

Annual Report **2020**



pro♦medicus

OUR SUPPORT. YOUR SUCCESS.

CONTENTS

1. Highlights 2019/2020
3. CEO and Chairman's Letter
5. Financial Summary
7. Business Background
9. Global Leadership Team
11. The Year in Review
13. Into the Future
15. Environmental Social Governance
17. Financial Report
18. Director's Report
68. Director's Declaration
69. Independent Audit Report
75. ASX Additional Information
76. Corporate Governance
85. Corporate Information

HIGHLIGHTS

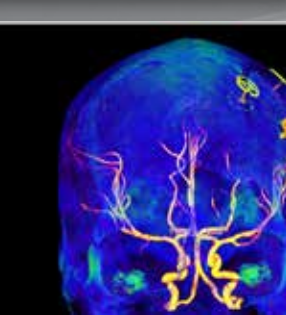
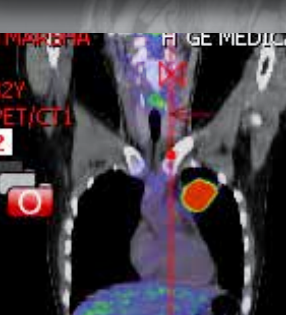
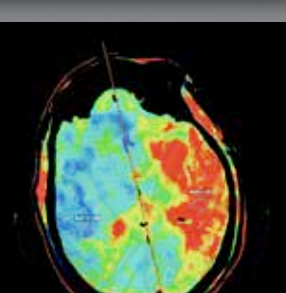
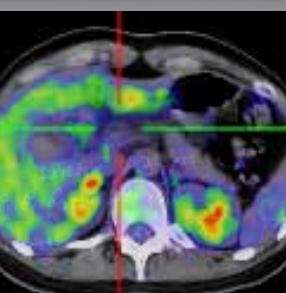
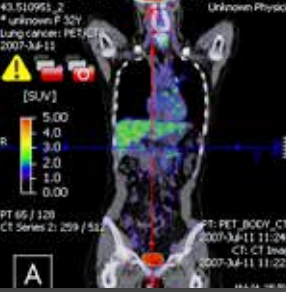


FINANCIAL SUMMARY

- ▶ NPAT \$23.08 million - up 20.7 %
- ▶ Underlying before-tax profit - \$30.23 million - up 33.4%
- ▶ Revenue of \$56.82 million - increase of 13.4%
- ▶ EBIT Margins increase to 52.5%
- ▶ Cash reserves of \$43.41 million - up 34.3%
- ▶ Strong balance sheet - debt free
- ▶ Dividends of 12.0c per share fully-franked - up 14.3%

BUSINESS HIGHLIGHTS

- ▶ Transaction revenue increased by 30.7%
- ▶ Three major contract wins - Ohio State University, Nines and Northwestern Memorial
- ▶ 7 out of the top 20 hospitals in the U.S. have standardised on Visage 7 technology
- ▶ Implementations on or ahead of schedule
- ▶ Future contracted revenue increased to \$210 million over next 5 years
- ▶ Australian and European businesses continue to perform well
- ▶ Strong pipeline in terms of quantity and quality of opportunities



CEO & CHAIRMAN letter

20



Dr Sam Hupert

Peter Kempen

Dear Shareholders,

This year marks the 20th anniversary of Pro Medicus as an ASX listed company and we are delighted to advise it has been another record year with revenue rising by 13.4% to \$56.82 million and underlying profit before tax increasing by 33.4% to \$30.23 million.

This result was largely driven by the North American business which experienced strong growth in transaction revenue from new and existing customers, despite the impact of COVID-19 in the second half of the year. The company continued to expand its footprint in the North American market winning three new contracts. The first, a \$9 million 5-year contract with Ohio State University (OSU) in November 2019. This was followed by a \$6 million 5-year contract with Nines in December 2019 with the largest sale of the year, and one of the company's largest to date, a \$22 million 5-year deal with Chicago-based Northwestern Memorial in June 2020. Seven of the top twenty hospitals in the U.S. (as voted by U.S. News Best Hospitals 20/21) now use the company's leading-edge Visage 7 technology. Our Australian and European divisions were also solid contributors with continued rollout of Visage RIS in Australia and incremental sales of Visage 7 in Europe.

The past year has also seen the company enhance its reputation for successful implementations by completing the go-live at Mass General Brigham (previously Partners) in six weeks, a record for the industry. Our clients continue to realise significant benefits in key areas such as IT infrastructure consolidation, radiologist productivity, increased clinical accuracy and scalability.

Our ongoing efforts and increasing investments in Research and Development for both our Visage 7 and Visage RIS products continue to be rewarded. During the past year the company released its AI accelerator platform that has been adopted by some of the most prestigious healthcare institutions in the U.S., as well as its Workflow manager product that rounds out the company's offering.

The trend towards purchasing our technology on a transaction or "pay per view" basis continues with the majority of North American revenue now coming from this model. Based on committed minimum transaction numbers over a 5-7 year contract

period, this model has built a high-quality scalable annuity stream which grew 30.7% year on year as existing client's transaction volumes increased and we continued to implement the contracts we have won. We see this trend continuing in FY21 with OSU, Northwestern and the recently won NYU Langone contract coming on stream.

The trends we have previously identified as driving the industry are continuing unabated. Exponentially growing data sets and the increasing importance of images as part of a patient's electronic health record (EHR) are fueling industry adoption of new systems. Visage 7 with its fast, highly modular and scalable technology is uniquely suited to dealing with these challenges. We continue to see increasing interest in the new and exciting field of Artificial Intelligence (AI) whose technology shows real promise to improve radiological interpretation and workflow. We believe we are extremely well-positioned to take advantage of this trend as it develops.

We finished the year financially stronger than ever, with cash reserves of \$43.41 million, up 34.3% from \$32.32 million. As a result, we increased our dividends from 10.5 cents per share, fully franked, to 12.0 cents per share fully franked an increase of 14.3%. The company remains debt-free and believes it has sufficient reserves to internally fund both the organic growth of the business and additionally invest strongly in its future.

Key to this success are our staff who have ensured that it was "business as usual" despite the difficult conditions created by the COVID-19 pandemic. We thank them and our fellow directors for all their efforts throughout the year. We are very proud of what the company has achieved over the past 20 years and look forward to building on our success in 2021.

Yours faithfully

Peter Kempen
CHAIRMAN

Sam Hupert
CHIEF EXECUTIVE OFFICER

YEAR
ENDED
30 JUNE 2020

FINANCIAL summary

ALL FIGURES IN \$A
THOUSANDS UNLESS
OTHERWISE STATED

	2020 \$'000	2019 \$'000
Revenues from Continuing Operations	56,821 +13.4%	50,105
Total Revenues	56,993 +13.2%	50,349
Operating Profit Before Interest and Income Tax	29,848 +15.3%	25,879
Net Profit After Tax	23,076 +20.7%	19,125
Total Assets 30 June	95,645	84,278
Shareholders' Funds 30 June	60,183	49,288
Net Tangible Assets per Share at 30 June (cents)	32.0	23.0
Earnings per Share (cents)	22.2 +20.0%	18.5

BUSINESS background

Pro Medicus Limited [ASX: PME] is a leading health imaging IT provider. Founded in 1983, the company provides a comprehensive range of software and services to hospitals, imaging centres, and health care groups.

VISAGE PRODUCTS

The company's software solutions are branded as "Visage" and provide one of the most comprehensive, enterprise-level, end-to-end offerings available in the radiology market today.

The Visage product line comprises solutions for RIS (Radiology Information Systems) / Practice Management, Healthcare Imaging and e-health. These systems can be used either individually or in combination by radiologists and other medical imaging professionals to interpret the images created by medical imaging equipment such as X-Ray and Ultrasound machines and CT and MRI Scanners and communicate the results to their referring clinicians.

Visage software solutions are provided to customers as either on-premise where Visage software runs on computer infrastructure and networks provided by the customer or cloud based where the infrastructure is managed by a 3rd party cloud provider such as Google Cloud. Importantly, the company does not store client data with either solution.

RADIOLOGY INFORMATION SYSTEMS (RIS)

Visage RIS handles the entire patient encounter from the moment the appointment is scheduled through to the financial accounting for the visit. This includes interfacing with onsite medical imaging equipment and PACS/digital imaging systems as well as the production and electronic transmission of the clinical report.

Visage RIS provides radiology practices with a highly scalable, enterprise-level solution that incorporates powerful search capability and configurable workflow and rules engines to meet a broad range of customer's needs. Services include project management, implementation, training, and ongoing technical and end-user support.

E-HEALTH

The result of a radiological examination is a written report containing the radiologist's interpretation. The Company's Internet-based e-health offering, promedicus.net, enables referring doctors to receive such clinical reports securely via the Internet to a centralised "in-tray" run on the doctor's computer. These reports are then electronically incorporated into the patients' medical records,

doing away with the need for double handling or manual filing. Over 26,000 Australian doctors are registered users of promedicus.net.

HEALTHCARE IMAGING

In January 2009, the company acquired Visage Imaging, which has been transformed into a global provider of leading-edge Healthcare imaging and 3D PACS (Picture Archiving and Communication System) solutions. The company's Visage 7 product line incorporates highly optimised proprietary advanced visualization capability that delivers extremely fast, multi-dimensional images streamed via the Visage 7 intelligent thin-client viewer. Visage 7 components can either be sold as a complete single vendor solution or individual components can be sold in a modular fashion as part of a best in breed offering.

THE VISAGE 7 ENTERPRISE VIEWER

This is the cornerstone of the Visage product set. It combines 3D/4D and advanced visualisation capabilities with the full gamut of 2D reading functionality creating a truly unique thin client streaming universal viewing platform. This enables radiologists to read any type of examination from a 2D chest x-ray to a complicated 3D cardiac study as well as high-resolution photographic images and videos, all within the one enterprise viewer. The Visage 7 Enterprise viewer can be interfaced with the Visage Open archive and Visage Workflow manager products as well as a broad range of third-party vendor-neutral image archiving (VNA) databases and workflow products as part of a modular, interoperable solution.

VISAGE EASE PRO (MOBILE)

Visage Ease Pro provides mobile app technology for diagnostic interpretation of medical images using iOS-based mobile devices. It is U.S. Food and Drug Administration (FDA) 510 (k) certified for all imaging modalities apart from mammography which requires higher screen resolution than current iOS devices can support. This enables clinicians to interpret images, no matter how large, anywhere using Visage technology. Visage Ease Pro includes numerous image manipulation features, display of non-DICOM (and non-diagnostic) images such as photos, support for recording voice memos, and the ability to upload photo attachments to studies on Visage 7.

VISAGE 7 OPEN ARCHIVE

The company introduced Visage 7 Open Archive to the North American market in May 2017 with the offering built on the same ultrafast, highly

scalable enterprise imaging platform used in Visage 7. Coupled with a modular design based on open standards, Visage 7 Open Archive ensures maximum interoperability even in the most complex environments. The introduction of Visage 7 Open Archive enables the company to offer the choice of modular or single-vendor solutions.

VISAGE 7 WORKFLOW

Visage 7 Workflow is now available offering native worklist management that enables customers to unify workflow with the simplicity of an additional tab in the Visage 7 viewer. Customers have the choice of driving reading workflow from independent workflow platforms, EHR-driven workflow, or natively with Visage 7. The release of Visage 7 workflow allows customers to construct a single vendor Enterprise PACS solution based on Visage technology.

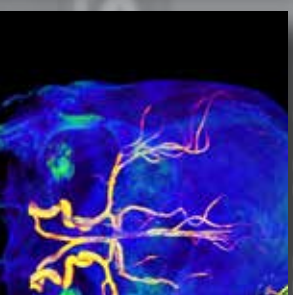
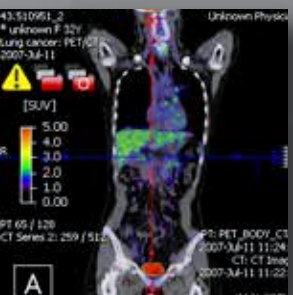
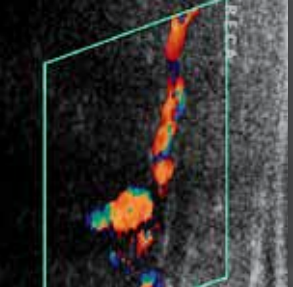
VISAGE IN THE CLOUD

Visage in the Cloud is the industry's first cloud-engineered, server-side platform for complete PACS operations. Leveraging the speed and functionality of the Visage 7 viewer, Open archive and Workflow modules, it delivers the same ultrafast performance as on-premise Visage implementations, but with the added security and scale of the cloud. Visage in the Cloud is suitable for organisations of any size and can be adopted as a primary or backup imaging solution.

VISAGE 7 AI ACCELERATOR

Recent advances in machine learning, known as Artificial Intelligence (AI), have made possible the development and use of algorithms that can recognise complex patterns in medical images. These algorithms are improved by a training process which compares their results against a pool of certified interpretations by expert radiologists. Once validated, these algorithms need to be accessible to radiologists to assist their interpretation.

In December 2019 the company announced its AI Accelerator program designed to harness the enormous potential of AI in radiology. AI Accelerator is an end-to-end platform that spans the entire process from AI Research all the way through to commercialisation and the use of AI as an aide to diagnostic interpretation. Using the AI accelerator platform, the company, in conjunction with clinicians from Yale, was able to take its breast density AI project from research through to submission for FDA approval in approximately 10 months, substantially less time than it would otherwise have taken using traditional tools.



GLOBAL LEADERSHIP team

20

KEY PERSONNEL

In 2015 the company transitioned from a Regional to a Global management structure appointing four regional managers to global roles in the areas of Technology/R&D, Sales, Marketing, and Customer Services. The 2020 financial year has been the most successful in the company's history confirming the board's belief that this structure has served the company well and positions 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 company Chief Technical Officer (CTO) and is responsible for product management and R&D globally. He has more than twenty 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.



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.



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.

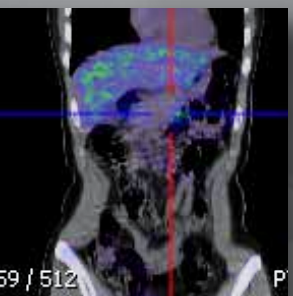
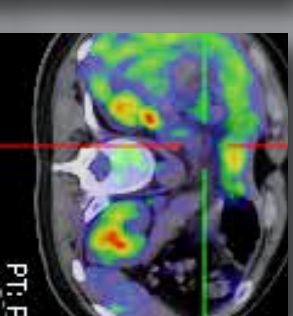
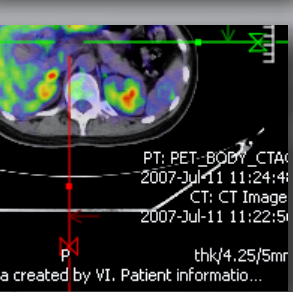
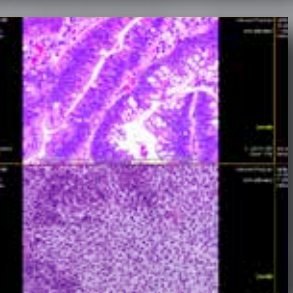
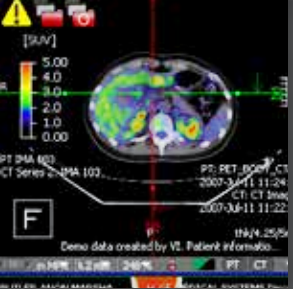
Sean holds a Bachelor of Science degree from Arizona State University.



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 MA, 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.



THE YEAR IN review

2020

The company was pleased to mark the start of the financial year with its admission into the benchmark S&P/ASX 200 index.

Major rollouts of Visage RIS continued for key customers in Australia and in North America the company won three contracts and completed a number of large-scale implementations. The company also released two new products during the year; the Visage AI Accelerator platform and the Visage Workflow manager.

The company further cemented its position as the leading supplier of healthcare imaging solutions with 7 of the top 20 hospitals in North America (as voted by U.S. News Best Hospitals 20/21) standardising on the Visage 7 platform, significantly more than any other vendor.

AUSTRALIA

The company's Australian operation undertakes research and development of the Visage RIS and e-health products as well as sales and service/support functions of both Visage RIS and Visage 7 products.

Visage 7 RIS continues to build on its position as the market leader for Enterprise RIS. Australian revenue increased by 19.2% from the previous year driven by the ongoing rollout of Visage RIS as part of long term (5-year) contracts with I-MED Network Radiology and Healius (previously known as Primary Health Care) as well as to new customers.

Promedius.net, the company's e-health offering experienced modest growth throughout the year despite increasing competition.

NORTH AMERICA

The company's North American team comprising sales, marketing, implementation and service/support staff was a strong contributor to the group's overall performance with revenue growing by 23.7% compared to the previous year. This was attributable to continued growth in transaction-based revenue as existing client's transaction volumes increased, and previously won contracts came on stream.

Particularly pleasing was the rollout of the Mass General Brigham (Partners Healthcare) implementation in July 2019 which was completed in record time. In November 2019 the company won a A\$9M, 5-year contract with the Ohio State University Wexner Medical Center (OSUWMC), a large multi-disciplinary academic medical centre located in Columbus, Ohio. Later that month, the company showcased two new products at RSNA-2019 the premier industry conference - Visage Workflow Manager the Visage AI Accelerator platform.

In December 2019 the company signed a 5-year, A\$6M cloud-based contract with Nines, a Palo Alto based startup looking to utilise AI in the advanced teleradiology space.

The company finished the year with one of its biggest sales to date, a 5 year A\$22M deal with

Chicago based Northwestern Memorial Healthcare (Northwestern) - a large, tier-one academic institution voted as one of the top 10 hospitals in North America.

EUROPE

The Group's employees in its Berlin office undertake research and development of Visage Imaging products worldwide as well as sales, marketing and service/support functions for the Group's European operations. Revenue for software from our European operations was in line with expectations despite a decrease of 37.7% period-on-period due to a one-off \$3.049m capital sale to the German government in FY19.

COVID-19

2020 will be remembered for the COVID-19 pandemic and for the company it was the year we went "virtual". We were able to seamlessly transition 100% of our global workforce to work from home by mid-March. Work has continued uninterrupted - implementations, customer support, sales demonstrations, sales pilots, training and product development all being done remotely ensuring business continuity.

Lockdowns and distancing measures have created a need for our customers to ensure radiologists and other clinical users can access images when and where needed, especially from home. Visage 7 is particularly suited to working remotely enabling even the largest studies to be viewed on-demand without degradation in speed, fidelity or functionality even over consumer-grade Internet.



INTO THE future



RAPIDLY GROWING NORTH AMERICAN FOOTPRINT



NEW EXPANDED PRODUCT SET - BEST IN BREED OR SINGLE VENDOR SOLUTIONS



ENTERPRISE IMAGING



VISAGE IN THE CLOUD



ARTIFICIAL INTELLIGENCE - VISAGE AI ACCELERATOR

The Board and Management believe the company is extremely well-positioned for growth after making strong progress in the 2020 financial year. Key factors predicted to drive growth include:

EXPANDED GEOGRAPHICAL FOOTPRINT

Over the past year, the company continued to build on its presence in North America and Australia as well as consolidate its position in Europe.

Our growing North American customer base comprises some of the largest and most prestigious health systems in the U.S., including 7 of the top 20 ranked hospitals in the U.S. for 2020/2021 (U.S. News & World Report Honour Roll). The company believes it can continue to leverage its expanded footprint and increased market presence to drive further sales opportunities across all segments of the market including large Enterprise hospitals, private imaging centres and remote reading/teleradiology.

HIGHLY DIFFERENTIATED TECHNOLOGY

The company continues to maintain its significant ongoing investment in R&D for its flagship Visage 7 suite of products, which includes the Visage 7 One Viewer™, Visage 7 Open Archive and Visage Workflow manager, which we believe will continue to differentiate our offerings in the modular PACS, Enterprise viewer, and advanced visualisation space.

The Visage RIS platform is the culmination of many years of intense R&D effort and positions Pro Medicus at the forefront of RIS/ Practice Management technology. It is differentiated by its scalability, powerful search capability and ability to allow clients to configure their business-specific workflow and rules to meet their needs.

INDUSTRY TRENDS

The company believes the North American market has reached a tipping point as a result of a number of significant industry trends that when combined, continue to drive demand for Visage 7 products.

Explosion in image data size continues

With developments in imaging technology it is now common for a single examination image file to be in the order of 2 to 3 Gigabytes or larger. The introduction of Digital Breast Tomosynthesis (DBT), a new form of 3D breast imaging, has added to the data explosion problem producing image files as large as 6 to 10 Gigabytes per examination. Traditional

PACS/Digital Imaging based on “compress and send” technology requires these files to be transferred across the network to the radiologist desktop in order to be visualised. This has created very significant network bottlenecks which have limited the widespread adoption and use of these new imaging technologies.

Visage 7, with its unique server-side thin-client streaming technology, enables the radiologist or referring clinician to instantly visualize these very large datasets without having to move the images to their desktop thereby overcoming the bandwidth/ network bottleneck issue.

Adoption of Electronic Health Records (EHR)

The U.S. Government as part of its Meaningful Use program has mandated U.S. health institutions to implement an enterprise-wide Electronic Health Record (EHR).

Under this new model, all patient clinical data including images is entered into, and is accessed via, the EHR. This has resulted in a heightened focus on imaging as medical images both DICOM (radiology and cardiology) as well as non DICOM (photos and videos) now comprise a large and rapidly growing part of the medical record. Visage 7, with its ability to display all of these image types within the one product, is well positioned to benefit from this rapidly evolving trend.

Flexibility of single vendor or best in breed or solutions

Visage 7, with its highly modular design can sold as part of “best in breed” solution or in conjunction with Visage 7 Open archive and Workflow manager as a highly scalable single vendor offering. This degree of flexibility enables the company to address the broadest range of market opportunities.

TRANSACTION BASED LICENCING

The vast majority of the company's contracts are now transaction or “pay per view” based. This not only enables customers to more accurately align their investment in Visage to the size of their business but has the added benefit of creating significant ongoing revenue streams for the company.

ENTERPRISE IMAGING

The company continues to make significant investments in ongoing R&D to develop products including Visage 7 One Viewer. This extends the capability of Visage 7 beyond the realm of radiology enabling the viewing of DICOM (radiology) and non-DICOM images such as photos

and HD videos (also described as medical multimedia objects) all in the one viewer.

CLOUD

To date, most healthcare institutions have preferred on-premise solutions, hosting their applications in their own or leased data centres however there is a rapidly growing trend towards the convenience, scalability and security of cloud-based infrastructure offered by tier 1 cloud providers.

Visage in the Cloud is the industry's first cloud-engineered, server-side platform for complete PACS operations. Leveraging the speed and functionality of the Visage 7 viewer, Open archive and Workflow modules, it delivers the same ultrafast performance as on-premise Visage implementations, but with the added benefits of cloud. Visage in the Cloud is suitable for organisations of any size and can be adopted as a primary or backup imaging solution.

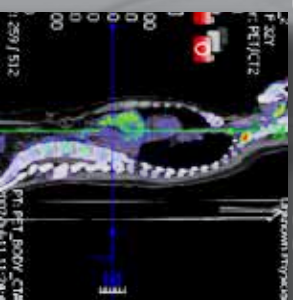
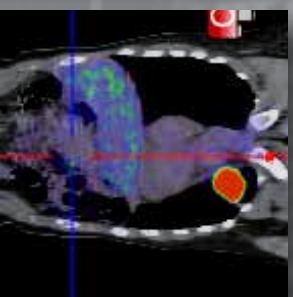
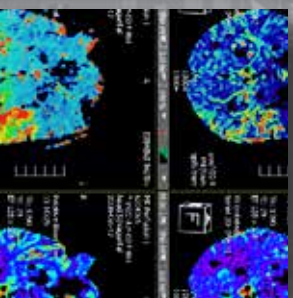
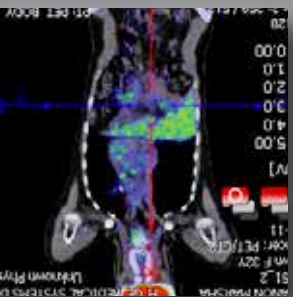
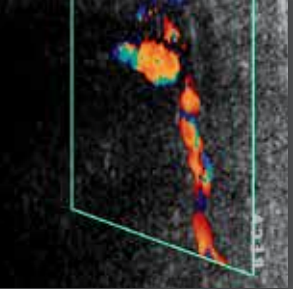
ARTIFICIAL INTELLIGENCE (AI)

No trend looms larger on the horizon than the potential of machine learning or Artificial Intelligence (AI) to the field of Healthcare Imaging.

Visage is uniquely positioned to be the platform of choice for development of AI algorithms as well as providing the best environment in which the algorithms can run. During the year the company released its AI accelerator platform in order to harness the potential of AI in radiology. AI Accelerator is now being used by a number of top academic hospitals in the U.S. with others still to follow. The company believes this will open up a number of commercial opportunities in the AI space.

The first such opportunity is the Breast density algorithm the company developed with input from breast imaging specialists at Yale. The algorithm is currently pending FDA approval which, if granted, will be the company's first fully commercialised AI project. The company anticipates that it will have further opportunities for AI collaboration and/or commercialisation.

The company also believes that it's Visage 7 platform is ideally suited to displaying the output of AI companies allowing the seamless embedding of these new algorithms in the interpretation workflow of Visage 7, significantly enhancing their usability.



20

ENVIRONMENTAL social governance

The Pro Medicus Board and management recognises the importance of sound Environment, Social and Governance practices to provide the social licence for the company's operations.

The company is a provider of software that facilitates better healthcare. Using the company's Visage 7 suite of products, healthcare professionals can view diagnostic quality images on demand regardless of their size even over consumer grade internet. This coupled with the sophistication and functionality of Visage 7 provides unparalleled clinical capability thereby aiding the diagnostic process. Over the past year, millions of patients have had their healthcare imaging reviewed and diagnosed by radiologists using Visage 7 software.

Victorian Stroke Telemedicine Project

For the past two years, Pro Medicus has gifted the company's Visage 7 software to the Victorian Stroke Telemedicine (VST) Program. The VST service, operating under the umbrella of Ambulance Victoria (AV), facilitates rapid clinical decision-making and treatment of stroke by connecting rural and regional hospitals in Victoria and North West Tasmania to a 24/7, year-round roster of Melbourne-based Neurologists.

For a patient with acute stroke, every minute counts. Visage 7 with its thin client streaming technology, on-the-fly advanced 3D functionality and ability to provide access anytime, anywhere, is ideally suited to the ongoing efforts in delivering the best care possible to stroke patients; irrespective of their location and the subsequent resource and accessibility challenges this may present.

Professor Christopher Bladin, Director of the Victorian Stroke Telemedicine (VST) Service explains:

"The Visage 7 viewer from Pro Medicus has had a significant impact on the Victorian Stroke Telemedicine service (VST). VST services 19 regional hospitals across Victoria and Northwest Tasmania. Patients with suspected acute stroke presenting to the Emergency

Department receive multimodal CT imaging including CT angiography and CT perfusion. These generate large image files that must be transferred and evaluated very quickly. Visage has been a major advance for VST - it allows fast manipulation of images through its "Netflix-like" process of streaming images from a central server to the VST consultant. Decisions can then be made quickly about stroke treatments such as thrombolysis (clot busting therapy) and endovascular clot retrieval (clot removal from a brain artery)."

Due to the positive response from the VST's neurologists, Pro Medicus is continuing to support the VST in the next "phase" of this Project, with the installation of the Visage Enterprise Imaging Software within Ambulance Victoria's own datacentre infrastructure.

Community Contributions - Australian Bushfire Appeal

The tragedy of the Australian bushfire season motivated our staff in the U.S. to undertake fundraising in that country.

On behalf of the company a \$25,000 donation was also shared amongst the following Australian organisations directly involved in bushfire recovery and repair.

NSW Rural Fire Service

This donation is aimed at assisting prevention of future fires through support of the NSW volunteer fire brigade.

Mallacoota District Health & Support Service

This donation aligns with our healthcare background and will assist the physical and emotional recovery of locals in the area.

Kangaroo Island Mayoral Relief and Recovery Bushfire Fund

Donations will be donated on merit by the fund with careful and fee-free oversight.

BlazeAid

A volunteer organisation that is rebuilding thousands of kilometres of fencing to allow farmers to manage and rebuild stock.

Wisdom in Diagnostic Imaging program

Visage has been supporting the University of Florida Wisdom in Diagnostic Imaging program since 2016. This is an emergency medicine/critical care competency-based assessment program for radiology residents, powered by Visage 7, that has included hundreds of academic radiology programs and impacted the education of thousands of radiology residents. The Visage 7 Enterprise Imaging Platform software and Visage professional services are provided philanthropically, at no cost, in support of this worthy program.

COVID-19

Visage has also been actively supporting early research and philanthropic efforts spawned as a result of the COVID-19 pandemic.

Radunited

Radunited.org is a philanthropic collaborative effort by academic radiologists, informaticists, and computer scientists, supported by Visage Imaging and Nuance to provide a platform to allow hospitals and communities in COVID affected areas to receive pro-bono radiological services.

The goal is to provide a cloud-based platform to allow hospitals and communities in hard hit areas that need help, to be matched up with radiology departments with the capacity and desire to donate their services. Initially inspired to help support in the global COVID crisis, RadUnited can also be used for other emergencies and natural disasters, with lower middle-income countries (LMIC) the initial beneficiaries of RadUnited services.

COVISAR – COVISAR (an acronym of COVID Visage and Archive) is a multisite collaboration led by Yale and Visage, intended to expand the technical template and approach to multiple institutional research for COVID and other disease domains. The immediate intent is to create a highly curated multi-center data repository of COVID-19 positive cases, including pertinent clinical information and annotated images to serve as the basis for multi-center, multi-organ, research projects. The program now has participation from a number of clinical partners.

ANNUAL FINANCIAL REPORT

30 JUNE 2020

FINANCIAL report

Directors' Report	18
Auditor's Independence Declaration	30
Statement of Comprehensive Income	31
Statement of Financial Position	32
Statement of Changes in Equity	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Note 1 Corporate Information	35
Note 2 Summary of Significant Accounting Policies	35
Note 3 Significant Accounting Judgements, Estimates and Assumptions	39
Note 4 Operating Segments	40
Note 5 Revenue from contracts with customers	42
Note 6 Income and Expenses	44
Note 7 Income Tax	45
Note 8 Earnings per Share	47
Note 9 Dividends Paid and Proposed	48
Note 10 Cash and Cash Equivalents	49
Note 11 Trade and Other Receivables	50
Note 12 Inventory	51
Note 13 Plant and Equipment	51
Note 14 Intangible Assets	53
Note 15 Trade and Other Payables	55
Note 16 Deferred Revenue	55
Note 17 Provisions	56
Note 18 Contributed Equity and Reserves	56
Note 19 Share based Payments	57
Note 20 Leases	60
Note 21 Events after the Balance Sheet Date	60
Note 22 Auditors' Remuneration	61
Note 23 Key Management Personnel	61
Note 24 Related Party Disclosure	61
Note 25 Financial Risk Management Objectives and Policies	62
Note 26 Contingencies	65
Note 27 Parent Entity Information	65
Note 28 Other Accounting Policies	66
Directors' Declaration	68
Independent Auditor's Report	69
ASX Additional Information	75
Corporate Governance Statement	76
Corporate Information	85

DIRECTORS' report

Your Directors submit their report for the year ended 30 June 2020 in relation to Pro Medicus Limited (the “Company”) and its subsidiaries (the “Group”).

DIRECTORS

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



PETER TERENCE KEMPEN

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 Leukaemia and Lymphoma Group and Chairman of Logie-Smith Lanyon. 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.

Peter is also Chairman of the audit committee.



DR SAM AARON HUPERT

M.B.B.S.

Managing Director and Chief Executive Officer

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

Sam served as CEO from the time he co-founded the company until October 2007 at which time he stepped down to become an executive director. Sam resumed full time CEO activities in October of 2010.



ANTHONY BARRY HALL

B.Sc. (Hons), M.Sc.

Executive Director and Technology Director

Co-founder of Pro Medicus Limited in 1983, Anthony Hall has been principal architect and developer of the core software systems. His current focus is the transition to and development of the Company’s next generation RIS systems.

Anthony holds a Bachelor and Master’s degree in Science from La Trobe University.



CLAYTON JAMES HATCH

CPA

Company Secretary

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.



ANTHONY JAMES GLENNING

B.CS, B.EE, M.EE

Non-Executive Director

Anthony joined Pro Medicus Limited as a Director on 1 May 2016. He is 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 Azure Healthcare Limited (ASX:AZV), an international provider of healthcare communication and clinical workflow management solutions. He is also Chairman of Cyrise Pty Ltd, an accelerator for early stage cyber security start-ups.

Anthony has previously been 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 audit 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 Executive Director of AdNED Pty Ltd and was previously Senior Vice President, Commercial of Certara USA, Inc. 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 audit 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) and Non-Executive Director of Appen Ltd (ASX:APX). Deena also holds other board positions with Infrastructure Australia and Opera Australia and is Chair of the Government’s Australia Broadband Advisory Council.

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 also serves on the audit committee.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Ordinary Shares	Options over Ordinary Shares
A. B. Hall	28,109,000	NIL
S. A. Hupert	28,137,660	NIL
P. T. Kempen	678,082	NIL
A. J. Glenning	9,525	NIL
L. B. Farrell	4,240	NIL
D. R. Shiff	NIL	NIL

EARNINGS PER SHARE

	Cents
Basic earnings per share	22.21
Diluted earnings per share	22.09

DIVIDENDS

ORDINARY SHARES	CENTS	\$'000
Final dividends recommended:		
Normal dividend plan	6.0	6,239
Dividends paid in the year:		
Interim for the year	6.0	6,237
Final dividend for 2019 shown as recommended in the 2019 report:		
Normal dividend plan	4.5	4,663

OPERATING AND FINANCIAL REVIEW

CORPORATE STRUCTURE

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

Nature of operations and principal activities

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

Radiology Information Systems (RIS)

- Proprietary medical software for practice management (RIS);
- Training, installation and professional services;
- After sale support and service products;
- Promedius.net secure email; and
- Integration products.

Visage 7.0

- Healthcare imaging software that provides radiologist 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
- Service and support products.

The Group has continued development of both the RIS products and the Visage 7.0 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 carried out in Europe.

DIRECTORS' REPORT CONT.

REVIEW AND RESULTS OF OPERATIONS

Investment Activities

Surplus funds which are held in several currencies are invested by the Group in a cash management, at-call accounts and term deposits to maximise the interest return.

Performance Indicators

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

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

Dynamics of the Business

Australia

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

The Group's Australian revenue increased by 19.2% compared to the previous year, with the rollout of the Healius (ex-Primary Health) contract and extension of its contract with I-MED being the main contributors to the increased revenue.

Promedius.net, the company's e-health offering, continued to hold its market position.

North America

The North American team fulfil sales, marketing and professional services roles. Revenue from North America increased by 23.7% compared to the previous year. This was attributable to increase in transaction-based revenue from sales of Visage technology as more contracts came on stream.

Europe

The Group's employees in its Berlin office undertake research and development of Visage Imaging products worldwide as well as sales, marketing and service/support functions for the Group's European operations. Revenue for software from our European operations was in line with expectations despite a decrease of 37.7% period on period, as a result of a one-off \$3.049m capital sale to the German government in FY19.

Financials

Reported profit after tax for the period was \$23.08m an increase of 20.7% from the previous year.

Full year revenue of the Group increased from \$50.11m to \$56.82m, an increase of 13.4%. As the Group's costs are relatively fixed, an increase in sales has a significant impact on profitability.

The key drivers of the profit increase were increases

in transaction revenue in North American and as well as increased RIS sales in Australia.

The result from the underlying operations for the year was a pre-tax profit of \$30.24m compared to an underlying pre-tax profit of \$22.66m from the previous corresponding period, an increase of 33.4%. The underlying profit comprises reported profit before tax of \$30.02m and adding the net currency loss of \$0.22m. The underlying profit from 2019, comprises of reported profit before tax of \$26.12m less the currency gain of \$0.41m and subtracting the one-off capital sale to the German government of \$3.05m.

During the period the Company continued to make strong inroads into the North American market winning key contracts with Ohio State University (A\$9.0m – 5 year deal), a large multi-disciplinary academic medical center in Columbus, Ohio; Nines (A\$6.0m – 5 year deal), a Palo Alto based teleradiology business; and Northwestern Memorial (A\$22.0m – 5 year deal), a large, highly respected tier 1 academic hospital system in Chicago, Illinois. The Company also continued to make significant progress with all key implementations being on or ahead of schedule.

COVID-19

The company successfully transitioned its entire global operations to “work from home” in mid-March 2020 ensuring full continuity of all R&D and client support services. In addition, customer-facing activities including meetings with prospective clients, product demonstrations and training and implementation were performed remotely using a combination of the company's own Visage 7 technology and third party video conferencing tools, thereby enabling these activities to continue unabated throughout the period.

Exam volumes, particularly in Australia and the US, declined during the last week in March 2020 and into the first two weeks of April 2020 as clients deferred all elective, non-urgent radiology examinations. Since that period to the end of the financial year, volumes steadily increased to a level just below that of the months prior to COVID. The impact on the full year results is estimated to be that profit after tax would have been higher by approximately \$1.2m, which equates to approximately 5% of underlying NPAT.

Investments for Future Performance

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

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

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

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

REVIEW OF FINANCIAL CONDITION

Capital Structure

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

Treasury Policy

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

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 flows from operating activities for the current period was a positive \$31.42m, with receipts from customers totalling \$60.63m compared with payments of \$19.92m to suppliers and employees. During the year the Company paid out a total of \$10.92m in dividends, the net result being total cash assets of \$43.41m; an increase of 34.3% from last year.

Liquidity and Funding

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

Risk Management

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

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

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

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

plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs;

- Overseeing of appropriate backup procedures for important company data; and
- Routine review by key executives of its established Quality Assurance program and corrective action recommendations stemming from it.

Corporate Governance

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholders' equity increased by 22.1% from \$49.29m to \$60.18m. This movement was largely the result of profit during the year, offset by dividends paid out during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

A Final Dividend of 6.0 cents per share has been declared post 30 June 2020. Please refer to Note 9 of the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors anticipate that the 2021 financial year will see more opportunities crystallise for the company due to improved prospects in North America and the continued commercialisation and roll out of Visage RIS, the company's new technology RIS platform.

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

- Increased revenue being generated from previously won transaction-based contracts which are scheduled to come on stream in the 2021 financial year.
- Continued strong interest in the Visage 7.0 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 7.0 product set to address key market segments such as large Health Systems and Hospitals in addition to the private radiology and teleradiology markets.
- Market dynamics that favour the adoption of Visage 7.0 technology.
- Increased revenue from Visage RIS, the company's new technology RIS platform as the rollout of this new platform continues.

DIRECTORS' REPORT CONT.

COVID-19

Examination volumes in Australia and North American have returned to near normal levels and it is anticipated, subject to a no further major COVID outbreaks that this trend back to normal volumes will continue.

As a result, it is anticipated that the 2021 financial year will show a continuing improvement in operational results, however this is dependent upon many market factors over which the Directors have limited or no control.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

Un-issued Shares

As at the date of this report, there were zero un-issued ordinary shares under options. Refer to Note 19 of the financial statements for further details of movement of options throughout the year.

Shares Issued as a Result of the Exercise of Options

During the financial year, zero share options were exercised by current employees to acquire fully paid ordinary shares in Pro Medicus Limited and no share options expired.

PERFORMANCE RIGHTS

Un-issued Shares

As at the date of this report, there were 927,306 un-issued ordinary shares under 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, 172,344 performance rights were exercised by current employees and no performance rights expired. A further 192,032 performance rights were exercised by key management personnel in the current year to acquire fully paid ordinary shares in Pro Medicus Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INDEMNIFICATION OF AUDITORS

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

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

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

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), Executive Directors and other Senior Executives whom are considered KMP of the Group.

(i) Non- Executive Directors

Peter Terence Kempen	Chairman
Anthony James Glenning	Director (non-executive)
Leigh Bernard Farrell	Director (non-executive)

(ii) Executive Directors

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

(iii) Other Senior Executives

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

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

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

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

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

Remuneration Philosophy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

The amount of the aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst 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 is paid for time spent on Audit Committee business.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the 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 2020 is detailed in Table 1 of this report.

Executives Remuneration

Objective

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

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

Structure

Employment contracts have been entered into with all Executives of the Group. Details of these contracts are provided on page 26.

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

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

Fixed Remuneration

Objective

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

Fixed remuneration is reviewed annually and the process consists of a review of Group-wide business and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Executives, including Executive Directors, are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

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

DIRECTORS' REPORT CONT.

Variable Remuneration – Long Term Incentive (LTI)

Performance Rights

Former LTI Plan – Granted until FY2017

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

The fair value of the equity-settled performance rights is estimated using a Black-Scholes model at grant date taking into account the terms and conditions upon which the performance rights were granted. For further details of valuation of options, models and assumptions used, refer to Note 19 of the financial statements.

The table below outlines the proportion to target of performance rights that were granted based on performance measures since the plan was established. No new grants were awarded during the year ended 30 June 2020, 2019 and 2018 under this long term incentive plan.

	2020	2019	2018	2017	2016
75% EBIT targets met	N/A	N/A	N/A	125%	85%
25% Individual targets met	N/A	N/A	N/A	83%	88%

A share-based payment expense continues to be provided to certain Executives during the year ended 30 June 2020 related to unvested tranches of this long term incentive plan.

Current LTI Plan – Granted from FY2017

A new long term incentive plan was established during 2016-17 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered 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%) which is set on an annualised basis by the Board and Total Shareholder Returns (TSR) growth (40%). The Company's TSR growth performance hurdle is measured relative to the ASX300 Index (FY2017, FY2018 and FY2019) and measured relative to the ASX200 Index in FY2020 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.

The table below outlines the proportion to target of performance rights that were granted based on performance measures during the year and since the plan was established.

	2020
60% EPS targets met	100%
40% TSR targets met	100%

Variable Remuneration – 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.

STI bonus for 2019

The table below outlines the proportion to target of STI cash bonuses provided since the new STI plan was established

	2020	2019	2018	2017	2016
75% EBIT targets met	0%	200%	35%	125%	N/A
25% Individual targets met	100%*	93%	143%	91%	N/A

* Accrued in the financial statements at 100% based on best estimates of the Board prior to formalisation.

Key Performance Indicators

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

Shareholder Returns

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

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

	2020	2019	2018(restated)	2017	2016
Basic earnings per share – reported (cents)	22.2	18.5	9.7	9.1	6.3
Return on assets (%)	31.4	31.0	25.1	28.6	24.3
Return on equity (%)	38.3	38.8	28.4	26.8	23.3
Dividend payout ratio (%) – normal dividend plan	54.1	57.1	62.1	44.0	47.9
Dividend payout ratio (%) – total dividend	54.1	57.1	62.1	44.0	47.9
Available franking credits (\$'000)	4,314	2,417	820	531	0

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: Remuneration of key management personnel for the year ended 30 June 2020

	Short-Term			Post-Employment	Long-Term	Share-Based Payment	Total	Total Performance Related (%)
30 June 2020 (\$)	Salary and Fees	Cash Bonus	Non-Monetary benefits	Super annuation	Long Service Leave	Performance Rights		
Directors								
P T Kempen	152,894	-	1,273	25,000	-	-	179,167	-
S A Hupert	475,000	-	-	25,000	7,938	-	507,938	-
A B Hall	350,000	-	-	25,000	(60,036)	-	314,964	-
A Glenning	95,662	-	-	4,338	-	-	100,000	-
L Farrell	82,192	-	-	7,808	-	-	90,000	-
Executives								
D Tauber	325,000	13,125	-	25,000	5,506	17,592	386,223	8.0%
M Westerhoff	554,265	81,812	20,500	2,889	-	59,544	719,010	19.7%
B Levin	328,185	19,178	-	-	-	40,869	388,232	15.5%
S Lambright	253,598	774,047	-	-	-	(6,131)	1,021,514	75.2%
	2,616,796	888,162	21,773	115,035	(46,592)	111,874	3,707,048	

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

During the reporting period, 5,078 rights with a fair value of \$47,149 (TSR hurdle - \$2.85, EPS hurdle - \$13.58 per performance right) were granted as performance rights to Danny Tauber with a grant date of 16 September 2019 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 16,890 rights with a fair value of \$156,824 (TSR hurdle - \$2.85, EPS hurdle - \$13.58 per performance right) were granted as performance rights to Malte Westerhoff with a grant date of 16 September 2019 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 4,647 rights with a fair value of \$43,147 (TSR hurdle - \$2.85, EPS hurdle - \$13.58 per performance right) were granted as performance rights to Brad Levin with a grant date of 16 September 2019 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 3,591 rights with a fair value of \$33,342 (TSR hurdle - \$2.85, EPS hurdle - \$13.58 per performance right) were granted as performance rights to Sean Lambright with a grant date of 16 September 2019 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

Table 2: Remuneration of key management personnel for the year ended 30 June 2019

	Short-Term			Post-Employment	Long-Term	Share-Based Payment	Total	Total Performance Related (%)
30 June 2019 (\$)	Salary and Fees	Cash Bonus	Non-Monetary benefits	Super annuation	Long Service Leave	Performance Rights		
Directors								
P T Kempen	73,943	-	1,057	25,000	-	-	100,000	-
S A Hupert	475,000	-	-	25,000	7,916	-	507,916	-
A B Hall	349,440	-	-	25,000	5,833	-	380,273	-
A Glenning	91,324	-	-	8,676	-	-	100,000	-
L Farrell	82,192	-	-	7,808	-	-	90,000	-
Executives								
D Tauber	329,469	91,875	-	20,491	11,643	106,936	560,414	35.5%
M Westerhoff	460,642	331,559	19,415	2,794	-	285,186	1,099,596	56.1%
B Levin	307,626	195,631	-	-	-	88,826	592,083	48.0%
S Lambright	237,711	431,893	-	-	-	26,695	696,299	65.9%
	2,407,347	1,050,958	20,472	114,769	25,392	507,643	4,126,581	

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

During the reporting period, 15,384 rights with a fair value of \$45,844 (TSR hurdle - \$1.10, EPS hurdle - \$4.24 per performance right) were granted as performance rights to Danny Tauber with a grant date of 16 August 2018 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 45,306 rights with a fair value of \$135,012 (TSR hurdle - \$1.10, EPS hurdle - \$4.24 per performance right) were granted as performance rights to Malte Westerhoff with a grant date of 16 August 2018 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 13,910 rights with a fair value of \$41,452 (TSR hurdle - \$1.10, EPS hurdle - \$4.24 per performance right) were granted as performance rights to Brad Levin with a grant date of 16 August 2018 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 10,748 rights with a fair value of \$32,029 (TSR hurdle - \$1.10, EPS hurdle - \$4.24 per performance right) were granted as performance rights to Sean Lambright with a grant date of 16 August 2018 under the Current LTI Plan. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

Table 3: Shareholdings of Key Management Personnel

Ordinary shares held in Pro Medicus Limited (Number)	Balance at 1 July 2019	On exercise of performance rights	Net change other	Balance at 30 June 2020
30 June 2020	Ordinary	Ordinary	Ordinary	Ordinary
Directors				
P T Kempen	678,082	-	-	678,082
S A Hupert	29,107,660	-	(970,000) ¹	28,137,660
A B Hall	29,067,500	-	(958,500) ²	28,109,000
A Glenning	4,000	-	5,525 ³	9,525
L Farrell	2,501	-	1,739 ⁴	4,240
Executives				
D Tauber	381,573	45,750	(46,408) ⁵	380,915
M Westerhoff	57,368	84,313	(44,000) ⁶	97,681
B Levin	45,783	39,781	(26,450) ⁷	59,114
S Lambright	180,000	22,188	(22,278) ⁸	179,910
Total	59,524,467	192,032	(2,060,372)	57,656,127

¹Sam Hupert sold 1,000,000 shares and bought 30,000 shares throughout the year at the prevailing market share price.

²Anthony Hall sold 1,000,000 shares and bought 41,500 shares throughout the year at the prevailing market share price.

³Anthony Glenning bought 5,525 shares throughout the year at the prevailing market share price.

⁴Leigh Farrell bought 1,739 shares throughout the year at the prevailing market share price.

⁵Danny Tauber sold 46,408 shares throughout the year at the prevailing market share price.

⁶Malte Westerhoff sold 44,000 shares throughout the year at the prevailing market share price.

⁷Brad Levin sold 26,450 shares throughout the year at the prevailing market share price.

⁸Sean Lambright sold 22,278 shares throughout the year at the prevailing market share price.

Table 4: Performance rights of Key Management Personnel

Performance rights held in Pro Medicus Limited (Number)	Balance at 1 July 2019	Granted as remuneration	Performance rights exercised	Balance at 30 June 2020	Not yet vested	Vested and exercisable at 30 June 2020
30 June 2020						
Directors						
P T Kempen	-	-	-	-	-	-
S A Hupert	-	-	-	-	-	-
A B Hall	-	-	-	-	-	-
A Glenning	-	-	-	-	-	-
L Farrell	-	-	-	-	-	-
Executives						
D Tauber	115,281	5,078	(45,750)	74,609	(74,609)	-
M Westerhoff	283,916	16,890	(84,313)	216,493	(216,493)	-
B Levin	114,515	4,647	(39,781)	79,381	(79,381)	-
S Lambright	50,959	3,591	(22,188)	32,362	(32,362)	-
Total	564,671	30,206	(192,032)	402,845	(402,845)	-

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 2020, lease payments of \$200,000 (2019: \$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. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms.

DIRECTORS' MEETINGS

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

	Directors' Meetings	Eligible to attend	Audit Committee	Eligible to attend
Number of meetings held:	12		2	
Number of meetings attended:				
P. T. Kempen	12	12	2	2
A. Glenning	12	12	2	2
L. Farrell	12	12	2	2
A. B. Hall	12	12	2	2
S. A. Hupert	12	12	2	2

Committee membership

As at 30 June 2020, the company had an Audit Committee comprising the 3 Non-Executive Directors and 2 Executive Directors.

ROUNDING

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Pro Medicus Limited (refer page 30).

NON-AUDIT SERVICES

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

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

Professional services rendered in respect to taxation matters \$83,621

Signed in accordance with a resolution of the Directors.



P T Kempen
Director

Melbourne, 20 August 2020

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Pro Medicus Limited



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Tony Morse
Partner

20 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Consolidated	
		2020 \$'000	2019 \$'000
FOR THE YEAR ENDED 30 JUNE 2020			
	Notes		
Revenue from contracts with customers	5	56,821	50,105
Interest revenue		172	244
Revenue		56,993	50,349
Cost of Sales		(355)	(1,409)
Gross Profit		56,638	48,940
Net foreign currency (losses)/gains	6(a)	(218)	411
Accounting and secretarial fees		(1,069)	(791)
Advertising and public relations		(1,494)	(1,570)
Depreciation and amortisation	6(b)	(7,683)	(6,084)
Insurance		(772)	(635)
Legal costs		(702)	(368)
Other expense		(857)	(1,369)
Salaries and employee benefits expense	6(b)	(12,853)	(11,536)
Travel and accommodation		(970)	(875)
Profit before income tax		30,020	26,123
Income tax expense	7	(6,944)	(6,998)
Profit for the year	18	23,076	19,125
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign Currency translation		(308)	(433)
Other comprehensive income for the year		(308)	(433)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		22,768	18,692
Earnings per share (cents per share)			
		8	
- Basic for net profit for the year		22.2¢	18.5¢
- Diluted for net profit for the year		22.1¢	18.3¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
AS AT 30 JUNE 2020	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	43,413	32,315
Trade and other receivables	11	13,844	17,419
Accrued revenue		781	1,776
Contract assets	5	245	210
Other current financial assets	28	45	-
Income tax receivable		2,139	-
Inventories	12	35	31
Prepayments		981	705
Total Current Assets		61,483	52,456
Non-current Assets			
Deferred tax assets	7	11,482	12,131
Plant and equipment	13	622	503
Trade and other receivables	11	-	504
Contract assets		756	516
Right-of-use lease assets	20	2,226	-
Intangible assets	14	18,839	18,168
Prepayments		237	-
Total Non-current Assets		34,162	31,822
TOTAL ASSETS		95,645	84,278
LIABILITIES			
Current Liabilities			
Trade and other payables	15	2,637	3,421
Income tax payable		-	766
Deferred revenue	16	7,225	7,626
Other current financial liabilities	28	-	159
Lease liabilities	20	522	-
Provisions	17	2,332	1,950
Total Current Liabilities		12,716	13,922
Non-current Liabilities			
Deferred tax liabilities	7	6,518	5,731
Deferred revenue	16	14,422	15,287
Lease liabilities	20	1,754	-
Provisions	17	52	50
Total Non-current Liabilities		22,746	21,068
TOTAL LIABILITIES		35,462	34,990
NET ASSETS		60,183	49,288
EQUITY			
Contributed equity	18	1,962	1,962
Share buyback reserve		(915)	(73)
Share reserve	18	10,175	10,290
Foreign currency translation reserve	18	(659)	(351)
Retained earnings	18	49,620	37,460
TOTAL EQUITY		60,183	49,288

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 2020	Consolidated					
	Issued Capital \$'000	Share Buyback Reserve \$'000	Share Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2018	1,962	(73)	4,920	82	28,178	35,069
Profit for the year	-	-	-	-	19,125	19,125
Other comprehensive income	-	-	-	(433)	-	(433)
Total comprehensive income for the period	-	-	-	(433)	19,125	18,692
Transaction with owners in their capacity as owners						
Share based payment	-	-	781	-	-	781
Tax effect of share based payments	-	-	4,589	-	-	4,589
Dividends	-	-	-	-	(9,843)	(9,843)
At 30 June 2019	1,962	(73)	10,290	(351)	37,460	49,288
At 1 July 2019	1,962	(73)	10,290	(351)	37,460	49,288
Profit for the year	-	-	-	-	23,076	23,076
Other comprehensive income	-	-	-	(308)	-	(308)
Total comprehensive income for the period	-	-	-	(308)	23,076	22,768
Transaction with owners in their capacity as owners						
Share based payment	-	-	647	-	-	647
Tax effect of share based payments	-	-	(762)	-	-	(762)
Share buyback	-	(842)	-	-	-	(842)
Dividends	-	-	-	-	(10,916)	(10,916)
At 30 June 2020	1,962	(915)	10,175	(659)	49,620	60,183

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Consolidated	
		2020	2019
FOR THE YEAR ENDED 30 JUNE 2020	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		60,629	47,763
Payments to suppliers and employees		(19,917)	(15,807)
Interest paid		(118)	-
Income tax paid		(9,174)	(7,298)
Net cash flows from operating activities	10	31,420	24,658
Cash flows from investing activities			
Payments for capitalised development costs	14	(7,508)	(7,207)
Interest received		172	244
Purchase of plant and equipment	13	(363)	(342)
Net cash flows used in investing activities		(7,699)	(7,305)
Cash flows from financing activities			
Payments of dividends on ordinary shares	9	(10,916)	(9,843)
Payments for lease liabilities		(557)	-
Payments for share buyback		(842)	-
Net cash flows used in financing activities		(12,315)	(9,843)
Net increase in cash and cash equivalents		11,406	7,510
Net foreign exchange differences		(308)	(433)
Cash and cash equivalents at beginning of period		32,315	25,238
Cash and cash equivalents at end of period	10	43,413	32,315

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. CORPORATE INFORMATION

The financial report of Pro Medicus Limited (the Company) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of Directors on 20 August 2020.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

(b) Statement of compliance with IFRS

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

(c) Basis of consolidation

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

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

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

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 Financial Instruments either in profit or loss or in other comprehensive

income. If the contingent consideration is classified as equity, it shall not be remeasured.

(d) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except the adoption of new standards effective as of 1 July 2019. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and revised standards and amendments thereof and interpretations effective for the Group from 1 July 2019 include:

- **AASB 16 Leases**
The details and impact of the adoption of AASB 16 Leases is disclosed below in Note 2(d)(i).
- **AASB Interpretation 23 Uncertainty over Income Tax Treatments**
Details of AASB Interpretation 23 Uncertainty over Income Tax Treatments is disclosed in Note 2(d)(ii). The adoption of this interpretation did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.
- **AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015- 2017 Cycle**
The adoption of this amending standard did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.
- **AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement**
The adoption of this amending standard did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(i) AASB 16 Leases

The Group has adopted AASB 16 Leases ("AASB 16") supersedes AASB 117 Leases ("AASB 117"), AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted AASB 16 using the modified retrospective method of adoption with the date of initial application being 1 July 2019. The reclassifications and adjustments arising from the transition to AASB 16 are therefore recognised in the opening statement of financial position at 1 July 2019. As the Group has adopted the modified retrospective method, there was no restatement of comparative information

Nature of the effect of adoption of AASB 16

The Group is, or has been in the relevant period, lessee under lease contracts for office premises and motor vehicles.

Before the adoption of AASB 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. All of the Group's leases were classified as operating leases under AASB 117.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is lessee. AASB 16 provides specific transition requirements and practical expedients, which has been applied by the Group.

- Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the initial date of application being 1 July 2019. The right-of-use assets for leases were recognised at an amount equal to the lease liability at the initial date of application, adjusted for previously recognised prepaid or accrued lease payments.

Application of practical expedients

In applying AASB 16 at the initial date of application being at 1 July 2019, the Group has applied the available practical expedients:

- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.

Effect of adopting AASB 16 at 1 July 2019

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) at 1 July 2019:

	Consolidated
	1 Jul 2019 \$'000
Non-current assets	
Lease assets	2,822
Deferred tax asset	827
Total non-current assets	3,649
TOTAL ASSETS	3,649
Current liabilities	
Lease liabilities	661
Total current liabilities	661
Non-current liabilities	
Lease liabilities	2,161
Deferred tax liabilities	827
Total non-current liabilities	2,988
TOTAL LIABILITIES	3,649
NET ASSETS	-
Equity	-
TOTAL EQUITY	-

There is no impact on the statement of profit or loss and other comprehensive income, statement of cash flows, and basic and diluted earnings per share for the comparative period as the Group elected to adopt the modified retrospective approach to transitioning to AASB 16.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	Consolidated
	1 Jul 2019 \$'000
Operating lease commitments as at 30 June 2019	497
Weighted average incremental borrowing rate as at 1 July 2019	4.76%
Discounted operating lease commitments at 1 July 2019	469
Add:	
Payments in optional extension periods not recognised as at 30 June 2019	2,353
Lease liabilities as at 1 July 2019	2,822

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application at 1 July 2019.

• Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the relevant commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the relevant lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the relevant lease term. Right-of-use assets are subject to impairment.

• Lease liabilities

At the commencement date of the relevant lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the relevant commencement date), and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The Group applies the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated lease components as a single lease component.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the relevant lease commencement date if the interest rate implicit in the lease is not readily determinable. After the relevant commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

• Significant judgements

The Group has made the following significant judgements with respect to its leases as lessee:

• Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under some of its property leases, the Group is able to continually exercise the option to extend the term of the lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy). The Group has included reasonably certain renewal options as part of the lease term for its property leases ranging from 5 to 10 years.

• Determining the incremental borrowing rate

The Group has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities or right-of-use assets recognised. The Group reassesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date based on the term of the lease (or the remaining term of the lease at the initial date of application).

(ii) (ii) AASB Interpretation 23 Uncertainty over Income Tax Treatments

AASB Interpretation 23 Uncertainty over Income Tax Treatments (“AASB Interpretation 23”) addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes (“AASB 12”). It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. AASB Interpretation 23 specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of AASB Interpretation 23, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

AASB Interpretation 23 did not have an impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgements, estimates and assumptions

Capitalisation of development costs:

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

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

Impairment of non-financial assets:

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment

trigger exists the recoverable amount of the asset is determined. Management has tested certain assets for impairment in this financial period. Refer to Note 14 of the financial statements for significant assumptions applied in assessing for impairment on non-financial assets.

Taxation:

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

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

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

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..

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

Refer to Note 5 for significant judgements with respect to revenue recognition.

4. OPERATING SEGMENTS

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

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

Impairment of intangible assets is not monitored at a segment level.

Types of products and services

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

Accounting policies and inter-segment transactions

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

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

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

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

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

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

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		North America		Total Operations	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue								
Sales to external customers – software	10,945	9,182	3,306	5,306	42,570	34,412	56,821	48,900
Sales to external customers - hardware	-	-	-	1,205	-	-	-	1,205
Inter-segment sales	36,619	31,923	11,003	7,189	-	-	47,622	39,112
Total segment revenue	47,564	41,105	14,309	13,700	42,570	34,412	104,443	89,217
Inter-segment elimination							(47,622)	(39,112)
Total consolidated revenue							56,821	50,105
Results								
Segment result	28,321	22,027	423	2,959	1,104	893	29,848	25,879
Interest revenue							172	244
Non-segment expenses								
Income tax expense							(6,944)	(6,998)
Net profit							23,076	19,125
Assets								
Non-current assets	24,845	22,543	210	119	266	614	25,321	23,276
Deferred tax asset	7,219	7,211	-	146	4,263	4,774	11,482	12,131
Current assets	56,008	16,664	16,338	16,697	17,325	22,864	89,671	56,225
Segment assets	88,072	46,418	16,548	16,962	21,854	28,252	126,474	91,632
Inter-segment elimination							(30,829)	(7,354)
Total assets							95,645	84,278
Liabilities								
Segment liabilities	30,107	2,141	2,218	3,360	31,914	38,578	64,239	44,079
Inter-segment elimination							(28,777)	(9,089)
Total liabilities							35,462	34,990
Other segment information								
Capital expenditure	7,545	7,420	169	61	157	69	7,871	7,550
Depreciation and amortisation	7,080	5,962	295	62	308	60	7,683	6,084
Cash flow information								
Net cash flow from operating activities	1,110	668	(5,274)	(1,111)	35,461	25,101	31,297	24,658
Net cash flow from investing activities	(7,374)	(7,175)	(169)	(61)	(156)	(69)	(7,699)	(7,305)
Net cash flow from financing activities	(11,811)	(9,843)	(167)	-	(214)	-	(12,192)	(9,843)

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; and
- Support services, including updates and upgrades to the product licence.

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 there is one performance obligation of delivering a specified product 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 (i.e. installation, product licence, transaction services and support 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 and dependent upon customer activity. Such 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 asset and recognised within salaries and employee benefits expense over time as revenue from the related contract is recognised. The carrying value of contract assets are assessed for impairment at each reporting date.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

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

	Consolidated			
Year ended 30 June 2020 (\$'000)	Australia	Europe	North America	Total
Types of goods and services				
Radiology Information System (RIS)	9,749	-	-	9,749
Picture Archiving Communications System (Visage 7/Open Archive)	1,196	3,265	42,570	47,031
Other	-	41	-	41
Total revenue per statement of comprehensive income	10,945	3,306	42,570	56,821

Timing of revenue recognition

Point in time	-	-	-	-
Over time	10,945	3,306	42,570	56,821
Total revenue per statement of comprehensive income	10,945	3,306	42,570	56,821

	Consolidated			
Year ended 30 June 2019 (\$'000)	Australia	Europe	North America	Total
Types of goods and services				
Radiology Information System (RIS)	8,080	-	-	8,080
Picture Archiving Communications System (Visage 7/Open Archive)	1,102	6,482	34,412	41,996
Other	-	29	-	29
Total revenue per statement of comprehensive income	9,182	6,511	34,412	50,105

Timing of revenue recognition

Point in time	-	4,255	-	4,255
Over time	9,182	2,256	34,412	45,850
Total revenue per statement of comprehensive income	9,182	6,511	34,412	50,105

Payments received in advance of the commencement of the term of the contract is initially deferred as contract liabilities (refer to Note 16). Some contracts contain minimum annual volume amounts for transactional services that are recognised as revenue in advance of billing and disclosed as accrued revenue.

During the year ended 30 June 2019, the Group entered into a bespoke contract to provide a certain customer with a perpetual licence to use a product, irrespective of the customer's transactional activity. Support services are sold to the customer, at the customer's discretion, in separate short-term contracts. The pricing for these support services contracts are at normal commercial terms.

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

	Consolidated	
	2020 \$'000	2019 \$'000
Amounts included in deferred revenue at the beginning of the year	7,626	5,032

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

	Consolidated	
	2020 \$'000	2019 \$'000
Amounts included in contract assets at the beginning of the year	210	184

Revenue from major customers

Included in the North American segment is a customer that contributed to the total consolidated Group revenue by 14.0% (2019: 13.8%). No other customer contributed 10% or more to the Group's revenue for the year ended 30 June 2020.

6. INCOME AND EXPENSES

(a) Net foreign currency gains/(losses)

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
Currency gains		7,774	3,387
Currency (loss)		(8,037)	(2,817)
Fair value loss on financial instruments – forward exchange contracts		45	(159)
Total net foreign currency gains		(218)	411

(b) Expenses

Depreciation and amortisation

Property improvements	13	2	3
Motor vehicles	13	7	7
Office equipment	13	231	169
Furniture and fittings	13	4	12
Right-of-use lease assets	20	601	-
Amortisation on capitalised development costs	14	6,837	5,893
Amortisation on software licences	14	1	-
Total depreciation and amortisation expense		7,683	6,084

Salaries and employee benefits expense

Gross wages and salaries		16,823	15,197
Capitalised wages and salaries**		(5,893)	(5,624)
Long service leave provision		(8)	80
Share-based payment ***		647	781
Defined contribution plan		1,284	1,102
Total salaries and employee benefits expense		12,853	11,536

**The Group's total wages and salaries incurred was \$16,823,000 (2019: \$15,197,000) of which \$5,893,000 (2019: \$5,624,000) of these costs have been capitalised as development costs within intangible assets.

***91,292 performance rights were granted on 16 September 2019 under the Group's long-term incentive plan. The performance rights vest in accordance with performance conditions related to earnings per share ("EPS") and total shareholder returns ("TSR") after completion of a service condition being 4 years from the grant date. The fair value of the performance rights at grant date were TSR hurdle - \$2.85 and EPS hurdle - \$13.58 per performance. The amount of share-based payment expense for the year ended 30 June 2020 takes into consideration the probability of certain performance conditions vesting.

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

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

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

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

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

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

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

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

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 2020, 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.

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.

7. INCOME TAX (cont'd)

	Consolidated	
Notes	2020 \$'000	2019 \$'000
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
Current income tax charge	6,245	8,576
Prior year adjustment	(22)	(659)
Deferred income tax		
Relating to origination and reversal of temporary differences	721	(919)
Income tax expense reported in profit or loss	6,944	6,998
Statement of Changes of Equity		
Current income tax		
Impact of the Employee Share Trust – vested share based payments	(215)	(691)
Deferred income tax		
Relating to origination and reversal of temporary differences due to the Employee Share Trust – unvested share-based payments	715	(3,898)
Income tax benefit reported directly in the statement of changes in equity	500	(4,589)
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	30,020	26,123
At the applicable statutory income tax rate in each country		
– Australia	8,548	6,681
– United States of America	267	226
– Germany	128	892
Prior year adjustment	(22)	(659)
Expenditure not allowable for income tax purposes	199	(267)
Benefit from vested share based payments	(2,103)	(61)
Other	(73)	186
Income tax expense reported in profit or loss	6,944	6,998

7. INCOME TAX (cont'd)

Deferred income tax	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income		Direct to Equity	
Deferred income tax at 30 June relates to the following:	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred Tax liabilities						
Foreign currency exchange gain	(65)	51	116	69	-	-
Capitalised development expenses	5,652	5,439	(213)	(914)	-	-
Depreciation expenses	23	57	34	(13)	-	-
Right-of-use lease asset	666	-	(666)	-	-	-
Contract assets	242	184	(58)	10	-	-
Deferred tax liabilities	6,518	5,731	(787)	(848)	-	-
Deferred tax assets						
Employee entitlements	577	619	(42)	153	-	-
Intellectual property expenses	252	271	(19)	(19)	-	-
Accruals	22	37	(15)	17	-	-
Deferred revenue	4,914	5,451	(537)	1,479	-	-
Lease liabilities	681	-	681	-	-	-
Employee Share Trust – unvested share-based payments	5,032	5,749	(717)	136	(715)	3,898
Other	4	4	-	1	-	-
Deferred tax assets	11,482	12,131	(649)	1,767	(715)	3,898
Deferred tax movement (charged) or credited to profit or loss			(1,436)	919	-	-
Deferred tax movement (charged) or credited directly to equity			-	-	(715)	3,898

8. EARNINGS PER SHARE

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

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

- 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	
	2020 \$	2019\$
Net profit attributable to ordinary equity holders	23,075,654	19,125,398
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	103,896,117	103,574,482
Effect of dilution:		
Performance rights	560,916	853,010
Weighted average number of ordinary shares adjusted for the effect of dilution	104,457,033	104,427,492

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

9. DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2020 \$'000	2019 \$'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2019: 4.5 cents (2018: 3.5 cents franked)	4,679	3,626
Interim franked dividend for 2020: 6.0 cents (2019: 3.5 cents franked)	6,237	3,627
Special franked dividend for 2020: nil (2019: 2.5 cents franked)	-	2,590
	10,916	9,843
Proposed for approval by directors (not recognised as a liability as at 30 June):		
Dividends on ordinary shares:		
Final franked dividend for 2020: 6.0 cents (2019: 4.5 cents franked)	6,239	4,663
Total dividends proposed	6,239	4,663
Franking credit balance		
- franking account balance as at the end of the financial year at 30% (2019: 30%)	4,314	2,417
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	642	434
- 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	-	-
	4,956	2,851
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	(2,828)	(1,998)
	2,128	853

The tax rate at which paid dividends have been franked is 30% (2019: 30%).
Dividends proposed will be fully franked.

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2020 \$'000	2019 \$'000
Cash at bank and in hand *	29,392	24,315
Short-term deposits	14,021	8,000
	43,413	32,315

*\$2,200,000 (2019: \$450,000) 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 fair value of cash and cash equivalents is their carrying value.

	Consolidated	
	2020 \$'000	2019 \$'000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	23,076	19,125
Adjustments for:		
Depreciation of property, plant and equipment	846	191
Amortisation of intangible assets	6,837	5,893
Interest received classified in investing activities	(172)	(244)
Current income tax impact of vested share-based payments recognised directly in equity	3,357	691
Fair value loss on financial instruments	(204)	(34)
Share-based payment expense	647	781
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	4,079	(10,580)
(Increase)/decrease in inventory	(4)	23
(Increase)/decrease in deferred tax asset	(65)	(1,768)
(Increase)/decrease in prepayments	(513)	38
(Increase)/decrease in accrued revenue	995	1,453
(Increase)/decrease in contract assets	(275)	38
(Increase)/decrease in income tax receivable	(5,543)	-
(Decrease)/increase in trade and other payables	(780)	1,423
(Decrease)/increase in income tax payable	(766)	(72)
(Decrease)/increase in deferred income	(1,266)	6,785
(Decrease)/increase in deferred tax liability	787	848
(Decrease)/increase in employee entitlements	384	67
Net cash flow from operations	31,420	24,658

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for any impairment.

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Trade receivables	13,324	17,861
Less: Allowance for expected credit losses	-	(647)
	13,324	17,214
Other receivables	520	205
	13,844	17,419
Non-current		
Trade receivables	-	504
	-	504

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

A provision for impairment is made based on applying a simplified approach in calculating the expected credit losses ("ECL") for debtors and other receivables (including accrued revenue). Therefore, the Group does not track changes in credit risk, but instead recognises an ECL allowance based on lifetime ECL at each reporting date. The Group's provisioning methodology is based on its historical credit loss experience, adjusted for forward-looking factors specific to individual debtors and the economic environment. Debtors and other receivables (including accrued revenue) are written off when there is no reasonable expectation of recovering the contractual cash flows.

	Consolidated	
	2020 \$'000	2019 \$'000
a) Allowance for impairment loss		
Movements in the provision for impairment loss were as follows:		
At 1 July	647	-
Charge to/(write back of) provision for the year	(647)	647
Utilised during the year	-	-
Foreign exchange translation	-	-
At 30 June	-	647

The charge to the allowance for expected credit losses during the year ended 30 June 2020 reflects a change in expected losses for a specific debtor arising during the year that did not exist in the prior year or at date of transition to AASB 9 Financial Instruments.

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

	Consolidated			
	Trade receivables		Allowance for expected credit losses	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
0 - 30 days	7,629	9,993	-	-
31 - 60 days	1,187	1,582	-	-
61 - 90 days	1,262	1,367	-	-
91+ days	3,246	5,423	-	(647)
Total trade receivables	13,324	18,365	-	(647)

No allowance for expected credit losses at 30 June 2020 was made as all outstanding debts were expected to be received.

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 \$2,455,658 (2019: \$4,434,798) of trade receivables have pre-contracted extended trading terms and are due within the next 12 months.

12. INVENTORY

	Consolidated	
	2020 \$'000	2019 \$'000
Finished goods (at lower of cost and net realisable value)	35	31

Inventory write downs recognised as an expense during the year ended 30 June 2020 total nil (2019: nil)

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

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

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:

	2020	2019
Property Improvements	2 to 7 years	2 to 7 years
Motor Vehicles	4 to 5 years	4 to 5 years
Office Equipment	2 to 7 years	2 to 7 years
Furniture and Fittings	5 years	5 years
Research and Development Equipment	3 to 4 years	3 to 4 years

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

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

Impairment

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

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

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

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

13. PLANT & EQUIPMENT (cont'd)

	Consolidated					
	Property Improvements	Motor Vehicles	Office Equipment	Furniture & Fittings	Research & Development Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2020						
At 1 July 2019 net of accumulated depreciation	11	20	461	11	-	503
Additions	-	-	359	4	-	363
Disposals	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Depreciation charge for the year	(2)	(7)	(231)	(4)	-	(244)
At 30 June 2020 net of accumulated depreciation	9	13	589	11	-	622
At 30 June 2020						
Cost	335	488	3,216	427	209	4,675
Accumulated depreciation and impairment	(326)	(475)	(2,627)	(416)	(209)	(4,053)
Net carrying amount	9	13	589	11	-	622

	Consolidated					
	Property Improvements	Motor Vehicles	Office Equipment	Furniture & Fittings	Research & Development Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2019						
At 1 July 2018 net of accumulated depreciation	14	27	292	19	-	352
Additions	-	-	330	5	-	335
Disposals	-	-	-	-	-	-
Exchange differences	-	-	8	(1)	-	7
Depreciation charge for the year	(3)	(7)	(169)	(12)	-	(191)
At 30 June 2019 net of accumulated depreciation	11	20	461	11	-	503
At 30 June 2019						
Cost	334	488	2,872	420	209	4,323
Accumulated depreciation and impairment	(323)	(468)	(2,411)	(409)	(209)	(3,820)
Net carrying amount	11	20	461	11	-	503

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, either individually or at the cash generating unit level. The recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

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

Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale or use, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset be carried at cost less

any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised on a straight line basis over the period of expected benefit from the related project (5 years).

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

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

Intellectual Property - Software

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

- Visage PACS
- Visage MagicWeb and
- Amira

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

Software Licenses

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

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

Customer List

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

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

	Consolidated			
	Intellectual Property i)	Development Costs ii)	Software Licenses	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2020				
At 1 July 2019 net of accumulated amortisation and impairment	-	18,167	1	18,168
Additions - internal development	-	7,508	-	7,508
Disposals	-	-	-	-
Exchange differences	-	1	-	1
Amortisation charge for the year	-	(6,837)	(1)	(6,838)
At 30 June 2020 net of accumulated amortisation and impairment	-	18,839	-	18,839
At 30 June 2020				
Cost	1,848	54,388	324	56,560
Accumulated amortisation and impairment	(1,848)	(35,549)	(324)	(37,721)
Net carrying amount	-	18,839	-	18,839

Year ended 30 June 2019

At 1 July 2018 net of accumulated amortisation and impairment	-	16,853	1	16,854
Additions - internal development	-	7,207	-	7,207
Disposals	-	-	-	-
Exchange differences	-	-	-	-
Amortisation charge for the year	-	(5,893)	-	(5,893)
At 30 June 2019 net of accumulated amortisation and impairment	-	18,167	1	18,168

At 30 June 2019

Cost	1,848	46,879	321	49,048
Accumulated amortisation and impairment	(1,848)	(28,712)	(320)	(30,880)
Net carrying amount	-	18,167	1	18,168

i) Intellectual property was acquired through previous business combinations and is carried at cost less accumulated amortisation. These intangible assets have been assessed as having a finite life and have been fully amortised using the straight-line method over a period of 5 years.

ii) Development costs have been capitalised. This intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of 5 years. As at 30 June 2020 the carrying values of capitalised development costs are Visage PACS (\$13,214,598) RIS (\$5,483,667) and Visage MagicWeb (\$140,783), all sit within the Australian operating segment.

Impairment

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

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

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

No impairment loss was recognised during the year ended 30 June 2020 (2019: nil impairment loss).

15. TRADE AND OTHER PAYABLES

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

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Trade payables	835	705
Other payables and accruals	1,802	2,716
	2,637	3,421

(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	
	2020 \$'000	2019 \$'000
Current		
Deferred revenue from contracts with customers	7,225	7,626
	7,225	7,626
Non-current		
Deferred revenue from contracts with customers	14,422	15,287
	14,422	15,287

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at 30 June 2020 was \$21,647,000 (2019: \$22,913,000) and is expected to be recognised as revenue in future reporting periods as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Less than one year	7,225	7,626
Between one year and seven years	14,422	15,287
Revenue to be recognised from unsatisfied performance obligations	21,647	22,913

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 as the present value of expected future

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

(ii) Long service leave

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

	Consolidated	
	2020 \$'000	2019 \$'000
Current		
Long service leave	980	989
Annual leave	1,352	961
	2,332	1,950
Non Current	52	50
Long service leave	52	50

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	
Contributed Equity	2020 \$'000	2019 \$'000
(i) Ordinary shares	1,962	1,962
Issued and fully paid	1,962	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	2020 \$'000
At 1 July 2019	103,616,518	1,962
Issued for cash on exercise of options	-	-
Cancellation of share buyback	(34,062)	-
Vesting of performance rights	364,376	-
At 30 June 2020	103,946,832	1,962

	Number of Shares	2019 \$'000
At 1 July 2018	103,369,049	1,962
Issued for cash on exercise of options	-	-
Vesting of performance rights	247,469	-
At 30 June 2019	103,616,518	1,962

	Consolidated	
	2020 \$'000	2019 \$'000
Share Reserve (i)		
Balance at 1 July	10,290	4,920
Performance rights expensed	647	781
Income tax effect of the Employee Share Trust	(762)	4,589
Balance at 30 June	10,175	10,290

Foreign Currency Translation Reserve (ii)

Balance at 1 July	(351)	82
Foreign currency movement	(308)	(433)
Balance at 30 June	(659)	(351)

Retained Earnings

Balance at 1 July	37,460	28,178
Net profit for the year	23,076	19,125
Dividends	(10,916)	(9,843)
Balance at 30 June	49,620	37,460

(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.

Capital Management

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

structure that ensures the lowest cost of capital available to the entity.

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

During the year, the company paid dividends of \$10,915,959 (2019: \$9,843,585).

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).

The current plan in place to provide these benefits is:

- The Long-Term Incentive Plan (LTIP), which provides benefits to senior executives and other employees.

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

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

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

At each subsequent reporting date until vesting, the cumulative charge to the 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 expired 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).

Performance Rights

Former Long Term Incentive (LTI) Scheme

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

Current Long Term Incentive (LTI) Scheme

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

During the reporting period, 91,292 performance rights have been granted with a grant date of 16 September 2019. The performance rights vest over 4 years from grant date on completion of service. The fair value of these 91,293 performance rights at grant date was \$847,691 (TSR hurdle - \$2.85, EPS hurdle - \$13.58 per performance right).

241,250 performance rights were granted in prior periods in relation to the 2018-19 financial performance. The performance rights vest over 4 years from grant date on completion of service. The fair value of these 241,250 performance rights at grant date was \$719,551 (TSR hurdle - \$1.10, EPS hurdle - \$4.24 per performance right).

330,021 performance rights were granted in prior periods in relation to the 2017-18 financial performance. The performance rights vest over 4 years from grant date on completion of service. The fair value of these 330,021 performance rights at grant date was \$564,707 (TSR hurdle - \$0.72, EPS hurdle - \$2.37 per performance right).

320,492 performance rights were granted in prior periods in relation to the 2016-17 financial performance. 90,000 performance rights from Tranche 1 vest over 4 years from grant date on completion of service. The fair value of these 90,000 performance rights at grant date was \$439,326 (\$4.88 per performance right). A further 180,492 performance rights from Tranche 2 vest over 4 years from grant date on completion of service. The fair value of these 180,492 performance rights at grant date was \$326,003 (TSR hurdle - \$0.85, EPS hurdle - \$2.45 per performance right). The remaining 50,000 performance rights vest in September 2017 and the fair value of these rights was \$44,500 (\$0.89 per performance right).

414,375 performance rights were granted in prior periods in relation to the 2015-16 financial performance. 364,376 performance rights vest over 4 years from grant date on completion of service. The fair value of the 364,376 performance rights at grant date was \$721,463 (\$1.98 per performance right). The remaining 50,000 performance rights vest in September 2016 and the fair value of these rights was \$44,500 (\$0.89 per performance right).

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

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

	2020	2019
	Number of Performance Rights	Number of Performance Rights
Outstanding at the beginning of the year	1,200,390	1,206,609
– granted	91,292	241,250
– forfeited	-	-
– exercised	(364,376)	(247,469)
– expired	-	-
Outstanding at the end of the year	927,306	1,200,390
Exercisable at end of year	—	—

Weighted average remaining contractual life

The weighted average remaining contractual life for performance rights at 30 June 2020 is 2.2 years (2019: 2.4 years)

Performance rights pricing model (Former Long Term Incentive Scheme)

The fair value of the equity-settled performance rights granted under the former long term incentive scheme is estimated as at the date of the grant using a Black Scholes Model taking into account the terms and conditions upon which the performance rights were granted.

There were no rights granted under the former long term incentive scheme during the period.

Performance rights pricing model (Current Long Term Incentive Scheme)

The fair value of the equity-settled performance rights granted for the current long term incentive scheme is estimated as at the date of the grant using Black Scholes 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:

	2020	2019	2018
Dividend yield	0.38%	0.69%	0.82%
Expected volatility	17.06%	14.96%	15.56%
Risk-free interest rate	0.90%	3.30%	3.30%
Expected life of performance rights	4 years	4 years	4 years
Performance rights exercise price	\$0.00	\$0.00	\$0.00
Fair value of performance rights at measurement date (per performance right)	\$2.85-13.58	\$1.10-4.24	\$0.72-2.37

20. LEASES

As disclosed in Note 2(d)(i), the Group has adopted AASB 16 using the modified retrospective method of adoption with the date of initial application being 1 July 2019.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities during the year ended 30 June 2020:

	Consolidated			
	Right-of-use assets		Lease liabilities	
	Property \$'000	Motor vehicles \$'000	Total \$'000	Total \$'000
As at 1 July 2019	2,724	98	2,822	(2,822)
Depreciation expense	(552)	(49)	(601)	-
Interest expense	-	-	-	(118)
Payments	-	-	-	675
Foreign exchange translation	4	1	5	(11)
As at 30 June 2020	2,176	50	2,226	(2,276)

Set out below are the amounts recognised in profit and loss during the year ended 30 June 2020:

	Consolidated
	30 Jun 2020 \$'000
Depreciation expense	601
Interest expense	118
Total amount recognised in profit and loss	719

The Group had total cash outflows for leases during the year ended 30 June 2020 of \$675,000.

Set out below is a maturity analysis of lease liabilities:

	Consolidated
	Leases commenced at 30 Jun 2020
Less than one year	522
One to five years	1,365
More than five years	800
Total undiscounted amount	2,687

At 30 June 2020 there were no leases that were committed to but not yet commenced.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 20 August 2020, the directors of Pro Medicus Limited declared a fully franked final dividend on ordinary shares in respect of the 2020 financial year of 6.0 cents per share totalling \$6,238,854. The dividend has not been provided for in the 30 June 2020 financial statements.

22. AUDITOR'S REMUNERATION

	Consolidated	
	2020	2019
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial report of the Company and any other entity in the Group	217,920	187,200
- other services in relation to the Company or Group	82,865	64,450
	300,785	251,650
Amounts received or due and receivable by related practices of Ernst & Young (Australia):		
- audit of the financial report of Visage Imaging GmbH	104,691	73,632
- other services in relation to Visage Imaging GmbH	756	14,820
	406,232	340,102

23. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	Consolidated	
	2020	2019
Short-term employee benefits	3,526,731	3,478,777
Post-employment benefits	115,035	114,769
Other long-term benefits	(46,592)	25,392
Share-based payment	111,874	507,643
Total compensation	3,707,048	4,126,581

(b) Loans to Key Management Personnel

No loans are made to Key Management Personnel or staff.

(c) Other transactions and balances with Key Management Personnel

Purchases

DDuring the year lease payments of \$200,000 (2019: \$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. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms. The current arrangement is on a month to month basis.

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		Investment \$000	
		2020	2019	2020	2019
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	2,389	2,389
Visage Imaging GmbH	Germany	100	100	3,638	3,638
				6,027	6,027

(b) Ultimate parent

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

(c) Transactions with related parties

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

		Sales to related parties \$'000	Purchases from related parties \$'000	Other transactions with related parties \$'000
Consolidated				
Related party				
Champagne Properties Pty Ltd – Rental lease	2020	—	200	—
Champagne Properties Pty Ltd – Rental lease	2019	—	200	—

* Champagne Properties Pty Ltd is an entity controlled by Directors of the Company, S. Hupert and A. Hall.

Terms and conditions of transactions with related parties

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

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

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

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

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

Approximately 81% (2019: 83%) of the Group's sales are denominated in currencies other than the presentational currency, and these sales would be predominately offset by currency exposure on costs. Foreign bank accounts have also been established, to create a natural hedge and reduce the need for regular transfers from the presentational currency (AUD) cash holdings.

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

		Consolidated	
		2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		16,459	12,886
		16,459	12,886
Financial liabilities			
Trade and other payables		-	-
Net exposure		16,459	12,886

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

		Consolidated	
		2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		667	619
		667	619
Financial liabilities			
Trade and other payables		-	-
Net exposure		667	619

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

		Consolidated	
		2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		125	126
		125	126
Financial liabilities			
Trade and other payables		-	-
Net exposure		125	126

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

		Consolidated	
		2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		747	3
		747	3
Financial liabilities			
Trade and other payables		-	-
Net exposure		747	3

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

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:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Judgements of reasonably possible movements:				
AUD/USD +10%	(816)	(10)	(102)	(95)
AUD/USD -5%	408	5	51	48
AUD/CAD +10%	(67)	(62)	-	-
AUD/CAD -5%	33	31	-	-
AUD/GBP +10%	(12)	(13)	-	-
AUD/GBP -5%	6	6	-	-
AUD/EUR +10%	(75)	-	(254)	(244)
AUD/EUR -5%	37	-	127	122

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

Credit risk

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

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

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

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

As the Group trades predominantly within the Diagnostic Imaging market there is a concentration of credit risk. Given the underlying Government funding support for Radiology in Hospital settings and the Imaging Centre and

Diagnostic Imaging market, and the commercial successes achieved by the Group to date, credit risk is considered to be minimal.

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

Interest risk

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

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

Cash and Cash equivalents in the Group (\$'000) \$43,413 (2019: \$32,315).

The Group's policy is to place cash balances in either 30-180 day term deposits or commercial bills that earn higher interest rates.

At 30 June 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity (excluding retained profits) would have been affected as follows:

Consolidated	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Judgements of reasonably possible movements:				
+1% (100 basis points)	433	322	-	-
-0.5% (50 basis points)	(217)	(161)	-	-

Liquidity risk

The Group has minimal liquidity risk as it has cash reserves of \$43.4m, with no borrowings.

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

The table below reflects all contractually fixed pay-offs for settlement and repayments resulting from recognised financial liabilities. Cash flows for financial liabilities without fixed amount of timing are based on the conditions existing at 30 June 2020.

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

	Consolidated	
	2020 \$'000	2019 \$'000
<30 days	1,049	1,385
31 – 60 days	254	344
61 – 90 days	299	29
Over 90 days	1,035	1,663
TOTAL	2,637	3,421

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, which include the Company and its US and German based subsidiaries Visage Imaging Inc. and Visage Imaging GmbH and Pro Medicus Limited. These transactions are on an arm's length basis and are conducted at normal market prices and on normal commercial terms.

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

27. PARENT ENTITY INFORMATION

	2020	2019
Information relating to Pro Medicus Limited	\$000	\$000
Current assets	19,986	20,873
Total assets	34,614	33,921
Current liabilities	18,631	21,289
Total liabilities	26,143	24,859
Issued capital	1,962	1,962
Retained earnings	4,610	5,665
Foreign currency translation reserve	(3,434)	(3,395)
Share reserve	6,248	4,903
Share Buyback Reserve	(915)	(73)
Total shareholders' equity	8,471	9,062
Profit/(loss) of the parent entity	9,991	2,781
Total comprehensive income of parent entity	9,991	2,781

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.

28. OTHER ACCOUNTING POLICIES

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2020. These are as follows:-

i. Conceptual Framework AASB 2019-1 Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework — Effective date: 1 January 2020 (Application date: 1 July 2020)

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows.

- Chapter 1 — The objective of financial reporting
- Chapter 2 — Qualitative characteristics of useful financial information
- Chapter 3 — Financial statements and the reporting entity
- Chapter 4 — The elements of financial statements
- Chapter 5 — Recognition and derecognition
- Chapter 6 — Measurement
- Chapter 7 — Presentation and disclosure
- Chapter 8 — Concepts of capital and capital maintenance

AASB 2019-1 sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard

applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.

The Group is currently assessing the impact of the application of the new Conceptual Framework.

(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 financial instruments.

	2020		2019	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial liabilities				
Foreign exchange forward contracts	45	45	(159)	(159)
	45	45	(159)	(159)

(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 2020 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 2020.

On behalf of the Board



P T Kempen
Chairman

Melbourne, 20 August 2020

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2020, 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 2020 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 judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



Capitalisation of development costs

Why significant	How our audit addressed the key audit matter
<p>The Group develops medical software related to radiology systems. Development costs are capitalised and presented as intangible assets on the consolidated statement of financial position.</p> <p>The carrying value of intangible assets as at 30 June 2020 was \$18.8 million (20% of total assets).</p> <p>Capitalised development costs was a key audit matter as product development is core to the Group's operations and it is the key asset on the Group's consolidated statement of financial position. This involves judgement to determine whether the costs meet the capitalisation criteria in accordance with Australian Accounting Standards.</p> <p>The measurement of capitalised development costs is based on the time and overhead costs associated with individuals employed by the Group for the specific purpose of developing software. Capitalised development costs are amortised once the product is available for use. Capitalised development costs are amortised over a useful life of five years.</p> <p>Refer to Note 14 of the financial report for disclosure relating to capitalised program development costs.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed key measurement inputs, including labour and overhead costs, used in the Group's capitalisation model which determines the amount of capitalised development costs. Selected a sample of 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 employee timesheets and payroll records. We enquired with the Group regarding the development activities that were undertaken relating to these costs and determined whether the sample of employees were directly involved in developing software and not maintenance 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.

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



Revenue recognition

Why significant	How our audit addressed the key audit matter
<p>The Group generated \$56.8 million in revenue from customers across its global operations for the year ended 30 June 2020.</p> <p>The Group exercises judgement to determine, in particular:</p> <ul style="list-style-type: none"> Performance obligations within customer contracts; and Recognition of revenue associated with multi-element contracts over the term of the contracts. <p>Accordingly, revenue recognition was considered a key audit.</p> <p>Refer to Note 5 of the financial report for disclosure relating to revenue recognition.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> 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.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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.

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



- 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 8 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pro Medicus Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2020



Responsibilities

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

Ernst & Young

Tony Morse
Partner

Melbourne
20 August 2020

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	8	5,777	7,095	2,539,075
1,001 – 5,000	9	30,173	2,142	4,849,812
5,001 – 10,000	7	45,333	306	2,265,949
10,001 – 100,000	16	515,659	249	6,793,856
100,001 and Over	2	330,365	38	87,498,140
	42	927,307	9,830	103,946,832

The number of shareholders holding less than a marketable parcel are: 164 1,359

(b) Twenty largest shareholders

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
The names of the twenty largest holders of quoted shares are:		
1 Dr S Hupert (multiple shareholdings)	28,137,660	27.07%
2 Mr A Hall (multiple shareholdings)	28,109,000	27.04%
3 HSBC Custody Nominees (Australia) Limited	11,618,835	11.18%
4 J P Morgan Nominees Australia Limited	5,458,034	5.25%
5 Citicorp Nominees Pty Ltd	3,268,267	3.14%
6 National Nominees Limited	1,423,797	1.37%
7 HSBC Custody Nominees (Australia) Limited -GSCO ECA	1,258,057	1.21%
8 BNP Paribas Noms Pty Ltd	1,009,441	0.97%
9 BNP Parabis Nominees Pty Ltd	857,364	0.82%
10 Mr Bram Vander Jagt & Mrs Maaïke Vander Jagt	700,000	0.67%
11 Mr Peter Terence Kempen & Mrs Elaine Margaret Kempen (multiple shareholdings)	678,082	0.65%
12 Grain Exporters (Australia) Pty Ltd	585,668	0.56%
13 Mr Danny Tauber	380,915	0.37%
14 Mr Kenneth John Vander Jagt & Mrs Tanya Vander Jagt	364,020	0.35%
15 Mr Roderick Lyle (multiple shareholdings)	340,000	0.33%
16 Mr Stephen Geoffrey Wilson & Ms Denise Adele Prandi	300,037	0.29%
17 Mr Evan Philip Clucas and Ms Leanne Jane Weston	287,980	0.28%
18 Mr Colin Gregory Organ	271,000	0.26%
19 Mr John Charles Plummer	250,000	0.24%
20 Mr Michael Wu	239,942	0.23%
	85,538,099	82.29%

(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	28,137,660
A Hall	28,109,000

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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

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

Recommendation	Comply Yes/No	Reference/ explanation
Principle 1 – Lay solid foundations for management and oversight		
1.1 A listed entity should disclose: a) roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Page 80
1.2 A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	Page 80
1.3 A listed entity should have written agreement with each director and senior executive setting out the terms of their agreement.	No	Page 80
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 80
1.5 A listed entity should: a) have and disclose a diversity policy b) through the board or committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally and; c) disclose in relation to each reporting period: 1) the measurable objectives set for that period to achieve gender diversity; 2) the entity's progress towards achieving those objectives; and 3) either: a) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or b) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Page 81
1.6 A listed entity should: a) have and disclose a process for periodically evaluation the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 81
1.7 A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 81

Recommendation	Comply Yes/No	Reference/ explanation
Principle 2 – Structure the board to add value		
2.1 The board of a listed entity should: a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent directors, and disclose 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at this meetings; or b) if it does not have a nomination committee, disclose the fact and the process it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	Page 82
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Directors Report
2.3 A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	Yes	Page 80
2.4 A majority of the board of a listed entity should be independent directors	Yes	Page 80
2.5 The chair of the board of a listed entity should be an independent directors and, in particular, should not be the same person as the CEO of the entity.	Yes	Page 80
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a directors effectively.	Yes	Page 80
Principle 3 – Install a culture of acting lawfully, ethically and responsibly		
3.1 A listed entity should articulate and disclose its values	Yes	Page 80
3.2 A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes	Page 83
3.3 A listed entity should: a) have and disclose a whistleblower policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	Page 83
3.4 A listed entity should: a) have and disclose an anti-bribery and corruption policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	Page 83

Recommendation	Comply Yes/No	Reference/ explanation
Principle 4 – Safeguard integrity in corporate reporting		
4.1 The board of a listed entity should: a) have an audit committee which: 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) is chaired by an independent director, who is not the chair of the board; and disclose 3) the charter of the committee 4) the relevant qualifications and experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner.	No	Page 82
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 82
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	Page 82
Principle 5 – Make timely and balanced disclosure		
5.1 A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	Page 82
5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	Page 83
Principle 6 – Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	Page 83
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 83
6.3 A listed entity should disclose policies and progress it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Page 83
6.4 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders	Yes	Page 83
6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 83
Principle 7 – Recognise and manage risk		
7.1 The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No	Page 83

7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Page 83
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving effectiveness of its risk management and internal control processes	No	Page 83
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 84

Recommendation	Comply Yes/No	Reference/ explanation
Principle 8 – Remunerate fairly and responsibly		
8.1 The board of a listed entity should: a) have a remuneration committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	Page 82
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Page 82
8.3 A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	No	Page 82

Pro Medicus Limited's corporate governance practices were in place throughout the year ended 30 June 2020.

Structure of the Board

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

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

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

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

In the context of director independence, “materiality” is considered from both the company and individual director perspective.

The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

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

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

Name	Position
P T Kempen	Chairman, Non-Executive Director, Chairman Audit Committee
A Glenning	Non-Executive Director
L Farrell	Non-Executive Director

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

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

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

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

Dr Sam Hupert and Mr. Anthony Hall were directors in Pro Medicus Pty Ltd since incorporation in 1983. Mr. Peter Kempen was appointed in March 2008, Mr Anthony Glenning was appointed in May 2016 and Dr Leigh Farrell was appointed in September 2017.

Company Secretary

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

Board Functions

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

The Board has delegated responsibility for the operation and administration of the group to the Chief Executive Officer and the executive team (as detailed in Note 23). The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

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

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

Values

The Group sets out its values that defines what type of organisation it aspires to be and what it expects from its directors, executives and employees to achieve that aspiration. The Groups values are:

- Service and Product Excellence
 - o Commit to provide well-supported, stable products and services to our customers enabling them to improve workflow and diagnoses, ultimately providing more efficient patient care.
 - o Commit to continuous improvement of our systems, products and services.

- Integrity and Trust
 - o Doing the right thing by our people, customers and patients.
 - o Doing what we say we will do.
 - o Maintaining confidentiality.
- Commit to a culture that is inclusive, respectful, honest and transparent in all that we do.

Performance

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

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

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

Diversity

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

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

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

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

Objectives	Steps taken/Outcome
Increase the number of women in the workforce, including senior management positions and at board level.	<ul style="list-style-type: none">• There were no key senior female appointments made during the year as there were no key senior appointments made during the year.• Pro Medicus did not appoint any females in managerial roles as there were no managerial appointments made during the year• As at 30 June 2020, women represented 21% in the Group's workforce (2019:21%), 20% in key executive positions (2019:20%) and 0% at board level (2019:0%). Subsequent to 30 June 2020, Pro Medicus has appointed a female Non-Executive Director to its Board.• Women represented 18% of new hires during the year (2019:18%) For the upcoming financial year, the Group targets to increase female representation in the Group's workforce to 25-30%
Promote an inclusive culture that treats the workforce with fairness and respect.	<ul style="list-style-type: none">• Pro Medicus has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination.• No cases of discrimination were reported during the year (2019: nil).
Provide career development opportunities for every employee, irrespective of any cultural, gender or other differences.	<ul style="list-style-type: none">• Whilst Pro Medicus place focus on gender diversity, career development opportunities are equal for all employees.• During the year, representation at training and development programs was based on performance of the employees.

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

Committees

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

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

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

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

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

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

Remuneration Committee

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

The members of the remuneration committee are:

D R Shiff - Chair

A Glenning

L Farrell

Audit Committee

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

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and reliability of

financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The members of the audit committee are:

P T Kempen Chairman

S A Hupert

A B Hall

A Glenning

L Farrell

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

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

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

The company rarely releases periodic corporate reports to the market that are not audited or review by an external auditor but if it does, the process to verify its integrity is for the Chief Executive Officer to present the report to the board to review and once all directors are satisfied with the content and approved in the board minutes, then it is released to the market.

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

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

Continuous Disclosure Policy

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

Only nominated authorised persons have the authority to release these communications to

the ASX. This policy is displayed on the company website. The board receives all copies of material market announcements from the Company Secretary promptly by email after they have been made.

Shareholder Communication

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

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

The company ensures that any material given to a particular group is available to all interested parties via the company website. This includes any material presented at the Annual General Meeting. Shareholders are encouraged to receive communications electronically as requested and can elect to do so through the company's share registry. The company ensures that all participating shareholders have an opportunity to ask questions through shareholder meetings and encourages participation at all annual meetings.

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

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

Trading policy

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

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

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

- One day following the announcement of the half-yearly and full year results as the case may be.
- One day following the holding of the annual general meeting.

- One day after any other form of earnings forecast update is given to the market.

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

Code of Conduct

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

Whistleblower Policy

The board has developed a whistleblower policy consistent with the recommendations and details are disclosed on the company website. There were no major incidents reported under the entities whistleblower policy during the year.

Anti-bribery and Corruption Policy

The board has developed an anti-bribery and corruption policy consistent with the recommendations and details are disclosed on the company website. There were no major incidents reported under the entities anti-bribery and corruption policy during the year.

Risk Management Policies

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

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

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

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

The Company up until late in the financial period was not exposed to any interest rate or significant currency sensitive loans or debts. Given the increase in overseas operations there is now an increased currency risk as a consequence of contracts written in and cash being held in foreign currencies. This change in risk profile has been noted by the board and action is being taken to manage this risk. The Board oversees appropriate backup procedures for important company data.

Detailed annual review of insurance policies in force to ensure cover is at appropriate levels to safeguard key executives, Company assets and operations. The Board regularly considers succession planning to ensure staff of appropriate skill and experience are available to the Company. A review of the Company risk management policy was not undertaken during the year.

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

CORPORATE INFORMATION

ABN 25 006 194 752

Directors

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

Peter Terence Kempen
Chairman/
Non-Executive Director/
Chairman Audit Committee

Dr Sam Aaron Hupert
Chief Executive Officer/
Managing Director

Anthony Barry Hall
Technology Director

Anthony James Glenning
Non-Executive Director

Dr Leigh Bernard Farrell
Non-Executive Director

Deena Robyn Shiff
Non-Executive Director

Company Secretary
Clayton James Hatch

Registered Office

450 Swan Street
Richmond, VIC, 3121
(03) 9429 8800

Internet Address

www.promedicus.com.au
www.promedicus.com
www.visageimaging.com

Solicitors

Clayton Utz
Sci-Law Strategies
Morrison Foerster

Bankers

Westpac Banking Corporation

Auditors

Ernst & Young

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Mailing address:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

T: +612 8280 7111

Toll free: 1300 554 474

F: +612 9287 0303

F: (proxy forms only)

+612 9287 0309

E: registrars@linkmarketservices.
com.au

www.linkmarketservices.com.au

DID YOU KNOW THAT YOU CAN ACCESS - AND EVEN UPDATE - INFORMATION ABOUT YOUR HOLDINGS IN PRO MEDICUS LIMITED VIA THE INTERNET.

YOU CAN:

- 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).

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.

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.

TOP 5 TIPS FOR PRO MEDICUS LIMITED INVESTORS VISITING LINK'S (OUR REGISTRY) WEBSITE

- ## CONTACT INFORMATION

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

[illegible]

NOTES

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

VISIT US AT:

promedicus.com.au

promedius.com

visageimaging.com

