than the top 10 risks outlined above. The Group has no significant identified risks with regard to environmental regulations currently in force. There have been no known breaches by the Group of any regulations.

COVID-19

Examination volumes in Australia and North American have returned to normal levels and it is anticipated, subject to the impact of any further major COVID outbreaks, that this trend will continue.

As a result, it is anticipated that the 2023 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.

THE VALUE WE CREATED

Financial outcomes

Financial performance

Reported profit after tax for the period was \$44.44m an increase of 44.1% from the previous year.

Full year revenue of the Group increased from \$67.88m to \$93.46m, an increase of 37.7%. The key drivers of the revenue increase were increases in transaction revenue in North American, extension of the German Government contract in Europe and as well as increased RIS sales in Australia.

The underlying pre-tax profit for the year of \$62.38m compared to an underlying pre-tax profit of \$42.51m from the previous corresponding period, an increase of 46.8%. The underlying profit comprises reported profit before tax of \$63.08m, less the net currency gain of \$1.12m and adding back the fair value loss on the movement of other financial assets of \$0.42m. The underlying profit from 2021, comprises reported profit before tax of \$42.87m, less the net currency gain of \$0.24m and fair value gain on the movement of other financial assets of \$0.12m. Underlying profit is a non-IFRS measure and has been included in the analysis of financial performance as the Directors consider it provides a meaningful comparison of results from period to period.

The currencies of the countries in which the Company has its activities have been volatile during the year. On a constant currency basis¹, the revenue would have been \$91.57m (up 34.9%) and the underlying profit before tax would have been \$60.74m (up 42.9%) for the year ended 30 June 2022.

The Company had another successful year in terms of new sales winning three key contracts in North America and an extension to a contract in Europe.

October 2021 - Novant Health (A\$40.0m – 7 year deal), a community based integrated delivery network in North Carolina;

April 2022 - Inova Health (A\$32.0m – 8 year deal), a leading not-for-profit healthcare provider in Northern Virginia;

June 2022 – Allina Health (A\$28.0m – 7 year deal) not-for-profit healthcare system based in Minneapolis;²

The Company was also successful in extending the contract it has with a large German Government Hospital network, with a new site coming live in November 2021.

During the period the Company was able to establish a new research and development hub in New York to support collaboration to facilitate development and commercialisation in the field of AI, leveraging the Visage AI Accelerator platform and to further enhance our Visage 7 platform.

The Company also continued to make significant progress with all key implementations being on, or ahead of schedule. This was achieved by a mix of remote and onsite presence.

1. Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance for the Company. This is done in two parts: a) by converting the current year net profit / (loss) of entities in the group that have reporting currencies other than AU Dollars, at the rates that were applicable to the prior comparable period (Translation Currency Effect); b) by restating material transactions booked by the group that are impacted by exchange rate movements at the rate that would have applied to the transaction if it had occurred in the prior comparable period (Transaction Currency Effect).

² Contract values represent the total expected fees to be earned over the life of the relevant agreement

Review of Financial Condition

Capital Structure

The Company has a sound capital structure with a strong financial position and is debt free.

Treasury Policy

The treasury function, co-ordinated within Pro Medicus Limited, is limited to maximising return on surplus funds, subject to conservative investment risk exposure, 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.

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 steps have been taken to manage this risk, including taking out forward currency exchange contracts and currency options.

Cash from Operations

Net cash inflows from operating activities for the current period were \$61.58m, with receipts from customers totalling \$92.10m compared with payments of \$23.25m to suppliers and employees. During the year the Company paid out a total of \$18.79m in dividends and investing \$14.90m in fixed income securities, the net result being total cash assets of \$63.66m; an increase of 51.4% from last year. During the reporting period the Group continued to make investments in fixed income securities to enhance the return in its available funds.

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.

ESG OUTCOMES

Our environmental, social and governance (ESG) performance is important to us. We have included the ESG metrics that we currently monitor.

The Board has decided that over the next financial year, our key stakeholders will continue to be engaged and consulted on the ESG metrics that interest and impact them and reflect them in our next annual report.

Greenhouse Gas Emissions

The major source of emissions from Pro Medicus' operations comes from Scope 2 greenhouse gas (GHG) emissions. Due to the nature of our business, our emissions footprint is minimal.

Tonnes CO ₂ equivalent	FY22	FY21
Scope 1	1.9	1.9
Scope 2	114.6	125.1
Total Emissions	116.5	127.0

Scope 1 emissions are direct emissions from owned or controlled sources and relate to refrigerants from refrigerators and air conditioning.

Scope 2 emissions are indirect emissions from the generation of purchased energy and relate to electricity consumption.

The GHG emissions have been prepared in accordance with Pro Medicus's GHG Inventory Basis of Preparation which references the World Business Council for Sustainable Development Greenhouse Gas Protocol. The methodology for energy and emission factors related to the international offices is sourced from Australia's National Greenhouse Accounts (NGA), German Environmental Federal Office and US Environmental Protection Agency (EPA).

Water Consumption

Pro Medicus recognises the importance of promoting sustainable water management practices. Water scarcity is increasingly affecting more populations worldwide. Pro Medicus monitors and reports water consumption with the aim to reduce our environmental impact and increase efficient water management practices.

Kilolitres (KL)	FY22	FY21
Water Consumption	925.7	735.8

Water consumption from the three Pro Medicus international offices

Female Representation

Pro Medicus respects and recognises the importance of having a diverse workplace, particularly pertaining to gender representation. Pro Medicus' Diversity Policy outlines our commitment to gender diversity and recognition that gender is not a barrier to participation in our workforce.

Female Representation %	FY22	FY21
Board	28.6	16.7
Senior Executive	11.1	11.1
Management	25.0	25.0
Total % of women in management roles	17.7	17.7
Operational	24.4	19.2
Total % of women across the entire organisation	23.2	18.9

Management roles are defined as either a management or senior executive position

Employee Turnover

Pro Medicus prides itself on creating a positive workplace environment. Employee turnover has historically been low across our company due to a concerted effort to create a positive culture.

Employee Turnover %	FY22	FY21
Total Employee turnover for the period	5.3	5.7

Based on average turnover of full-time and part-time employees

Safety

Pro Medicus is committed to monitoring and ensuring the health and safety of each employee as per workplace health and safety laws and standards. Pro Medicus maintains a strong health and safety record and had zero workplace injuries.

Safety Reporting	FY22	FY21
Safety Reporting %	0	0
Lost time injury frequency rate (per total employees)	0	0

Lost time injury frequency rate (LTIFR) measures the number of lost-time injuries per million hours worked during the accounted period.

BOARD OF DIRECTORS

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 AM 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 Leukemia and Lymphoma Group. He is also a Trustee of the Barr Family Foundation and a member of the Board of St Hilda's College Ltd, 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 was appointed a Member in the General Division of the Order of Australia (AM) in the 2018 Queen's Birthday Honours. Peter became Chairman in August 2010 before which he served as a Non-Executive Director of the Company.
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 holds a Bachelor and Master's degree in Science from La Trobe University.
Anthony James Glenning B.Sc. B.EE (Hons), M.EE (Non-Executive Director)	Anthony joined Pro Medicus Limited as a Director on 1 May 2016. He is the fund manager of Skalata Ventures, investing in early-stage companies to help them scale and grow into significant and sustainable businesses. He is a Director of Austco Healthcare Limited (ASX:AZV) since September 2018, an international provider of healthcare communication and clinical workflow management solutions. Anthony has previously been Chairman of Cyrise Pty Ltd, an accelerator for early-stage cyber security start-ups and Investment Director of Starfish Ventures and was 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 People & Culture committee and Audit and Risk committee.
Dr Leigh Bernard Farrell PhD, B.Sc. (Hons), FAICD (Non-Executive Director)	Leigh joined Pro Medicus Limited as a Director on 8 September 2017. He is the Head of the Health Security Division of DMTC Ltd, Managing Director of AdNED Pty Ltd, non-executive director of both Ena Respiratory Pty Ltd and Alexia Oncology Pty Ltd, a member of the Walter and Eliza Hall Institute of Medical Research Board Commercialisation Committee and a member of the Independent Advisory Council of Medicines Australia. Leigh was previously Senior Vice President, Commercial of Certara USA, Inc. where he was responsible for Asia Pacific Commercial. Prior to this, he was Chairman and COO of d3 Medicine LLC, which was acquired by Certara USA, Inc. Leigh holds a PhD in Biochemistry and a Bachelor of Science (Honours) from Monash University and is a Fellow of the Australian Institute of Company Directors. Leigh also serves on the People & Culture committee and Audit and Risk committee.

Deena Robyn Shiff
B.Sc (Hons), B.A. Law
(Hons), (Non-Executive
Director) (appointed 1
August 2020)

Deena joined Pro Medicus Limited as a Director on 1 August 2020. Deena is Chair of the Supervisory Board of Marley Spoon AG (ASX:MMM) since July 2018 and was Non-Executive Director of Appen Ltd (ASX:APX) since May 2015 to May 2022 and a Non-Executive Directors of Electro Optic Holdings (ASX:EOS) from December 2021. Deena also held other board positions with Healthcare I.T. Pty Ltd and Infrastructure Australia and was Chair of the Government's Australia Broadband Advisory Council. Deena is also on the board of Opera Australia.

Previous board roles include Chairman of the global board of BAI Communications, Non-Executive Director of the Citadel Group (ASX:CGL), Vice Chairman of the Government's Export Credit Agency EFIC, and a number of venture capital backed growth stage ICT companies.

Deena has served as a Group Managing Director at Telstra, where she led the Wholesale Division Group, established and led Telstra Business and founded Telstra's corporate venture capital arm, Telstra Ventures. Deena has also held various in house regulatory and legal positions and has been a Partner of the law firm Mallesons Stephen Jacques.

Deena holds a degree from the London School of Economics and a Law degree from the University of Cambridge.

Deena is Chair of the People & Culture committee and serves on the Audit and Risk committee.

Alice Williams
B.Com, FCPA, FAICD,
CFA, AIF ASFA, (Non-
Executive Director)
(appointed 1 September
2021)

Ms Williams is a Non-Executive Director and Chair of the Audit Committee of Djerriwarrh Investments since May 2010 and Chair of the Audit & Risk Committee of Vocus Group since September 2022. Alice also holds other board positions with Tobacco Free Portfolios, is a non-executive Director and member of the Audit & Risk Committee and Due Diligence Committee of Mercer Investments (Australia) Ltd and is on a Project Advisory Council of the Florey Institute of Neuroscience.

Previous board roles include Non-executive Director of Defence Health, Cooper Energy (ASX: COE), Equity Trustees Ltd (ASX: EQT), and as a member of the Foreign Investment Review Board.

Alice holds a degree from Melbourne University of Commerce, is a Fellow of the Australia Society of Certified Practising Accountants, a Fellow of the Australian Institute of Company Directors, and graduate from the Institute of Chartered Financial Analysts.

Alice is Chair of Audit & Risk committee and also serves on the People & Culture committee.

Company Secretary

Clayton James Hatch
CPA, GEMBA

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. Clayton holds a Bachelor of Commerce degree from Curtin University, is a Certified Practising Accountant (CPA) and a graduate from Monash University's Global Executive Master of Business Administration (GEMBA).

Further information on current Directors, their qualifications, participation in Board sub-committees and attendance at meetings can be found below, page 23.

BOARD COMMITTEES

The Board and management team maintain high standards of corporate governance as part of our commitment to create value for our stakeholders through effective strategic planning, risk management, transparency, and corporate responsibility.

As at 30 June 2022, the company had an Audit and Risk Committee comprising the 5 Non-Executive Directors and a People and Culture Committee comprising 4 Non-Executive Directors.

A description of the role of each committee and its composition is set out in the following table.

Committee	Members	Composition	Role
Audit and Risk Committee	Ms Alice Williams (Chair) Mr Anthony Glenning Dr Leigh Farrell Ms Deena Shiff Mr Peter Kempen	- At least three members, all of whom must be non-executive directors and a majority of whom are independent directors. - The chair must be an independent non-executive director, who is not the chairman of the Board. - Comprise members who are financially literate and include at least one member who has accounting and/or related financial management expertise and some members who have an understanding of the industries in which the Company operates.	Our Audit and Risk Committee assists the Board in carrying out its oversight of the quality and integrity of the accounting, auditing and financial reporting of the Company. The Committee also reviews the adequacy of Pro Medicus' internal control structure, corporate reporting processes, and risk management framework, monitors the effectiveness, objectivity and independence of the external auditor and reviews reports from the external auditor.
People and Culture Committee	Ms Deena Shiff (Chair) Mr Anthony Glenning Dr Leigh Farrell Ms Alice Williams	- At least three members, all of whom are non-executive and the majority of whom are independent directors. - The chair should be an independent director. - All members should have sufficient technical expertise to discharge its mandate effectively.	Our People and Culture Committee assists and advises the Board on remuneration policies for directors and senior executives, induction and continuing professional development programs for directors, succession planning, composition and size of the board, process for evaluating the performance of the board, and overseeing employee engagement and talent programs.

Director's 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:

	Board Meetings		Audit & Risk Committee		People & Culture Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Kempen	13	13	3	3	-	3
Anthony Glenning	13	13	3	3	3	3
Leigh Farrell	13	13	3	3	3	3
Deena Shiff	13	13	3	3	3	3
Alice Williams	11	11	2	2	2	2
Anthony Hall	13	13	3	3	-	3
Sam Hupert	13	13	3	3	-	3

OTHER

DIVIDENDS

Dividend declared subsequent to the end of the year	Cents	\$'000
FY22 final dividend (declared 18 August 2022)	12.0	12,514
Dividends declared and paid during the year:		
FY22 interim dividend	10.0	10,437
FY21 final dividend	8.0	8,351

Refer to Note 9 for further details about Dividends paid during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Refer to the Operating and Financial Review section above for information on the significant changes in the state of affairs of the Group. Information on likely developments and future prospects of the Group is discussed below.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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.

ROUNDING

Unless otherwise stated, 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

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 (Cth) is included on page 35.

The Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Group is essential and will not compromise auditor independence.

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided during the year are set out in Note 22 to the financial statements. The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) for the following reasons;

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

SHARE OPTIONS

Un-issued Shares

As at the date of this report, there were 404,611 un-issued ordinary shares in the form of performance rights. Refer to Note 19 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.

Shares Issued as a Result of the Exercise of Performance Rights

During the financial year, 82,977 performance rights were exercised by current employees and zero performance rights expired. A further 91,762 performance rights were exercised by key management personnel in the current year to acquire fully paid ordinary shares in Pro Medicus Limited.

Significant events after Balance Sheet date

FY22 final dividend

A Final Dividend for FY22 of 12.0 cents per share was declared on 18 August 2022.

Other than the matters described above, no matters have arisen since the Balance Sheet date which have significantly affected or may affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

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

INTO THE FUTURE / OUTLOOK

The Directors anticipate that the 2023 financial year will see more opportunities crystallise for the Company due to improved prospects in North America for Visage 7 (PACS) and the continued commercialisation and roll out of Visage RIS, the company's new technology RIS platform.

Key factors 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 2023 financial year.
- Continued strong interest in the Visage 7 expanded 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 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 technology, including the use of artificial intelligence (AI) in the industry, the ease of deployment of Visage 7 in public cloud and the explosion in image data size which increases the time to display images by non-streaming technologies.
- Increased revenue from Visage RIS, the company's new technology RIS platform as the rollout of this new platform continues.
- Extension of the Visage 7 product to Enterprise Imaging and use beyond the realm of radiology

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 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.

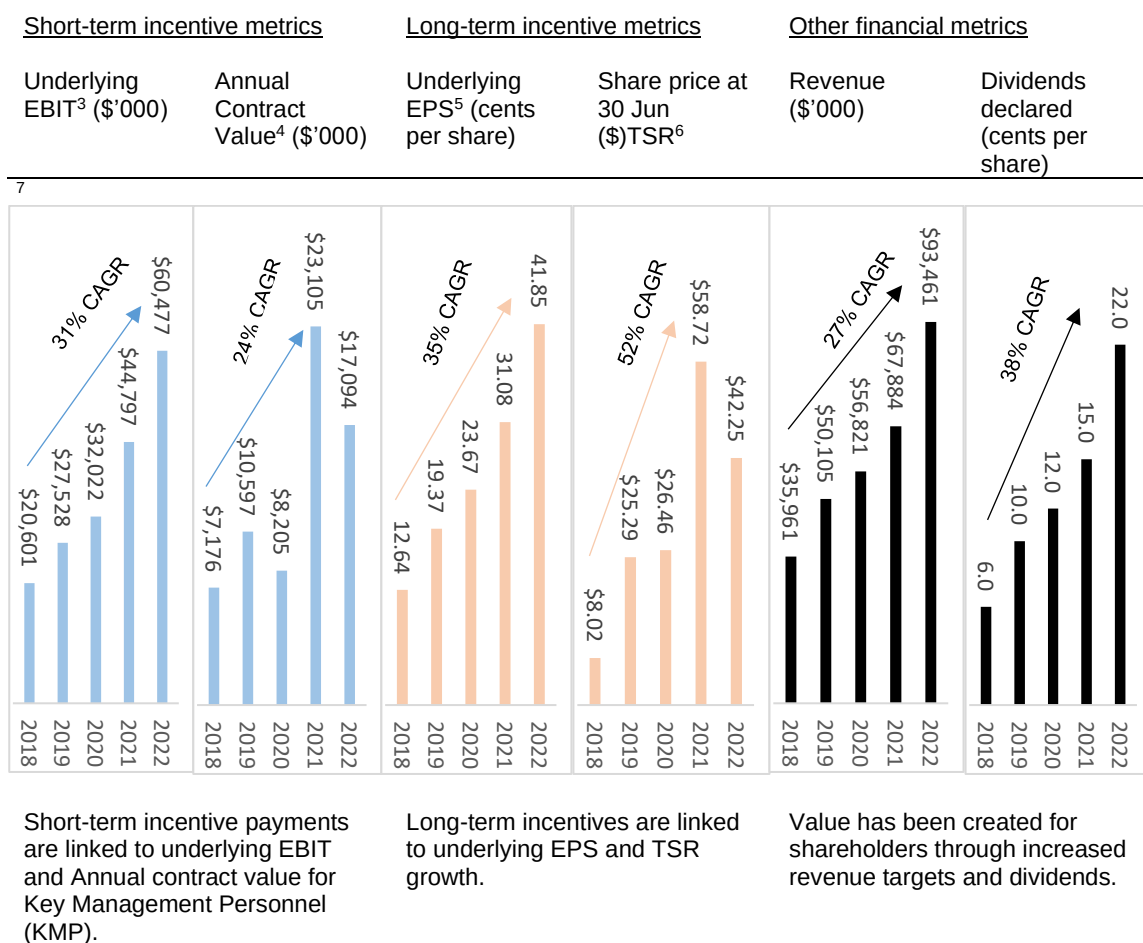
The Group remains committed to providing staff with access to appropriate training and development programs, together with the resources to complete their duties.

REMUNERATION REPORT(AUDITED)

This remuneration report for the year ended 30 June 2022 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.

2022 OUTCOMES AT A GLANCE

Pro Medicus has experienced significant growth in shareholder value in the past year and has generated significant new business in particular in the United States, with agreements being put in place with leading teaching hospitals. Incentives are linked to our key financial metrics to maintain alignment to financial performance and shareholder value creation.



WHO IS COVERED BY THIS REPORT?

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 of the Group.

³ Underlying EBIT – Earnings before interest and tax and excluding currency gains (losses). Underlying EBIT is a non-IFRS measure.

⁴ Annual contract value – represents the total minimum contractual revenues to be earned over the life of new contracts executed during the period. Annual contract value is a non-IFRS measure.

⁵ Underlying EPS – Earnings per share adjusted for the impact of currency gains/losses. Underlying EPS is a non-IFRS measure

⁶ TSR – Total Shareholder returns

⁷ CAGR – Compound Annual Growth rate

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), Executive Directors and other Senior Executives who are considered KMP of the Group. KMP were in appointment for the entire period unless otherwise stated.

(i) Non- Executive KMP

Peter Kempen	Non-Executive Chairman
Anthony Glenning	Independent Non-Executive Director
Leigh Farrell	Independent Non-Executive Director
Deena Shiff	Independent Non-Executive Director
Alice Williams	Independent Non-Executive Director (appointed 1 September 2021)

(ii) Executive KMP

Dr Sam Hupert	Managing Director and CEO
Anthony Hall	Technology Director
Danny Tauber	General Manager – Pro Medicus Limited
Clayton Hatch*	Chief Financial Officer
Malte Westerhoff	Managing Director – Visage Imaging GmbH
Brad Levin	General Manager – Visage Imaging Inc.
Sean Lambright	Global Head of Sales – Visage Imaging Inc.

*Clayton Hatch became a Key Management Personnel on May 2022 following the expansion of his responsibilities post the Strategic HR review (discussed further below).

REMUNERATION GOVERNANCE

The People and Culture Committee of the board provides advice, assistance and recommendations to the board in relation to remuneration arrangements for Directors and Executives, as well as to advise and support the board's oversight of such matters as the systems in place to support succession planning and talent management.

The members of the People and Culture Committee during the reporting period were:

Deena Shiff - Committee Chair
 Anthony Glenning
 Leigh Farrell
 Alice Williams – appointed 1 September 2021

OUR APPROACH TO EXECUTIVE REMUNERATION

Our people are integral to the future success of the Company. By expanding our customer base, supporting our customers to the high standards that we set ourselves, and by continuing to innovate and develop our product range, they are key to the defence of our market leadership and to future value creation.

In the past year, the People and Culture Committee of the board commissioned a strategic HR review to ensure that we have the right people with the right accountabilities in the Company to continue the growth and success of the company; that we have succession plans in place especially for key personnel, and that we have a talent program that ensures that we continue to retain and attract high calibre and skilled individuals who reflect our values and culture. The Company has recruited a full time HR executive to manage a multiyear program to implement the findings of the report and to assist the Company to attract and retain talent consistent with its strategic intent.

In FY21 the People and Culture Committee commissioned an external and independent expert to provide industry salary benchmarks for Key Management Personnel, including country specific peer groups. In FY 22 a follow up report was commissioned by another independent and external expert to update this data set and the country specific peer groups. External advice is used as a guide only and not as a substitute for the People and Culture Committee's consideration of the appropriate remuneration.

In the reporting period base pay adjustments were made to the remuneration of Malte Westerhoff, to adjust to market and to the base pay of Clayton Hatch to reflect his wider span of responsibilities post the Strategic HR Review and his recognition as a KMP.

REMUNERATION PRINCIPLES

Our objectives for the level and composition of executive remuneration remain: -

- Setting rates of pay that are market competitive, having regard to the markets in which our people work
- Achieving alignment of the interests of Executive with the interests of Shareholders.

In addition, the objectives seek pay structures that

- are simple and clear: meaningful to executives and transparent to shareholders
- reflect responsible business conduct, with board discretion on malus and which are subject to continuing employment conditions.

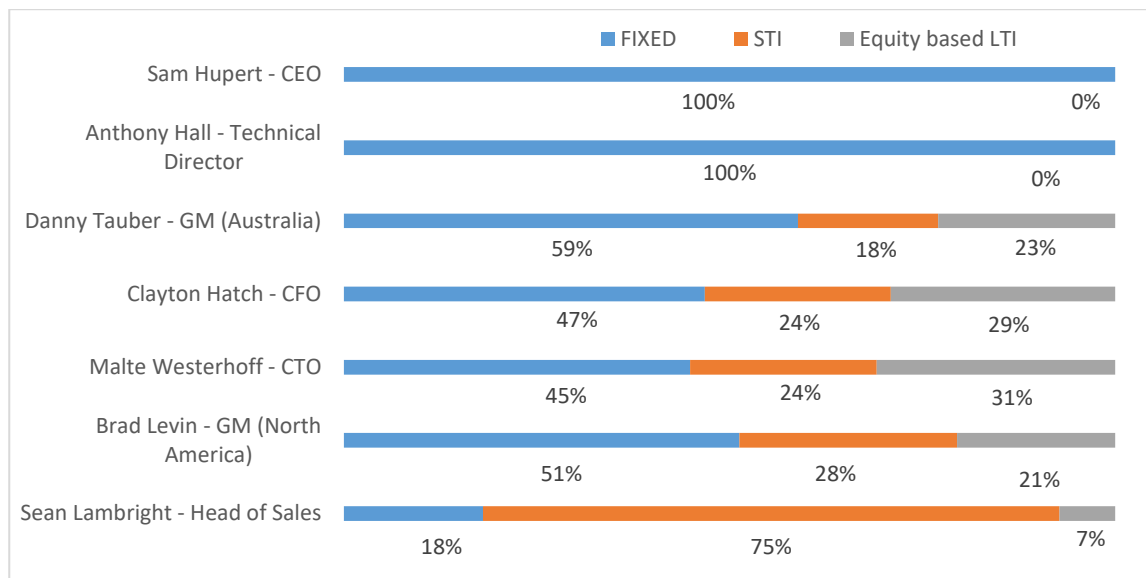
REMUNERATION FRAMEWORK

In FY22, executive remuneration comprised a mix of fixed and variable at-risk remuneration components through the STI and LTI plans.

Component	Description	Link to strategy & performance
Total fixed remuneration	Base salary and retirement benefits (superannuation or country equivalent). May include fringe benefits or other payment methods provided that it is appropriate and not unreasonably costly for the Group.	Reviewed annually having regard to individual accountabilities, skills and performance as well as comparative remuneration in the market, including as appropriate, external benchmarking.
Short term incentive (STI)	An at-risk component set as a percentage of base salary for senior executives. Performance is measured over the prior 12-month period and awards are currently made on an annual basis in cash. Sean Lambright as Head of Sales is paid sales commission under a separate agreement to the STI structure, based on total contract value (TCV) and annual revenue received metrics, capped at 2% per customer	Based on specific performance related key financial and non-financial measures. In the FY22 reporting period these were 50% Underlying EBIT targets met 25% annual contract value met and 25% individual targets met. Further details of the STI program are discussed in the 'variable remuneration outcomes' section below.
Long term incentive (LTI)	Performance rights with a nil exercise price are issued on an annual basis based on a three-year performance period and a further 12 months vesting period.	Performance hurdles relate to profitability – Earnings per Share (EPS) (60%), and Total Shareholder Returns (TSR) (40%). Both hurdles are set annually by the board. In FY19 the TSR growth hurdle was measured against the ASX 300 and in FY20, 21 and 22 against the ASX 200. Further details of the LTI program are discussed in the 'variable remuneration outcomes' section below.

Executives KMP remuneration mix

The diagram below illustrates the remuneration mix at maximum potential for each executive.



VARIABLE REMUNERATION OUTCOMES

SHORT TERM INCENTIVE (STI)

Short term incentives in the form of cash bonuses were paid to Executives based on a mix of Company based and personal performance targets as set out below.

Performance category and weighting	Reason chosen	Performance	STI outcome
Underlying EBIT (50%)	Underlying EBIT is a key measure of performance and income returns generated for shareholders.	Underlying EBIT achieved due to significant increase in revenue during the period	Above target - 130%
Annual contract value (ACV) (25%)	ACV is a measure of new contract wins through the period and their minimum annual revenue contribution in future reporting periods	ACV above lower threshold but below target due to contracting less than budgeted new customer wins during the period	Below target – 60%
Individual targets (25%)	Individual targets chosen to measure KMP against metrics that they can control	Individual performance will be measured as a bell curve against each KMP	At target – 100% Accrued in the financial statements at 100% based on best estimates of the Board prior to finalisation

The table below outlines the FY22 STI outcomes for each KMP:

Executive KMP	Target STI as % of TFR	Maximum STI as % of TFR	Actual STI awarded (\$)	% of target STI opportunity awarded	% of maximum STI opportunity awarded	% of maximum STI forfeited
Danny Tauber	15%	30%	\$55,125	105%	53%	47%
Clayton Hatch	30%	60%	\$69,300	105%	53%	47%
Malte Westerhoff	30%	60%	\$177,325	105%	53%	47%
Brad Levin	27.5%	55%	\$87,572	105%	53%	47%
Sean Lambright ⁸	N/A	N/A	\$972,205	N/A	N/A	N/A

⁸ Sean Lambright as Head of Sales is paid sales commission under a separate agreement to the STI structure, based on total contract value (TCV) and annual revenue received metrics, capped at 2% per customer. There is no maximum amount payable within a year under this separate agreement.

KEY PERFORMANCE INDICATORS

Underlying EBIT hurdles for FY2022 STI have been set at threshold, target and outperformance with target set at 37% increase on the prior year Underlying EBIT, with payout at target of 100%. Annual contract value targets were also set within a range of threshold, target and overperformance to encourage budget overachievement, with target limits stretched to align to shareholders interests.

LONG TERM INCENTIVE (LTI) PERFORMANCE RIGHTS

Under the LTI plan Senior Executives of the Group are offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered on a year to year basis and vest 4 years after grant date on completion of service, with a 3 year performance period.

This long term incentive plan includes performance hurdles related to profitability - Earnings per Share (EPS) growth (60% weighting) which is set on an annualised basis by the Board and Total Shareholder Returns (TSR) growth (40% weighting). The Company's TSR growth performance hurdle is measured relative to the ASX300 Index (FY2018 and FY2019) and measured relative to the ASX200 Index in FY2020, FY2021 and FY2022 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 19 of the financial statements.

Outcomes

Performance under the FY20 grant was tested at 30 June 2022 resulting in the following vesting outcomes which remain conditional on continued employment through to 30 June 2023:

Hurdle	Target (for 50% vesting)	Outcome
EPS	35% CAGR for reporting period (FY20-FY22)	While the 29% CAGR achieved was below the lower threshold target of 30% CAGR the Board exercised their discretion in awarding lower threshold vesting (12.5% vesting) given the proximity of the result (29%) to the lower threshold target and continued growth in contracted revenues.
TSR	60% growth over the ASX 200 Accumulation index for performance period (FY20-FY22)	Achieved 69%, whilst the ASX 200 achieved 10% growth and therefore target of 70% (60% growth over ASX 200) was not achieved – 48% retained reflecting pro-rata vesting between threshold (40% growth over the ASX 200) and target.

The FY19 grant, for which performance hurdles were tested at 30 June 2021, vested on 30 June 2022. As previously disclosed the vesting outcomes under the FY19 plan were as follows:

Hurdle	Target (for 50% vesting)	Outcome
EPS	35% CAGR for reporting period (FY19-FY21)	Achieved 35% CAGR and therefore at target – 50% retained.
TSR	60% growth over the ASX 300 Accumulation index for performance period (FY19-FY21)	Achieved 632% and therefore outperformance – 100% retained.

FY22 Grants

EPS hurdles for FY2022 LTI have been set at threshold, target and outperformance with target set at 30% compounded annual growth rate for three consecutive performance periods FY22-FY24, with payout at target of 50%. TSR targets were also set within a range of threshold, target and overperformance to encourage growth over and above ASX200 index returns, with target set at 60% growth over the ASX 200 index over the three-year performance period (FY22-FY24) to align to shareholders interests. TSR target performance is set at 50% payout, with outperformance (100% payout) achieved at 80% growth over the ASX 200 index.

The table below outlines the number and value of performance rights granted to each KMP during the year as part of remuneration. These rights were granted on 9 September 2021 and will vest in four years time on 30 June 2025 subject to the achievement of the performance hurdles outlined above and the KMP remaining employed by the Company:

Name	Number of EPS performance rights (1)	Number of TSR performance rights	Total number of performance rights	Fair value of rights on grant date (1) \$
Danny Tauber	1,439	960	2,399	90,811
Clayton Hatch ¹	1,583	1,056	2,639	99,898
Malte Westerhoff	4,779	3,186	7,965	301,571
Brad Levin	1,227	818	2,045	77,428
Sean Lambright	948	632	1,580	59,822
Total	9,976	6,652	16,628	629,530

¹Performance rights for Clayton Hatch were granted before he became a KMP in May 2022, however have been included in the table above for completeness.

(1) Calculated based on a fair value per performance right of:

Grant date	EPS hurdle \$	TSR hurdle \$
9 September 2021	57.75	8.03

The fair value per performance right was calculated as at the grant date identified above. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of EPS performance rights does not. This results in a lower fair value of TSR performance rights than for EPS performance rights. Further details on assumptions used to determine fair value of the performance rights and the accounting expense relation to the performance rights are included in Note 19. The minimum total value of the grant to Executive KMP is nil should none of the applicable performance conditions be met.

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.

Table 1: Statutory remuneration for executive KMP

		Short-Term			Post-Employment	Long Term	Share Based Payment	Total
		Salary and Wages	Cash Bonus	Non-Monetary benefits	Superannuation	Long Service Leave	Performance rights ⁷	
		\$	\$	\$	\$	\$	\$	\$
Sam Hupert	2022	475,000	-	-	27,500	7,917	-	510,417
	2021	475,000	-	-	25,000	7,917	-	507,917
Anthony Hall	2022	350,000	-	-	27,500	5,833	-	383,333
	2021	350,000	-	-	25,000	(11,219)	-	363,781
Danny Tauber	2022	329,684	55,125	-	24,324	5,491	8,949	423,573
	2021	329,469	74,122	-	25,000	5,491	47,314	481,396
Clayton Hatch ⁵	2022	46,250	15,393	-	4,583	18,478	1,318	86,022
Malte Westerhoff	2022	634,721 ¹	444,656 ⁶	16,464	2,723	-	25,245	1,123,809
	2021	536,965	230,396	19,861	2,799	-	152,367	942,388
Brad Levin	2022	303,281 ²	90,695	-	-	-	7,272	401,248
	2021	294,787	113,439	-	-	-	41,748	449,974
Sean Lambright	2022	234,353 ³	972,205 ⁴	-	-	-	5,763	1,212,321
	2021	227,790	1,143,432	-	-	-	32,260	1,403,482

¹ Malte Westerhoff pay was adjusted in the period, to reflect market conditions and was paid a fixed remuneration of (€408,443) with conversion to AUD of 0.644 as compared to FY21 (€336,120) and the conversion to AUD was at 0.626 (using the average FX rates for the period).

² Brad Levin was paid the equivalent fixed remuneration in FY22 as FY21 (US\$220,000) but the conversion to AUD was at 0.725 compared to 0.746 in FY21 (using the average FX rates for the period).

³ Sean Lambright was paid the equivalent fixed remuneration in FY22 as FY21 (US\$170,000) but the conversion to AUD was at 0.725 compared to 0.746 in FY21 (using the average FX rates for the period).

⁴ Sean Lambright was paid sales commission under a separate agreement to the STI structure, based on total contract value (TCV) and annual revenue received metrics, capped at 2% per customer.

⁵ Remuneration for Clayton Hatch reflects amounts from the date he became a KMP on May 2022.

⁶ Cash Bonus for Malte Westerhoff includes STI bonus (\$192,000) and bonus for additional responsibilities in setting up the NY research hub (\$253,000)

⁷ 2022 reported amounts include partial reversal of amounts previously expensed in relation to the FY20 grant EPS tranche as performance targets were not met as required by AASB 2 *Share Based Payments*.

Table 2: Shareholdings of Executive Key Management Personnel

Ordinary shares held in Pro Medicus Limited (Number)	Balance at 1 July 2021	On exercise of performance rights	Net change other	Balance at 30 June 2022
30 June 2022	Ordinary	Ordinary	Ordinary	Ordinary
S A Hupert	27,137,660	-	-	27,137,660
A B Hall	27,109,000	-	-	27,109,000
D Tauber	279,326	14,479	(5,752) ³	288,053
C Hatch ⁴	45,000	-	-	45,000
M Westerhoff	136,219	40,642	(38,000) ⁵	138,861
B Levin	75,314	12,350	(37,000) ⁶	50,664
S Lambright	171,380	9,542	(3,780) ⁷	177,142
Total	54,953,899	77,013	(84,532)	54,946,380

³ Danny Tauber sold 5,752 shares throughout the year at the prevailing market share price.

⁴ Shareholdings for Clayton Hatch reflects balance movements from the date he became a KMP on May 2022.

⁵ Malte Westerhoff sold 38,000 shares throughout the year at the prevailing market share price.

⁶ Brad Levin sold 37,000 shares throughout the year at the prevailing market share price.

⁷ Sean Lambright sold 3,780 shares throughout the year at the prevailing market share price.

Table 3: Performance rights of Executive Key Management Personnel

Performance rights held in Pro Medicus Limited (Number)	Balance at 1 July 2021	Granted as remuneration	Performance rights exercised ¹	Performance rights forfeited*	Balance at 30 June 2022	Not yet vested	Vested and exercisable at 30 June 2022
30 June 2022							
S A Hupert	-	-	-	-	-	-	-
A B Hall	-	-	-	-	-	-	-
D Tauber	40,557	2,399	(14,479)	(4,640)	23,837	(23,837)	-
C Hatch ²	25,347	-	-	-	25,347	(25,347)	-
M Westerhoff	121,659	7,965	(40,642)	(13,665)	75,317	(75,317)	-
B Levin	35,748	2,045	(12,350)	(4,195)	21,248	(21,248)	-
S Lambright	27,622	1,580	(9,542)	(3,242)	16,418	(16,418)	-
Total	250,933	13,989	(77,013)	(25,742)	162,167	(162,167)	-

*Performance rights forfeited due to performance hurdles not being met in relation to the FY20 LTI grant upon testing on 30 June 2022. Refer to LTI outcomes section above for further information.

¹ FY18 performance rights exercised on 30 August 2021 at a value of \$65.67 per right.

² Performance rights for Clayton Hatch reflects balance movements from the date he became a KMP on May 2022.

Non-Executive Director Remuneration

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 Non-Executive Directors as agreed. The latest determination was at the Annual General Meeting held on 25 November 2020 when shareholders approved an aggregate remuneration pool for all non-executive directors of \$1,000,000 per year.

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

Each Non-Executive Director receives a fee for being a Director of the Company. No additional fee was paid to the Chair of the People and Culture Committee during the reporting period and no additional fees were paid for time spent on Committees.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Non-Executive Director on market). It is considered good governance for the Non-Executive 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 2022 is detailed in Table 4 of this report.

Table 4: Amounts paid to Non-Executive Directors

		Fees \$	Non-Monetary benefits \$	Superannuation \$	Total \$
Peter Kempen	2022	173,413	-	27,500	200,913
	2021	171,470	-	25,000	196,470
Anthony Glenning	2022	95,890	-	6,849	102,739
	2021	91,324	-	8,676	100,000
Leigh Farrell	2022	91,324	-	9,132	100,456
	2021	91,324	-	8,676	100,000
Deena Shiff	2022	91,324	-	9,132	100,456
	2021	83,714	-	7,953	91,667
Alice Williams*	2022	75,758	-	7,576	83,334
	2021	-	-	-	-

*Alice Williams commenced as a Non-Executive Director on 1 September 2021.

Table 5: Shareholdings Non-Executive Directors

Ordinary shares held in Pro Medicus Limited (Number)	Balance at 1 July 2021	Purchased during the year	Sold during the year	Balance at 30 June 2022
30 June 2022	Ordinary	Ordinary	Ordinary	Ordinary
Peter Kempen	678,082	1,000	-	679,082
Anthony Glenning	9,525	-	-	9,525
Leigh Farrell	4,240	-	-	4,240
Deena Shiff	1,923	-	-	1,923
Alice Williams	-	400	-	400
Total	693,770	1,400	-	695,170

Loans to Key Management Personnel

No loans are made to Key Management Personnel or other staff.

Other transactions and balances with Key Management Personnel

Purchases

During the year ended 30 June 2022, lease payments of \$200,000 (2021: \$200,000) 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. These lease arrangements are on an 'arm's length basis' as determined by an independent assessment of rental and lease terms. The lease is currently on a month to month basis.

End of remuneration report.

The Directors' Report has been prepared in accordance with the Corporations Act 2001 and is integrated throughout the annual report as identified on page 2 of the Annual Report.

Signed in accordance with a resolution of the Directors.



P T Kempen
Director
Melbourne, 18 August 2022

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Pro Medicus Limited



**Building a better
working world**

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Auditor's independence declaration to the directors of Pro Medicus Limited

As lead auditor for the audit of the financial report of Pro Medicus Limited for the financial year ended 30 June 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Tony Morse'.

Tony Morse
Partner
18 August 2022

CORPORATE GOVERNANCE

Pro Medicus' Corporate Governance Statement for 2022 (**Statement**) outlines our principal corporate governance practices in place during the financial year ended 30 June 2022. Copies of all governance documents referred to in this Statement can be found at <http://www.promed.com.au/investors/corporategovernance/>

Our governance policies and practices have been measured against the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Governance Principles**). These policies and practices, together with reasons for any non-compliance with the ASX Governance Principles, are reflected in this Statement as well as our Appendix 4G. The Statement is current as at 18 August 2022 and has been approved by the Board on that date.

The Board and management team maintain high standards of corporate governance as part of our commitment to create value for our stakeholders through effective strategic planning, risk management, transparency, and corporate responsibility.

We regularly review our governance practices in light of the growth in the Company and relevant emerging corporate governance developments.

2021-22 AREAS OF GOVERNANCE FOCUS

Key areas of governance focus and activities undertaken by the Board, its Committees and management during 2021-22 included:

- Our People
 - The People and Culture Committee initiated updated external benchmarking for future remuneration assessments and commenced the implementation of the strategic HR review in anticipation of the onboarding of a People and Culture Director at the beginning of FY23.
- Governance
 - risk reporting, risk appetite statement and governance frameworks adopted under the oversight of the Audit and Risk Management Committee
 - continuing oversight as management responded to COVID-19 and the impact of increased expectations and actions from regulators across the sector
 - meeting with shareholders and proxy advisors as part of Pro Medicus' ongoing engagement to discuss matters relating to our business performance, governance and remuneration
- Board Renewal
 - appointed an additional independent, non-executive director
 - re-constituted the Audit and Risk Management Committee and appointed an independent Chair
 - undertook a review of Risk Management governance with a new Risk Management Plan, a Board endorsed Risk Appetite Statement and Risk Register
- Social and environment
 - completed a project with KPMG to enhance ESG reporting for inclusion in the Annual Report

CONTENTS TO FINANCIAL REPORT

Consolidated Statement of Comprehensive Income			38
Consolidated Statement of Financial Position			39
Consolidated Statement of Changes in Equity			40
Consolidated Statement of Cash Flows			41
Notes to the Financial Statements			42
Note	1	Corporate Information	42
Note	2	Summary of Significant Accounting Policies	42
Note	3	Significant Accounting Judgements, Estimates and Assumptions	42
Note	4	Operating Segments	44
Note	5	Revenue from contracts with customers	46
Note	6	Income and Expenses	48
Note	7	Income Tax	48
Note	8	Earnings per Share	51
Note	9	Dividends Paid and Proposed	52
Note	10	Cash and Cash Equivalents	52
Note	11	Trade and Other Receivables	53
Note	12	Other Financial Assets	54
Note	13	Plant and Equipment	55
Note	14	Intangible Assets	56
Note	15	Trade and Other Payables	59
Note	16	Deferred Revenue	59
Note	17	Provisions	60
Note	18	Contributed Equity and Reserves	61
Note	19	Share based Payments	62
Note	20	Leases	64
Note	21	Events after the Balance Sheet Date	64
Note	22	Auditors' Remuneration	65
Note	23	Key Management Personnel	65
Note	24	Related Party Disclosure	65
Note	25	Financial Risk Management Objectives and Policies	66
Note	26	Contingencies	70
Note	27	Parent Entity Information	70
Note	28	Other Accounting Policies	71
Directors' Declaration			72
Independent Auditor's Report			73
ASX Additional Information			78
Corporate Information			79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022	Notes	Consolidated	
		2022 \$'000	2021 \$'000
Revenue from contracts with customers	5	93,461	67,884
Interest income		649	180
Total revenue and income		94,110	68,064
Cost of sales		(465)	(490)
Gross profit		93,645	67,574
Net foreign currency gains/(losses)	6(a)	1,117	240
Fair value movements on financial instruments		(1,073)	73
Accounting and secretarial expenses		(1,297)	(1,127)
Advertising and public relations expenses		(1,948)	(321)
Depreciation and amortisation	6(b)	(7,316)	(7,199)
Insurance costs		(1,113)	(841)
Legal costs		(931)	(856)
Other expenses		(1,731)	(1,061)
Employee benefits expenses	6(b)	(15,400)	(13,534)
Travel and accommodation expenses		(874)	(76)
Profit before income tax		63,079	42,872
Income tax expense	7	(18,637)	(12,022)
Profit for the year	18	44,442	30,850
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		(1,229)	1,051
Other comprehensive income for the year		(1,229)	1,051
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		43,213	31,901
Earnings per share (cents per share)			
	8		
- Basic earnings per share		42.6¢	29.6¢
- Diluted earnings per share		42.5¢	29.5¢

This Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022	Notes	Consolidated	
		2022	2021
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	63,656	42,039
Trade and other receivables	11	27,440	22,841
Accrued revenue		-	1,193
Contract costs	5	449	375
Other financial assets	12	26,898	19,777
Inventories		77	34
Prepayments		1,304	1,307
Total Current Assets		119,824	87,566
Non-Current Assets			
Deferred tax assets	7	10,866	13,600
Plant and equipment	13	459	490
Contract costs		1,466	1,355
Right-of-use assets	20	2,143	2,524
Intangible assets	14	22,293	20,009
Prepayments		-	30
Total Non-Current Assets		37,227	38,008
TOTAL ASSETS		157,051	125,574
LIABILITIES			
Current Liabilities			
Trade and other payables	15	5,601	3,725
Income tax payable		6,299	1,696
Deferred revenue	5,16	10,128	8,886
Other current financial liabilities	28(b)	1,252	70
Lease liabilities	20	604	574
Provisions	17	2,976	2,668
Total Current Liabilities		26,860	17,619
Non-Current Liabilities			
Deferred tax liabilities	7	8,090	7,162
Deferred revenue	16	18,628	17,011
Lease liabilities	20	1,675	2,044
Provisions	17	66	55
Total Non-Current Liabilities		28,459	26,272
TOTAL LIABILITIES		55,319	43,891
NET ASSETS		101,732	81,683
EQUITY			
Contributed equity	18	1,959	1,962
Share buyback reserve	18	(5,224)	(915)
Share reserve	18	13,258	13,322
Foreign currency translation reserve	18	(837)	392
Retained earnings	18	92,576	66,922
TOTAL EQUITY		101,732	81,683

This Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Issued Capital	Share Buyback Reserve	Share Reserve	Consolidated Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2020	1,962	(915)	10,175	(659)	49,620	60,183
Profit for the year	-	-	-	-	30,850	30,850
Other comprehensive income	-	-	-	1,051	-	1,051
Total comprehensive income for the period	-	-	-	1,051	30,850	31,901
Transaction with owners in their capacity as owners						
Share based payment	-	-	677	-	-	677
Tax effect of share based payments	-	-	2,470	-	-	2,470
Dividends	-	-	-	-	(13,548)	(13,548)
At 30 June 2021	1,962	(915)	13,322	392	66,922	81,683
At 1 July 2021	1,962	(915)	13,322	392	66,922	81,683
Profit for the year	-	-	-	-	44,442	44,442
Other comprehensive income	-	-	-	(1,229)	-	(1,229)
Total comprehensive income for the period	-	-	-	(1,229)	44,442	43,213
Transaction with owners in their capacity as owners						
Share based payment	-	-	32	-	-	32
Share buyback	(3)	(4,309)	-	-	-	(4,312)
Tax effect of share based payments	-	-	(96)	-	-	(96)
Dividends	-	-	-	-	(18,788)	(18,788)
At 30 June 2022	1,959	(5,224)	13,258	(837)	92,576	101,732

This Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021	Notes	Consolidated	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		92,101	63,080
Payments to suppliers and employees		(23,254)	(16,935)
Interest paid		(95)	(114)
Income tax paid		(7,176)	(7,191)
Net cash flows from operating activities	10	61,576	38,840
Cash flows from investing activities			
Payments for capitalised development costs	14	(8,787)	(7,566)
Interest received		649	180
Investments in other financial assets		(14,896)	(19,704)
Sale of other financial assets		6,363	-
Payments for plant and equipment	13	(236)	(127)
Net cash flows used in investing activities		(16,907)	(27,217)
Cash flows from financing activities			
Payments of dividends on ordinary shares	9	(18,788)	(13,548)
Payments for lease liabilities		(509)	(501)
Payments for share buyback		(4,017)	-
Net cash flows used in financing activities		(23,314)	(14,049)
Net increase/(decrease) in cash and cash equivalents		21,355	(2,426)
Net foreign exchange differences		262	1,052
Cash and cash equivalents at beginning of period		42,039	43,413
Cash and cash equivalents at end of period	10	63,656	42,039

This Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

The financial report of Pro Medicus Limited (the Company) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of Directors on 18 August 2022. The Directors have the power to amend and reissue the financial report.

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 except for certain financial instruments which have been recognised at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated in accordance with ASIC Legislative Instrument 2016/191.

(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 (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.

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.

(d) New accounting standards and interpretations

New and/or amended standards that were effective for the Group as of 1 July 2021 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

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:

Distinguishing between the research and development phases and determining whether the recognition requirements for the capitalisation of development costs as discussed in Note 14 are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Development costs include employee labour costs and other directly attributable costs including amounts of overhead and administrative expenditure to the extent these amounts are incurred in connection with the related employee labour.

Impairment of non-financial assets:

The Group assesses impairment of all non-financial 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. Additionally, goodwill, indefinite life intangible assets and intangible assets not yet ready for use are tested annually. Management has tested certain assets for impairment in this financial period. Refer to Note 14 of the financial statements for significant assumptions applied in assessing for impairment on non-financial assets.

Deferred tax:

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 in subsidiaries, 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.

Income taxes:

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 19.

Revenue recognition:

The Group has applied judgement in determining that certain performance obligations within its contracts with customers are one single performance obligation for the purposes of measuring and recognising revenue. Further discussion on the factors the Group has considered in making this judgement are contained in Note 5.

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 maker) 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. Segment performance in the relevant jurisdiction is assessed based on the 'Segment result' which comprises revenue earned (including intercompany sales) less expenses. Interest and tax related amounts are excluded from the segment result.

Types of products and services

The Group produces integrated software applications for the healthcare imaging 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

4. OPERATING SEGMENTS (CONT'D)

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.

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.

OPERATING SEGMENTS

	Australia		Europe ¹		North America ¹		Total Operations	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers – software	14,568	13,505	5,170	4,155	73,723	50,224	93,461	67,884
Inter-segment sales	56,163	44,592	13,254	9,684	-	-	69,417	54,276
Total segment revenue	70,731	58,097	18,424	13,839	73,723	50,224	162,878	122,160
Inter-segment elimination							(69,417)	(54,276)
Total consolidated revenue							93,461	67,884
Results								
Segment result	58,086	38,081	2,437	3,302	1,907	1,309	62,430	42,692
Interest revenue							649	180
Non-segment expenses								
Income tax expense							(18,637)	(12,022)
Statutory net profit after tax							44,442	30,850
Assets								
Non-current assets	28,104	25,944	123	173	740	870	28,967	26,987
Deferred tax asset	5,044	8,786	-	-	5,822	4,814	10,866	13,600
Current assets	109,004	72,502	20,856	18,929	32,998	27,213	162,858	118,644
Segment assets	142,152	107,232	20,979	19,102	39,560	32,897	202,691	159,231
Inter-segment elimination							(45,640)	(33,657)
Total assets							157,051	125,574
Liabilities								
Segment liabilities	44,738	33,382	3,750	2,933	48,653	42,325	97,141	78,640
Inter-segment elimination							(41,822)	(34,749)
Total liabilities							55,319	43,891
Other segment information								
Capital expenditure	8,903	7,594	45	53	79	45	9,028	7,692
Depreciation and amortisation	6,744	6,635	296	292	276	272	7,316	7,199

¹ European results relate solely to the company's operations in Germany. North American results relate solely to the operations in the United States of America.

Revenue from major customers

No customer contributed to the total consolidated Groups revenue by more than 10% (2021: one customer in North America contributed 10.9%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's contracts with customers comprise multiple goods and services, typically with specific fixed or variable consideration receivable, including:

- Installation and professional services;
- Product licences;
- Transactional services, including image viewing and image archiving;
- Support services, including updates and upgrades to the product licence; and
- Archive data migration services

The Group's contracts with customers also comprise of multiple activities in order to provide customers with the specified product. The nature of the Group's products requires significant integration of various goods and services promised in contracts that represent a combined output – being the offered product. The multiple goods or services in the contract are highly interrelated and are integral in combination to the performance of the product.

The Group has determined that within its contracts with customers installation, product licence, transaction services and support services comprise one performance obligation given:

- The Group provides a significant service of integrating the goods or services with other goods or services promised in the contract. The combined output – being the offered product – represents a bundle of the Group's various goods or services;
- Goods or services are highly interrelated and integral to the performance of the product. The Group could not fulfil its performance obligation of delivering a specified product by transferring each of the goods or services independently; and
- Only the Group can provide product installation, transactional services and support (including significant updates/upgrades) services to customers of product licences, given the associated intellectual property of the product owned by the Group.

Revenue from multi-element contracts is recognised over the term of the contract, commencing when the product is ready for use following the installation and establishment of the product licence on the basis that:

- Product updates/upgrades received by the customer over the contract period are frequent and significant to the performance and compliance of the products with relevant regulatory authorities;
- Customers have no alternate use for the Group's products outside of the contract period; and
- The Group has an enforceable right to payment for performance completed to date during the period of the contract.

Revenue is recognised by reference to the satisfaction of the one performance obligation using the input method. The input method is applied based on the elapsed term of the contract in comparison to the length of the total contract term from when the product is ready for use by the customer until the licence and support periods end.

The Group receives consideration for certain elements of product contracts that is based on transaction volumes exceeding set minimum activity levels. Such variable consideration is recognised as revenue as the customer activity occurs over the term of the contract and the Group becomes entitled to payment.

Directly attributable commissions paid to employees of the Group for obtaining contracts are initially capitalised as a contract cost and amortised within salaries and employee benefits expense over the life of the relevant contract as revenue is recognised. The carrying value of contract costs are assessed for impairment at each reporting date.

The Group also provides archive migration services to its customers. These services are considered to be a separate performance obligation and are not highly interrelated with the other goods and services providing by the Group as they could be provided by other third parties. Accordingly, revenue from archive migration services is recognised over time based on an input method based on the proportion of hours spent on migration services relative to the total expected hours.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Year ended 30 June 2022 (\$'000)	Consolidated			Total
	Australia	Europe	North America	
Types of goods and services				
Radiology Information System (RIS)	13,607	-	-	13,607
Picture Archiving Communications System (Visage 7/Open Archive)	961	5,110	73,723	79,794
Other	-	60	-	60
Total revenue per statement of comprehensive income	14,568	5,170	73,723	93,461
Timing of revenue recognition				
Point in time	-	-	-	-
Over time	14,568	5,170	73,723	93,461
Total revenue per statement of comprehensive income	14,568	5,170	73,723	93,461

Year ended 30 June 2021 (\$'000)	Consolidated			Total
	Australia	Europe	North America	
Types of goods and services				
Radiology Information System (RIS)	12,525	-	-	12,525
Picture Archiving Communications System (Visage 7/Open Archive)	980	4,108	50,224	55,312
Other	-	47	-	47
Total revenue per statement of comprehensive income	13,505	4,155	50,224	67,884
Timing of revenue recognition				
Point in time	-	-	-	-
Over time	13,505	4,155	50,224	67,884
Total revenue per statement of comprehensive income	13,505	4,155	50,224	67,884

Payments received in advance of the commencement of the term of the contract are initially deferred as contract liabilities (deferred revenue, refer to Note 16).

Set out below is the amount of revenue from contracts with customers recognised from:

	Consolidated	
	2022	2021
	\$'000	\$'000
Amounts included in deferred revenue	8,886	7,225

Set out below is the amount of salaries and employee benefits expense recognised from:

	Consolidated	
	2022	2021
	\$'000	\$'000
Amounts capitalised as contract costs	375	245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

6. INCOME AND EXPENSES

	Notes	Consolidated	
		2022	2021
		\$'000	\$'000
(a) Net foreign currency gains/(losses)			
Currency gains		9,636	6,277
Currency loss		(7,267)	(5,967)
Fair value (loss)/gain on financial instruments – forward exchange contracts		(1,252)	(70)
Total net foreign currency gains		1,117	240
(b) Expenses			
Depreciation and amortisation			
Property, plant and equipment assets	13	272	259
Right-of-use lease assets	20	541	544
Capitalised development costs	14	6,503	6,396
Total depreciation and amortisation expense		7,316	7,199
Salaries and employee benefits expense			
Gross wages and salaries		20,730	17,420
Capitalised wages and salaries*		(6,913)	(5,933)
Long service leave provision		74	22
Share-based payments expense**		32	677
Defined contribution plan expense		1,477	1,348
Total salaries and employee benefits expense		15,400	13,534

*The Group's total wages and salaries incurred was (\$'000) \$20,730 (2021: \$17,420) of which \$6,913 (2021: \$5,933) of these costs have been capitalised as development costs within intangible assets.

**The Groups share-based payments includes a portion of expense relating to the FY19, FY20, FY21 and FY22 grant of performance rights. Please refer to Note 19 for further details into the valuation of these performance rights during this period.

7. 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 for 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

7. INCOME TAX (CONT'D)

- 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.

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 2022, the Group has not recognised deferred tax liabilities 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 (30 June 2021: nil).

Tax consolidation legislation

Pro Medicus Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2009. Members of the tax consolidated group have entered into a tax funding agreement.

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 under the tax funding agreement. The Group applies 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

7. INCOME TAX (CONT'D)

	Consolidated	
	2022	2021
	\$'000	\$'000

The major components of income tax expense are:

Statement of comprehensive income

Current income tax

Current income tax charge	18,508	13,063
Prior year adjustment	-	(272)

Deferred income tax

Relating to origination and reversal of temporary differences	129	(769)
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Income tax expense reported in profit or loss	18,637	12,022
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Statement of changes in equity

Current income tax

Impact of the Employee Share Trust – vested share-based payments	(3,260)	(1,765)
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Deferred income tax

Relating to origination and reversal of temporary differences due to the Employee Share Trust – unvested share-based payments	3,356	(705)
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Income tax benefit reported directly in the statement of changes in equity	96	(2,470)
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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	63,079	42,872
At the applicable statutory income tax rate in each country		
- Australia (30%)	17,621	11,478
- United States of America (USA) (21-25%)	462	317
- Germany (30.15%)	735	996
Prior year adjustment	-	(272)
Expenditure not allowable for income tax purposes	9	(28)
Benefit from vested share-based payments	(66)	(295)
Other	(123)	(174)
Income tax expense reported in profit or loss	18,637	12,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

7. INCOME TAX (CONT'D)

Deferred income tax	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income		Recognised within Equity	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred income tax at 30 June relates to the following:						
<i>Deferred tax liabilities</i>						
Foreign currency exchange gain	344	7	(337)	(72)	-	-
Intangible assets	6,688	6,003	(685)	(351)	-	-
Depreciation expenses	12	16	4	7	-	-
Right-of-use asset	582	717	135	(51)	-	-
Contract costs	464	419	(45)	(177)	-	-
Deferred tax liabilities	8,090	7,162	(928)	(644)	-	-
<i>Deferred tax assets</i>						
Employee entitlements	982	818	164	241	-	-
Intellectual property expenses	215	234	(19)	(18)	-	-
Accruals	26	23	3	1	-	-
Allowance for expected credit losses	158	-	158	-	-	-
Deferred revenue	6,537	6,029	508	1,115	-	-
Lease liabilities	620	745	(125)	64	-	-
Employee Share Trust – unvested share-based payments	2,322	5,742	(64)	5	(3,356)	705
Other	6	9	(3)	5	-	-
Deferred tax assets	10,866	13,600	622	1,413	(3,356)	705
Deferred tax movement (charged) or credited to profit or loss			(306)	769	-	-
Deferred tax movement (charged) or credited directly to equity			-	-	(3,356)	705

8. EARNINGS PER SHARE

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

- 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	
	2022 \$	2021 \$
Net profit after tax attributable to ordinary equity holders	44,441,976	30,850,022
Weighted average number of ordinary shares for basic earnings per share	Number 104,314,131	Number 104,166,604
Effect of dilution:		
Performance rights	268,208	427,381
Weighted average number of ordinary shares adjusted for the effect of dilution	104,582,339	104,593,985

Between the reporting date and date of these financial statements an additional 12,583 shares were bought back and cancelled under the Group's share buyback program. These shares were purchased for total consideration of \$550,591.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

9. DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2022	2021
	\$'000	\$'000
Declared and paid during the year:		
Final franked dividend for 2021: 8.0 cents (2020: 6.0 cents franked)	8,351	6,253
Interim franked dividend for 2022: 10.0 cents (2021: 7.0 cents franked)	10,437	7,295
	18,788	13,548
Declared subsequent to the end of the year (not recognised as a liability as at 30 June):		
Dividends on ordinary shares:		
Final franked dividend for 2022: 12.0 cents (2021: 8.0 cents franked)	12,514	8,337
Total dividends proposed	12,514	8,337

Franking credit balance

	Consolidated	
	2022	2021
	\$'000	\$'000
– franking account balance as at the end of the financial year at 30% (2021: 30%)	(189)	2,326
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	5,655	1,463
– 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	-	-
	5,466	3,789
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	(5,363)	(2,828)
	103	2,128

The tax rate at which paid dividends have been franked is 30% (2021: 30%).
Dividends proposed will be fully franked.

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2022	2021
	\$'000	\$'000
Cash at bank and in hand*	63,656	42,039
	63,656	42,039

*\$871,000 (2021: \$200,000) of the cash at bank balance is held as a deposit for foreign exchange forward contracts. The deposit matures and becomes available following the settlement of the foreign exchange forward contracts within three months of the reporting date.

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 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, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

10. CASH AND CASH EQUIVALENTS (cont'd)

	Consolidated	
	2022	2021
	\$'000	\$'000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	44,442	30,850
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment and right of use lease assets	813	803
Amortisation of intangible assets	6,503	6,396
Interest received classified in investing activities	(649)	(253)
Current income tax impact of vested share-based payments recognised directly in equity	3,260	1,765
Net unrealised foreign currency differences and other non-cash items	(3,321)	(115)
Fair value loss on other financial assets	1,073	-
Share-based payment expense	32	677
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(4,599)	(5,893)
(Increase)/decrease in inventory	(43)	1
(Increase)/decrease in deferred tax asset	2,734	(1,413)
(Increase)/decrease in prepayments	33	(119)
(Increase)/decrease in accrued revenue	1,193	(3,516)
(Increase)/decrease in contract costs	(185)	(130)
(Increase)/decrease in income tax receivable	-	2,139
(Decrease)/increase in trade and other payables	1,581	675
(Decrease)/increase in income tax payable	4,603	1,740
(Decrease)/increase in deferred income	2,859	4,250
(Decrease)/increase in deferred tax liability	928	644
(Decrease)/increase in employee entitlements	319	339
Net cash flow from operations	61,576	38,840

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables do not contain a significant financing component and are recognised initially at the transaction price and subsequently measured at amortised cost less an allowance for any impairment.

	Consolidated	
	2022	2021
	\$'000	\$'000
Current		
Trade receivables	27,837	22,567
Less: Allowance for expected credit losses	(654)	-
	27,183	22,567
Other receivables	257	274
	27,440	22,841

The carrying value of trade receivables approximates their fair value due to the short-term nature of receivables. The provision matrix for expected credit losses is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. TRADE AND OTHER RECEIVABLES (cont'd)

During the year ended 30 June 22 \$nil of trade and other receivables were written off as unrecoverable and allowances for expected credit losses of \$654,000 were recognised (30 June 2021: \$nil written off and \$nil allowances recognised).

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

	Consolidated	
	Trade receivables	
	2022	2021
	\$'000	\$'000
0 – 30 days	23,973	17,545
31 – 60 days	721	1,144
61 – 90 days	1,222	595
91+ days	1,921	3,283
Total trade receivables	27,837	22,567

The majority of customers are on terms of between 30 to 60 days, however certain customers have terms of up to 90 days. Payment terms for \$1,160,873 (2021: \$396,267) of trade receivables have pre-contracted extended trading terms and are due within the next 12 months.

12. OTHER FINANCIAL ASSETS

	Consolidated	
	2022	2021
	\$'000	\$'000
Investments		
Hybrid/convertible debt instruments, listed	5,626	5,944
Other debt instruments, listed	494	-
Other debt instruments, unlisted	11,196	3,745
Managed fund units, unlisted	9,582	10,088
	26,898	19,777

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient (see Note 11), the Group 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.

The subsequent measurement of the Groups financial assets depends on the financial asset's contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest "SPPI") and the Group's business model for managing them (the "Business Model" test). The subsequent measurement of the Group's investments and derivatives is discussed below.

Investments

The portfolio of investments is managed and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Consequently, all investments are measured at fair value through profit or loss.

Derivatives

Derivatives are mandatorily measured at fair value through profit and loss.

Fair value measurement

Listed debt instruments are classified as Level 1 in the fair value hierarchy as their prices are quoted in an active market. Unlisted debt instruments and managed fund investments are classified as Level 2. Investments in unlisted managed funds are recorded at the redemption value per unit as reported by the investment managers of the fund. Unlisted debt instruments fair values are determined with reference to recent market transactions and discounted cash flow techniques based on interest rate yield curves at the end of the period for instruments with similar terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

13. 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:

	2022	2021
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.

	Consolidated		
	Other Assets \$'000	Office Equipment \$'000	Total \$'000
Year ended 30 June 2022			
At 1 July 2021 net of accumulated depreciation	33	457	490
Additions	54	182	236
Exchange differences	(5)	10	5
Depreciation charge for the year	(31)	(241)	(272)
At 30 June 2022 net of accumulated depreciation	51	408	459
At 30 June 2022			
Cost	1,061	3,070	4,131
Accumulated depreciation and impairment	(1,010)	(2,662)	(3,672)
Net carrying amount	51	408	459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

13. PLANT & EQUIPMENT (cont'd)

	Other Assets \$'000	Consolidated Office Equipment \$'000	Total \$'000
Year ended 30 June 2021			
At 1 July 2020 net of accumulated depreciation	33	589	622
Additions	12	135	147
Disposals	-	-	-
Exchange differences	-	(20)	(20)
Depreciation charge for the year	(12)	(247)	(259)
At 30 June 2021 net of accumulated depreciation	33	457	490
At 30 June 2021			
Cost	1,460	2,891	4,351
Accumulated depreciation and impairment	(1,427)	(2,434)	(3,861)
Net carrying amount	33	457	490

14. 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, at the cash generating unit level. In addition, intangible assets which are not yet ready for use are not amortised but are tested for impairment at least annually. 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 reviewed 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 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 which the Group has assessed as 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. Development costs are separately identified for the following products:

- Visage 7 PACS
- Visage RIS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

14. INTANGIBLE ASSETS (cont'd)

	Development Costs - Visage RIS \$'000	Development Costs - Visage PACS \$'000	Total \$'000
Year ended 30 June 2022			
At 1 July 2021 net of accumulated amortisation and impairment	5,532	14,477	20,009
Additions - internal development	2,046	6,741	8,787
Disposals	-	-	-
Exchange differences	-	-	-
Amortisation charge for the year	(1,758)	(4,745)	(6,503)
At 30 June 2022 net of accumulated amortisation and impairment	5,820	16,473	22,293
At 30 June 2022			
Cost	18,429	52,312	70,741
Accumulated amortisation and impairment	(12,609)	(35,839)	(48,448)
Net carrying amount	5,820	16,473	22,293

	Development Costs - Visage RIS \$'000	Development Costs - Visage PACS \$'000	Total \$'000
Year ended 30 June 2021			
At 1 July 2020 net of accumulated amortisation and impairment	5,484	13,355	18,839
Additions - internal development	1,785	5,781	7,566
Disposals	-	-	-
Exchange differences	-	-	-
Amortisation charge for the year	(1,737)	(4,659)	(6,396)
At 30 June 2021 net of accumulated amortisation and impairment	5,532	14,477	20,009
At 30 June 2021			
Cost	16,383	45,571	61,954
Accumulated amortisation and impairment	(10,851)	(31,094)	(41,945)
Net carrying amount	5,532	14,477	20,009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

14. INTANGIBLE ASSETS (cont'd)

Development costs have been assessed as having a finite life and are amortised using the straight-line method over a period of 5 years. All development costs sit within the Australian operating segment.

Impairment

On an annual basis the Group performs an impairment assessment on intangible assets which are not yet available for use. Given these intangible assets relate to new versions of the Visage PACS and RIS software products the carrying amounts of the intangible assets not yet available for use are allocated to the Cash Generating Units (CGU) which have been identified separately for each of these software products. These CGUs are considered the smallest identifiable group of assets that generate largely independent cash inflows.

The Group estimates the recoverable amount using a value-in-use (VIU) discounted cash flow methodology. Key inputs and assumptions to the VIU calculation include the discount rate, budgeted cash flows and terminal growth rates.

No impairment loss was recognised during the year ended 30 June 2022 (2021: nil impairment loss) as the results of the impairment test indicated that the recoverable amount of each CGU exceeded the carrying amount. There were also no reasonably possible changes in assumptions identified that would result in recoverable amount being lower than carrying amount.

As part of the annual assessment the Group also performed an assessment of impairment indicators and did not identify any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

15. TRADE AND OTHER PAYABLES

Trade payables and other payables are initially recognised at fair value and subsequently carried at amortised cost. They 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	
	2022	2021
	\$'000	\$'000
CURRENT		
Trade payables	1,643	872
Other payables and accruals	3,958	2,853
	5,601	3,725

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Other 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.

16. DEFERRED REVENUE

	Consolidated	
	2022	2021
	\$'000	\$'000
Current		
Deferred revenue from contracts with customers	10,128	8,886
	10,128	8,886
Non-current		
Deferred revenue from contracts with customers	18,628	17,011
	18,628	17,011

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at 30 June 2022 was (\$'000) \$28,756 (2021: \$25,897) and is expected to be recognised as revenue in future reporting periods as follows:

	Consolidated	
	2022	2021
	\$'000	\$'000
Less than one year	10,128	8,886
Between one year and five years	15,912	15,357
More than five years	2,716	1,654
Revenue to be recognised from unsatisfied performance obligations	28,756	25,897

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

17. 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.

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 at the value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 current rates paid to employees.

(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.

	Consolidated	
	2022	2021
	\$'000	\$'000
Current		
Long service leave	1,128	1,000
Annual leave	1,848	1,668
	2,976	2,668
Non-current		
Long service leave	66	55
	66	55

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

18. 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	
	2022	2021
	\$'000	\$'000
Contributed Equity		
(i) Ordinary shares	1,959	1,962
Issued and fully paid	1,959	1,962

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

(ii) Movements in shares on issue

	Number of Shares	2022 \$'000
At 1 July 2021	104,211,574	1,962
Cancellation of share buyback	(104,356)	(3)
Vesting of performance rights	174,739	-
At 30 June 2022	104,281,957	1,959

	Number of Shares	2021 \$'000
At 1 July 2020	103,946,832	1,962
Vesting of performance rights	264,742	-
At 30 June 2021	104,211,574	1,962

	Consolidated	
	2022	2021
	\$'000	\$'000
Share reserve (i)		
Balance at 1 July	13,322	10,175
Share based payment expense	32	677
Income tax effect of the Employee Share Trust	(96)	2,470
Balance at 30 June	13,258	13,322

Foreign currency translation reserve (ii)

Balance at 1 July	392	(659)
Foreign currency movement	(1,229)	1,051
Balance at 30 June	(837)	392

Share buyback reserve (iii)

Balance at 1 July	(915)	(915)
Share buyback	(4,309)	-
Balance at 30 June	(5,224)	(915)

Retained earnings

Balance at 1 July	66,922	49,620
Net profit for the year	44,442	30,850
Dividends	(18,788)	(13,548)
Balance at 30 June	92,576	66,922

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

18. CONTRIBUTED EQUITY AND RESERVES (cont'd)

(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 19 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.

(ii) Share buyback reserve

The share buyback reserve is used to record the market value of shares that have been bought back during the reporting period.

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 or buyback existing shares.

During the year, the company paid dividends of \$18,788,180 (2021: \$13,547,505).

19. 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).

Details of the current share based payment plan, which provides performance rights to employees are outlined below.

The cost of these equity-settled transactions with employees 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.

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 profit or loss 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 lapsed portion of the vesting period.

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 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

19. SHARE BASED PAYMENTS (cont'd)

Performance Rights - Long Term Incentive (LTI) Scheme

Senior Executives of the Group are offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, which are accounted for as options, are issued with nil exercise price and vest 4 years after grant date subject to an employee remaining in service and certain performance hurdles (which are tested at the end of the third year) being met. The performance rights cannot be transferred and will not be quoted on the ASX.

During the current year performance rights granted during the FY22, FY21, FY20 and FY19 years remained on issue.

The table below details movements in the number of performance rights on issue:

	30 June 2022 Number of Performance Rights	30 June 2021 Number of Performance Rights
Outstanding at the beginning of the year	599,408	927,306
- granted	50,591	105,671
- forfeited	(70,339)	(155,284)
- exercised ¹	(174,739)	(264,742)
- expired	(309)	(13,543)
Outstanding at the end of the year	404,611	599,408
Exercisable at end of year	-	-
Weighted average remaining contractual life	2.1	2.2

¹ Performance rights issued under the FY19 LTI plan were exercised on 30 August 2021 at a value of \$65.67 per right.

Performance hurdles applicable to the performance rights on issue during the year were:

- **Earnings per share (EPS) (60% of performance rights granted):** calculated as the compound annual growth rate (CAGR) of EPS for the 3-year period from the grant date.
- **Relative total shareholder return (TSR) (40% of performance rights granted):** Relative TSR combines the security price movement and distributions (which are assumed to be reinvested) to show the total return to securityholders, relative to that of other companies in the TSR comparator group. For the FY22, FY21 and FY20 plans the TSR comparator group was the ASX 200 index. For the FY19 plan the comparator group was the ASX 300 index.

Performance rights valuation

The fair value of the equity-settled performance rights granted for the current LTI scheme 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:

	2022	2021	2020	2019
Dividend yield	0.26%	0.48%	0.38%	0.69%
Expected volatility	16.3%	19.5%	17.06%	14.96%
Risk-free interest rate	0.90%	0.90%	0.90%	3.30%
Expected life of performance rights	4 years	4 years	4 years	4 years
Performance rights exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Fair value per right - TSR	\$8.03	\$3.28	\$2.85	\$1.10
Fair value per right – EPS	\$57.75	\$24.45	\$27.16	\$8.48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

20. LEASES

The table below details movements in the Group's right-of-use assets and lease liabilities during the year ended 30 June 2022:

Consolidated	Right-of-use assets			Lease liabilities
	Property \$'000	Motor vehicles \$'000	Total \$'000	Total \$'000
As at 1 July 2021	2,497	27	2,524	(2,618)
Additions	-	93	93	(93)
Depreciation expense	(499)	(42)	(541)	-
Interest expense	-	-	-	(95)
Payments	-	-	-	604
Foreign exchange translation	66	1	67	(77)
As at 30 June 2022	2,064	79	2,143	(2,279)

Consolidated	Right-of-use assets			Lease liabilities
	Property \$'000	Motor vehicles \$'000	Total \$'000	Total \$'000
As at 1 July 2020	2,176	50	2,226	(2,276)
Additions	843	18	861	(861)
Depreciation expense	(505)	(39)	(544)	-
Interest expense	-	-	-	(114)
Payments	-	-	-	615
Foreign exchange translation	(17)	(2)	(19)	18
As at 30 June 2021	2,497	27	2,524	(2,618)

Set out below are the amounts recognised in profit and loss during the year ended 30 June 2022:

Consolidated	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Depreciation expense	541	544
Interest expense	95	114
Total amount recognised in profit and loss	636	658

The Group had total cash outflows for leases during the year ended 30 June 2022 of (\$'000) \$604 (2021: \$615).

At 30 June 2022 there were no leases that were committed to but not yet commenced (30 June 2021: None).

21. EVENTS AFTER THE BALANCE SHEET DATE

On 18 August 2022, the directors of Pro Medicus Limited declared a fully franked final dividend on ordinary shares in respect of the 2022 financial year of 12.0 cents per share totalling \$12,513,835. The dividend has not been provided for in the 30 June 2022 financial statements.

No other matters have arisen since the Balance Sheet date which have significantly affected or may affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

22. AUDITOR'S REMUNERATION

	Consolidated 2022	2021
Amounts received or due and receivable by Ernst & Young (Australia) for:		
– Statutory audit and review of the financial report of the Group	260,110	221,050
– Tax compliance services in relation to the Group (non-audit services)	90,148	46,085
	350,258	267,135
Amounts received or due and receivable by related practices of Ernst & Young (Australia):		
– Statutory audit of the financial report of Visage Imaging GmbH	83,764	50,363
– Tax compliance services in relation to Visage Imaging GmbH (non-audit services)	6,806	33,930
	440,828	351,428

23. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	Consolidated 2022	2021
Short-term employee benefits	4,495,536	4,233,363
Post-employment benefits	146,819	128,103
Long-term benefits	37,719	2,189
Share-based payments	48,547	273,690
Total compensation	4,728,621	4,637,345

Detailed remuneration disclosure are contained in the Remuneration Report section of the Director's Report.

(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

During the year lease payments of \$200,000 (2021: \$200,000) 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. These lease arrangements are on an 'arm's length basis' as determined by an independent assessment of rental and lease terms. The lease is currently on a month to month basis.

24. 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 2022	2021
Promed (USA) Pty Ltd	Australia	100	100
PME IP Australia Pty Ltd	Australia	100	100
Visage Imaging (Aust) Pty Ltd	Australia	100	100
Visage Ventures Pty Ltd	Australia	100	100
PME Nominees Pty Ltd (ATF Employee Share Trust)	Australia	100	100
Pro Medicus (USA) LLC	United States	100	100
Visage Ventures Inc	United States	100	100
Visage Imaging Inc	United States	100	100
Visage Imaging GmbH	Germany	100	100

(b) Ultimate parent

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of these financial instruments is to provide finance for the Group's operations. The Group also 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

Approximately 84% (2021: 80%) 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 foreign currency that is not designated in cash flow hedges or recorded in the functional currency of the subsidiary

	Consolidated							
	USD\$		CAD\$		GBP£		EUR€	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets								
Cash and cash equivalents	15,946	5,532	278	660	123	129	119	2,357
	15,946	5,532	278	660	123	129	119	2,357
Financial liabilities								
Foreign exchange forward contracts	(16,167)	(3,926)	-	-	-	-	-	-
Net exposure	(221)	1,606	278	660	123	129	119	2,357

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)	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
AUD/USD +10%	22	(161)	(101)	(76)
AUD/USD – 5%	(11)	80	51	38
AUD/CAD +10%	(28)	(66)	-	-
AUD/CAD – 5%	14	33	-	-
AUD/GBP +10%	(12)	(13)	-	-
AUD/GBP – 5%	6	6	-	-
AUD/EUR +10%	(12)	(236)	(177)	(219)
AUD/EUR – 5%	6	118	89	110

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 and certain of its other financial assets being debt instruments and derivatives. 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.

(i) Trade and other receivables

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 expected credit losses 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

(ii) Cash and cash equivalents

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.

(iii) Other financial assets (debt instruments)

The Group's investment management have been provided with clear credit policies for investing in debt instruments, a summary is listed below:

- Investment is limited to specific asset classes, namely fixed income and private credit.
- No more than 10% of capital is initially invested in any one underlying asset or with any one issuer (held directly or indirectly) and no more than 15% before rebalancing must take place.
- Within fixed income, holding bonds dated 2 years or less.
- Within private debt, no less than 80% of capital invested with a minimum credit rating of BBB- or better ("Investment Grade")

The table below summarises the credit quality by instrument.

Year ended 30 June 2022	AAA %	AA+ %	AA- %	A %	A- %	BBB+ %	BBB %	BBB- %	TOTAL
Hybrid/convertible debt instruments, listed	-	-	-	-	-	-	52	48	100
Other debt instruments, listed	-	-	-	-	-	100	-	-	100
Other debt instruments, unlisted	12	6	-	4	-	31	28	19	100
Managed fund units, unlisted	-	-	30	10	30	14	5	11	100
TOTAL	5	2	10	5	11	20	25	22	100

Year ended 30 June 2021	AAA %	AA+ %	AA- %	A %	A- %	BBB+ %	BBB %	BBB- %	TOTAL
Hybrid/convertible debt instruments, listed	-	-	-	-	-	-	56	44	100
Other debt instruments, listed	-	-	-	-	-	-	-	-	-
Other debt instruments, unlisted	-	-	-	-	-	-	60	40	100
Managed fund units, unlisted	-	-	30	10	30	15	5	10	100
TOTAL	-	-	15	5	15	8	31	26	100

(iv) Other financial liabilities (derivatives)

Derivative other financial liabilities are held with Macquarie Bank Limited, an A-1 rated bank.

Interest rate risk (cash flow and fair value)

The Group exposure to market interest rates relates primarily to the company's cash and cash equivalents and other financial assets, being debt instruments.

(i) Cash flow interest rate risk

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 and are subject to cash flow interest rate risk:

Cash and Cash equivalents in the Group (\$'000) \$63,656 (2021: \$42,039).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

At 30 June 2022, 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 by cash flow interest rate risk as follows:

Consolidated				
Judgements of reasonably possible movements:	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
+1% (100 basis points)	637	420	-	-
- 0.5% (50 basis points)	(318)	(211)	-	-

(ii) Fair value interest rate risk

At reporting date, the Group had the following debt instruments exposed to fair value interest rate risk:

	Consolidated	
	2022	2021
	\$'000	\$'000
Hybrid/convertible debt instruments, listed	5,626	5,944
Other debt instruments, listed	494	-
Other debt instruments, unlisted	11,196	3,745

The Group considers that these exposures do not give rise to significant fair value interest rate risk given the short maturities of the debt instruments held and credit quality of the portfolio.

Liquidity risk

The Group has minimal liquidity risk as it has cash reserves of \$63.7m, 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 summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2022	LESS THAN 1 YEAR \$'000	1 TO 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Trade and other payables	5,601	-	-	5,601
Lease liabilities	610	1,520	400	2,530
TOTAL	6,211	1,520	400	8,131

Year ended 30 June 2021	LESS THAN 1 YEAR \$'000	1 TO 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Trade and other payables	3,725	-	-	3,725
Lease liabilities	574	1,816	600	2,990
TOTAL	4,299	1,816	600	6,715

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

In addition to the amounts disclosed in the tables above, at 30 June 2022 the group held forward contracts for the purchase of Australian Dollars with US Dollars (disclosed as other financial liabilities within the financial statements). These contracts involved gross US Dollar payments of (\$000) \$12,000 in exchange for Australian Dollars of \$16,167 (30 June 2021: gross US Dollar payments of (\$000) \$3,000 in exchange for Australian Dollars of \$3,926).

26. 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 24). There are additional Group transactions, between Pro Medicus Limited and its US and German based subsidiaries Visage Imaging Inc. and Visage Imaging GmbH. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

27. PARENT ENTITY INFORMATION

Information relating to Pro Medicus Limited	2022 \$'000	2021 \$'000
Current assets	25,257	21,400
Total assets	39,169	36,206
Current liabilities	35,037	25,696
Total liabilities	38,544	29,040
Issued capital	1,959	1,962
Retained earnings	(995)	1,412
Foreign currency translation reserve	(2,658)	(2,819)
Share reserve	7,543	7,526
Share Buyback Reserve	(5,224)	(915)
Total shareholders' equity	625	7,166
Profit/(loss) of the parent entity	11,617	10,349
Total comprehensive income of parent entity	11,617	10,349

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

28. OTHER ACCOUNTING POLICIES

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

There are no accounting standards or interpretation issued but not yet effective that are expected to have a material impact on the Group.

(b) Derivative financial instruments and hedging

The Group uses derivative financial instruments (forward currency contracts) to manage its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured to fair value at the reporting date. The fair value of the derivative financial instruments are level 2, being derived from directly or indirectly observable inputs.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivative are recorded directly in profit or loss for the year within net foreign currency gains/(losses). The Group does not apply hedge accounting. The foreign exchange forward contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from three to six months.

Set out below is a comparison of the carrying amounts and fair value of the Group's derivatives. These mature in August 2022 (2021: August 2021).

	2022		2021	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial assets/(liabilities)				
Foreign exchange forward contracts	(1,252)	(1,252)	(70)	(70)
	(1,252)	(1,252)	(70)	(70)

(c) 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.

(d) Comparatives

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

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 2022 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 2022.

On behalf of the Board



P T Kempen
Chairman

Melbourne, 18 August 2022

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2022



**Building a better
working world**

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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 2022, 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 2022 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 (including Independence Standards)* (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 judgment, 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.

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2022



**Building a better
working world**

Capitalisation of development costs

Why significant	How our audit addressed the key audit matter
The Group develops medical software related to radiology systems. Costs directly attributable to the development of this software (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 2022 was \$22.3 million (14.2% of total assets). Capitalisation of development costs was considered 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. Judgement is required in determining whether the costs meet the capitalisation criteria under Australian Accounting Standards. The measurement of capitalised development costs by the Group 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 relevant software version is available for use, over a useful life of five years. Note 14 of the financial report contains disclosure relating to capitalised development costs.	Our audit procedures included the following: - Assessed key measurement inputs, including directly attributable labour and overhead costs, used in the Group's capitalisation model which determines the amount of capitalised development costs. - Selected a sample of directly attributable overhead costs capitalised to assess whether these costs were appropriately capitalised in accordance with the criteria set out in Australian Accounting Standards. - Agreed a sample of labour costs recorded within the capitalisation model to payroll records. - Interviewed a sample of employees with labour costs capitalised to understand whether these employees were directly involved in developing software and not maintenance, administration or other activities that 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 14.

Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group generated \$93.5 million in revenue from contracts with customers across its global operations for the year ended 30 June 2022. The Group exercises judgement to determine, in particular: - Performance obligations within customer contracts; and - Recognition of revenue associated with multi-element contracts over the term of the contracts. Accordingly, revenue recognition was considered a key audit matter. Note 5 of the financial report contains disclosure relating to revenue recognition.	Our audit procedures included the following: - Considered the appropriateness of the Group's revenue recognition accounting policies against the requirements of Australian Accounting Standards, as well as the judgements applied in determining the timing of revenue recognition. - Reviewed a sample of customer contracts to assess the application of revenue recognition policies to customer arrangements. - Selected a sample of revenue transactions and assessed revenue recognised with respect to customer contracts. - Selected a sample of revenue transactions recognised prior to and after year end, to assess whether revenue was recognised in the appropriate period. - Assessed the adequacy of the disclosures included in Note 5.

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 Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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, 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 judgement 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.
- ▶ 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, actions taken to eliminate threats or safeguards applied.

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.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 34 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Pro Medicus Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2022



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.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Tony Morse' in black ink.

Tony Morse
Partner

Melbourne
18 August 2022

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:

	Performance rights		Ordinary shares	
	Number of holders	Number of rights	Number of holders	Number of shares
1 – 1,000	7	3,228	10,332	3,079,856
1,001 – 5,000	17	46,947	2,022	4,456,463
5,001 – 10,000	18	121,890	285	2,057,307
10,001 – 100,000	7	232,546	216	5,557,250
100,001 and Over	-	-	36	89,131,081
	49	404,611	12,891	104,281,957

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

315 1,999

(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)	27,137,660	26.02%
2 Mr A Hall (multiple shareholdings)	27,109,000	25.99%
3 HSBC Custody Nominees (Australia) Limited	13,748,758	13.18%
4 Citicorp Nominees Pty Ltd	6,116,390	5.86%
5 J P Morgan Nominees Australia Limited	5,408,651	5.19%
6 BNP Paribas Noms Pty Ltd	1,648,997	1.58%
7 National Nominees Limited	1,178,519	1.13%
8 Citicorp Nominees (Colonial First State)	776,654	0.74%
9 Mr Peter Terence Kempen & Mrs Elaine Margaret Kempen (multiple shareholdings)	679,082	0.65%
10 Mr Bram Vander Jagt & Mrs Maaïke Vander Jagt	520,000	0.50%
11 Grain Exporters (Australia) Pty Ltd	495,000	0.47%
12 Mr Michael Wu	430,244	0.41%
13 Milton Corporation Limited	350,000	0.34%
14 Mr Danny Tauber	288,053	0.28%
15 Mr Stephen Geoffrey Wilson & Ms Denise Adele Prandi	285,037	0.27%
16 Mr Roderick Lyle (multiple shareholdings)	284,000	0.27%
17 Mr Colin Gregory Organ	271,000	0.26%
18 UBS Nominees Pty Ltd	255,353	0.24%
19 Mr John Charles Plummer	250,000	0.24%
20 Mr Kenneth John Vander Jagt & Mrs Tanya Vander Jagt	238,159	0.23%
	87,470,557	83.87%

(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	27,137,660
A Hall	27,109,000

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

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
Dr Sam Aaron Hupert	Chief Executive Officer/Managing Director
Anthony Barry Hall	Technology Director
Anthony James Glenning	Non-Executive Director
Dr Leigh Bernard Farrell	Non-Executive Director
Deena Robyn Shiff	Non-Executive Director/Chair - People & Culture Committee
Alice Williams	Non-Executive Director/ Chair - Audit & Risk Committee

Company Secretary

Clayton James Hatch

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www.visageimaging.com

Solicitors

Clayton Utz
Sci-Law Strategies
Morrison Foerster

Bankers

Westpac Banking Corporation

Auditors

Ernst & Young

Share Registry

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Australia

Mailing address:

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Sydney South NSW 1235
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Telephone +612 8280 7111
Toll free 1300 554 474
Facsimile +612 9287 0303
Facsimile (proxy forms only) +612 9287 0309
E-mail registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

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