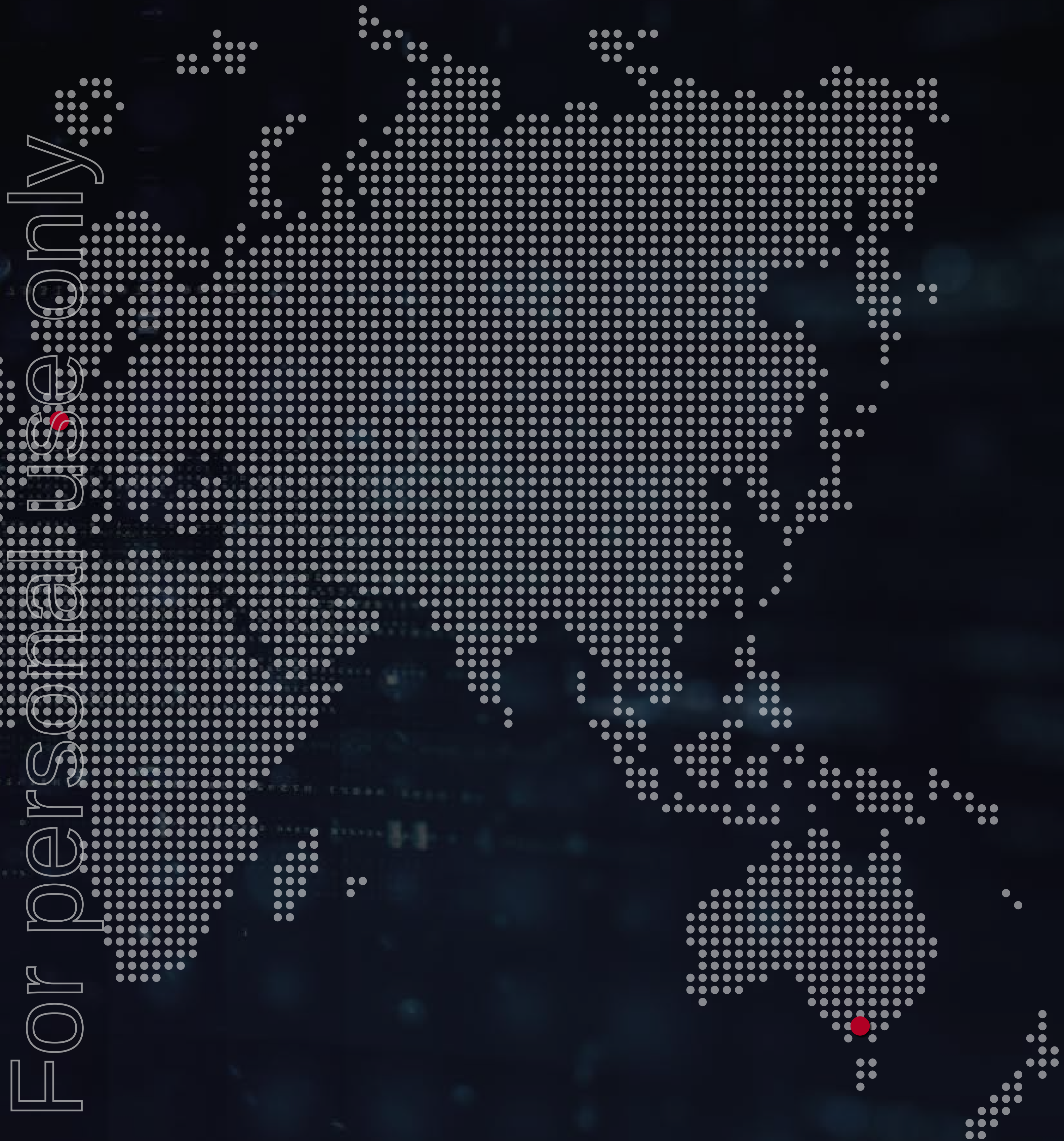
Annual Report **2018**



pro medicus

OUR SUPPORT. YOUR SUCCESS.

contents

HIGHLIGHTS

FINANCIAL SUMMARY

- NPAT $12.74 million – up 36.7%
- Underlying after-tax profit – 12.57 million – up 27.4%
- Revenue of $36.02 million – increase of 13.9%
- EBIT Margins increase to 48.5%
- Cash reserves of $25.24 million – up 10.8%
- Strong balance sheet – debt free
- Dividends of 6.0c per share fully-franked – up 50%

BUSINESS HIGHLIGHTS

- Increased transaction revenue from US contracts
- Successful Mayo Clinic Rochester go live
- Implementations on or ahead of schedule
- Future revenue of $135 million over next 5 years
- Rapidly expanding foot print in North American market
- First sale of Visage 7 Open Archive
- Australian business extends lead with I-MED RIS contract
- Pipeline continues to grow

CEO & CHAIRMAN letter

Dr Sam Hupert

Peter Kempen

Dear Shareholders,

We are delighted to advise that 2018 has been another record year for the company with revenue rising by 13.9% to $36.02 million and underlying net profit after tax increasing by 27.4% to $12.57 million.

This result was largely driven by the North American business which experienced healthy growth in transaction revenue from new and existing customers. We continued to expand our footprint in the North American market with two significant new contracts namely Yale New Haven Health announced in November 2017 and Mercy Health, Visage Open Archive in June 2018. Our Australian and European divisions also contributed to the result with further adoption of Visage RIS in Australia and progress in Visage 7 sales for Europe.

Our ongoing efforts and increasing investments in Research and Development for both our Visage 7 and Visage RIS products continue to be rewarded.

The past year has also seen the company continue to enhance its reputation for successfully completing complex, large scale implementations in under a third to a quarter the time of the industry average. This has resulted in our clients realising significant benefits in key areas such as IT infrastructure consolidation, radiologist productivity, increased clinical accuracy and scalability. Furthermore, by reducing implementation risk we have been able to remove what was previously a significant barrier to change for many large health systems and are seeing this reflected in an increasing number of opportunities coming to market.

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 continues to grow as existing clients transaction volumes increase and we continue to implement the contracts we have won.

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 medical record (EMR), 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 are also seeing increasing interest in the new and exciting field of Artificial Intelligence (AI) whose technology shows real promise to improve radiological interpretation and workflow. Like all emerging technologies, wide scale adoption may take a while to achieve – but we believe we are extremely well positioned to take advantage of this trend as it develops.

It has also been rewarding to see how the value we have been able to deliver via our technology and fast track implementation process has led to further sales to our existing customer base. The most notable example being the recent $15 million sale of Visage Open Archive to Mercy Health. Once fully implemented, it will constitute one of the largest medical imaging archives in North America.

In Australia we have seen continued growth as our large enterprise RIS customers expand their businesses based on Visage RIS technology. In May we announced the expansion of the relationship with the I-MED Radiology Network, Australia’s largest radiology provider that will see I-MED standardise on Visage RIS across their 200 plus practices. This plus the deal with Healthcare Imaging Services (Primary Healthcare) announced in 2017 has reconfirmed us as the undisputed leader in RIS in Australia.

We finish the year financially stronger than ever with cash reserves of $25.24 million, up from $22.78 million. As a result, we increased our dividends from 4.0 cents per share, partially franked, to 6.0 cents per share fully franked (an increase of 50%). 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. We thank them and our fellow directors for all their efforts throughout the year and look forward to an even brighter 2019.

Yours faithfully

Peter Kempen
CHAIRMAN

Sam Hupert
CHIEF EXECUTIVE OFFICER

FINANCIAL summary

YEAR ENDED
30 JUNE 2018

ALL FIGURES IN $A THOUSANDS UNLESS OTHERWISE STATED

	2018 $'000	2017 $'000
Revenues from Continuing Operations	**35,961** +13.8%	31,597 +14.8%
Total Revenues	**36,017** +13.9%	31,619 +14.7%
Operating Profit Before Interest and Income Tax	**17,315** +29.3%	13,390 +41.8%
Net Profit After Tax	**12,744** +36.7%	9,321 +46.4%
Total Assets 30 June	**56,307**	47,206
Shareholders' Funds 30 June	**45,663**	34,834
Net Tangible Assets per Share at 30 June (cents)	**30.0**	23.0
Earnings per Share (cents)	**12.4** +36.3%	9.1 +44.4%

BUSINESS background

Pro Medicus Limited [ASX: PME] is a leading health imaging IT provider. Founded in 1983, the company provides a comprehensive range of health imaging software and services to hospitals, imaging centres and health care groups worldwide. These solutions are branded "Visage" and provide one of the most comprehensive, enterprise level, end-to-end offerings available in the radiology market today.

VISAGE PRODUCTS

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.

RIS AND PRACTICE MANAGEMENT

Pro Medicus offers software applications and services designed to aid the management of medical practices. The software includes medical accounting, clinical reporting, appointments/scheduling and marketing/management information modules and can be integrated with third-party applications. The Visage RIS provides radiology practices with a highly scalable, enterprise level practice management 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.

HEALTHCARE IMAGING

In January 2009, the company purchased Visage Imaging, which has been transformed into a global provider of leading edge Enterprise imaging and 3D PACS (Picture Archiving and Communication System) solutions. The company's Visage 7 product line incorporates leading edge proprietary advanced visualisation capability that is able to deliver extremely fast, multi-dimensional images streamed via the Visage 7 intelligent thin-client viewer. Visage 7 components can either be combined and sold as an entire solution or individual components can be sold in a modular fashion as part of a "deconstructed" or best in breed offering.

THE VISAGE 7 ENTERPRISE VIEWER

The Visage 7 Enterprise Viewer 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 that enables radiologists to read any type of examination from a 2D chest x-ray to a complicated 3D cardiac study all within the one viewer. The Enterprise viewer can be interfaced with a broad range of third-party vendor neutral image archiving (VNA) databases and worklist products as part of a Deconstructed PACS® solution.

VISAGE 3D PACS

As a result of the extensive R&D undertaken post the Visage Imaging acquisition, the Company has its own comprehensive 2D-3D/PACS offering which combines the Visage 7 Enterprise Viewer with the ability to store and archive radiological images using the Visage 7 Open Archive, creating one of the world's first 3D PACS.

The scalability and highly modular nature of the Visage 7 product offering means that our technology is ideally suited to the vast majority of radiology environments including large enterprise hospitals, private imaging centres and remote reading/tele-radiology groups thus addressing segments of the radiology market previously not available or only partially accessible to us.

VISAGE EASE PRO

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.

E-HEALTH

The Company's Internet-based e-health offering, promedicus.net, enables referring doctors to receive encrypted clinical reports 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.

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 deconstructed or single vendor solutions.

GLOBAL LEADERSHIP team

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 2018 financial year has been the most successful in the company's history confirming the board's belief that this new structure positions the group 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 thirteen years of experience in medical imaging and software development, holding positions in both research and industry. Malte holds a master's degree in physics from Technical University, Berlin, and a PhD 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 a number of papers in scientific visualization and high-performance computing. In role as CTO, he is involved in developing and overseeing the company's growing intellectual property patent portfolio. Prior to 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.

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.

SEAN LAMBRIGHT

Global Head of Sales

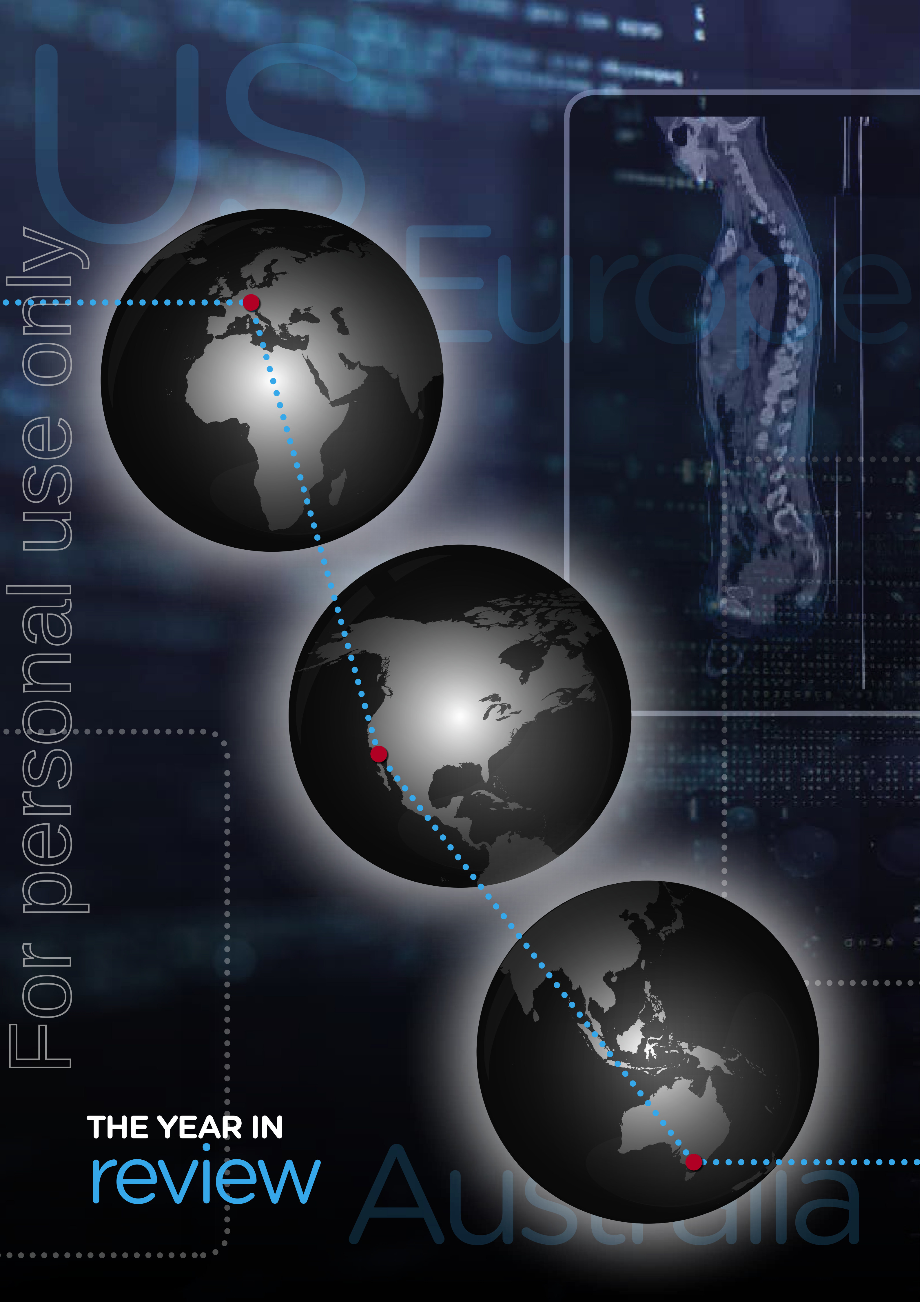
Sean Lambright is the Global Head of Sales for Visage Imaging as well as VP Sales, North America. He is responsible for the company's global sales strategy, including all third-party and channel relationships. Sean joined Visage in 2010 and has been instrumental in positioning Visage as a complete enterprise 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 15 years, having served in senior sales roles with AGFA Healthcare, AMICAS and Emageon.

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

DANNY TAUBER

General Manager – Australia

After graduating in 1986 Danny Tauber started his career with chartered accountants Warnocks gaining experience in taxation and general accounting. He then started his own property development company and spent a number of years gaining project management and general finance skills. An interest in IT led Danny into the computer industry where he worked for a company producing hotel management systems. Danny joined Pro Medicus in 1993 and has been with the company for over 25 years. Danny has progressed through the company to his current position of General Manager – Australia which he assumed on the 1st of January 2011.



THE YEAR IN review

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.

Australian revenue was largely in line with the previous year. Building on the previous year's success, the company confirmed its predominant market position with the signing of a 5-year contract with Australia's largest diagnostic imaging provider, I-MED Radiology, to use Visage RIS across all sites.

The company has been busy implementing projects including the Healthcare Imaging Services (Primary Healthcare) contract announced in March 2017 as well as transitioning the last customers from the older practice management software to the new Visage RIS platform.

Promedicus.net, the company's e-health offering, continued to hold its strong market position 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 18.4% compared to the previous year. This was attributable to a continued growth in transaction-based revenue as existing clients transaction volumes increased and a number of previously won contracts came on stream.

Two Key Contract wins - Yale New Haven Heath and Visage Open Archive to Mercy Health

In November 2017 the company announced a 7 year, $18M contract with Yale New Haven Health to implement Visage 7 Enterprise Viewer across all campuses. This adds another highly respected US academic institution to our list of customers and builds on our growing footprint of Tier 1, prestigious academic and hospital clients in North America.

Visage Open Archive is the most recent addition to the scalable Visage Enterprise Imaging platform having been released in 2017. It enables Visage to offer a choice of either a "deconstructed" or single vendor solution to new customers.

In June 2018, the company announced a $15M, 7 year contract for Visage Open Archive to Mercy Health System an existing client using the Visage 7 Enterprise Viewer since March of 2016. The replacement of the legacy archive will create one the largest medical imaging archives in North America which will be a significant achievement. This deal validates the competitive quality of the Visage Open Archive product and highlights the opportunity for further sales of this product to existing and new customers.

Implementations – on or ahead of schedule

The past year saw the company build on its track record of highly optimised implementations having successfully completed one of the largest single go lives in the history of the industry in Mayo Clinic – Rochester.

This has resulted in our clients realising significant benefits in key areas such as IT infrastructure consolidation, radiologist productivity, increased clinical accuracy and scalability all of which have significantly enhanced Visage's value proposition.

Furthermore, by reducing implementation risk we have been able to remove what was previously a significant barrier to change for many large health systems and are seeing this reflected in an increasing number of opportunities coming to market.

EUROPE

The Group's employees in its Berlin office undertake research and development of Visage Imaging products worldwide as well as sales, marketing and service/support functions for the Group's European operations. Revenue from our European operations increased by 33.2% from the previous year.

COMPANY OFFICES

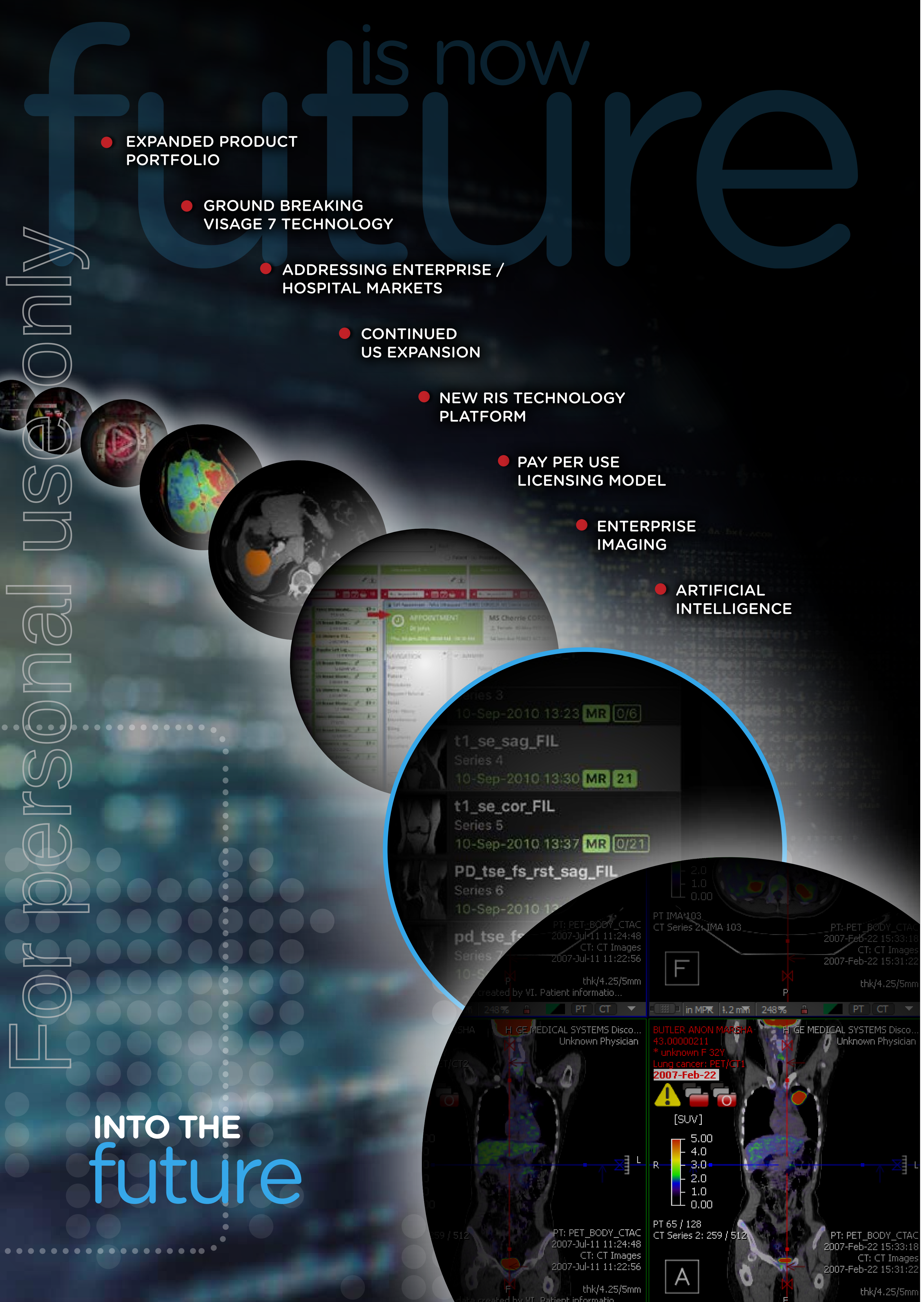
IN ADDITION TO ITS MELBOURNE-BASED AUSTRALIAN HEAD OFFICE, THE COMPANY HAS TWO OFFSHORE OFFICES:

VISAGE GMBH – BERLIN

This is the company's European headquarters and houses employees who are primarily involved in product R&D and ongoing product support. This office also forms the base of the company's European operations including order administration and both direct and OEM sales activities.

VISAGE IMAGING INC – SAN DIEGO

This is the company's North American headquarters and is the base for staff involved in sales, marketing, training/implementation and applications support for both the Visage Imaging and Pro Medicus products.



The Board and Management believe the Company is extremely well positioned for growth after making strong progress in the 2018 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 the #1 ranked hospital in the U.S. for 2018-2019 (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 tele-radiology.

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 Viewer and Visage 7 Open Archive, which we believe will continue to differentiate our offerings in the Deconstructed PACS®, Enterprise viewer, 3D PACS 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 own 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 combined, continue to drive demand for Visage 7 products.

Adoption of Electronic Medical Records (EMR)

The US Government as part of its Meaningful Use program has mandated US health institutions to implement an enterprise wide Electronic Medical Record (EMR). Under this new model, all patient clinical data including images is entered into, and is accessed via, the EMR. This has resulted in a heightened focus on enterprise 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.

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 1.5 to 2 Gigabytes or larger in size. 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 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 has 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 visualise these very large datasets without having to move the images to their desktop thereby overcoming the bandwidth/network bottleneck issue.

The move to best in breed or Deconstructed PACS® Solutions

Increasingly sales opportunities are requesting a modular or "best in breed" approach whereby multiple components from different vendors are integrated into a single solution. Unlike systems from traditional PACS vendors, Visage 7, with its highly modular and scalable design is ideally suited to this new paradigm resulting in a growing pipeline of opportunities that the company is actively pursuing.

Artificial Intelligence (AI)

Few trends have garnered as much interest as machine learning or Artificial Intelligence (AI) has to the field of Healthcare Imaging. Like all emerging technologies, wide scale adoption may take a while to achieve – but we believe the company is extremely well positioned to take advantage of this trend as it develops.

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 the business, it has the added benefit of creating significant ongoing revenue streams for the company.

ENTERPRISE IMAGING

The company has made significant investments in ongoing R&D in order to develop products including Visage 7 Enterprise. This new product 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. Examples of this include wound care photos taken at the bedside, ophthalmology images, dermatology images, as well as video (endoscopic, arthroscopic, operating room HD-video).

NEW PRODUCTS AND SERVICES

As our customer base continues to grow so does the opportunity for on-selling additional, complementary products and services.
An increasing proportion of the company's R&D effort is focused on developing such complementary services and products which we believe will further increase our value proposition for our large enterprise clients.

ANNUAL FINANCIAL REPORT
30 JUNE 2018

DIRECTORS' report

Your Directors submit their report for the year ended 30 June 2018 in relation to Pro Medicus Limited (the "Company") and its subsidiaries (the "Group").

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. He is also a Director of the Yara Pilbara group of companies, a Trustee of the Barr Family Foundation and a member of the Council of St Hilda's College, University of Melbourne.

Peter has previously been Chairman of Patties Food Limited, Chairman of Danks Holdings Limited, Chairman of Ivanhoe Grammar School and Managing Partner of Ernst & Young Corporate Finance Australia.

Peter is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Peter 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.

CLAYTON JAMES HATCH

CPA

Company Secetary

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.

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.

DR LEIGH FARRELL

PhD, B.Sc. (Hons), FAICD

Non-Executive Director (Appointed 8 September 2017)

Leigh joined Pro Medicus Limited as a Director on 8 September 2017. He is Senior Vice President, Commercial of Certara USA, Inc. and prior to his current position 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.

Leigh also serves on the audit committee.

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 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.

ANTHONY BARRY HALL

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

Executive Director and Technology Director

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

Anthony hold a Bachelor and Master's degree in Science from La Trobe University.

RETIRED DIRECTOR

RODERICK LEWIS JOHN LYLE

LL.B., B.Com, LL.M (Lond), MBA (Melb)

Non-Executive Director (Retired 14 November 2017)

Roderick joined Pro Medicus Limited as a Director in November 2010 and his services to the company over the past 7 years have been appreciated by staff, shareholders and Directors alike.

Roderick is the Senior Corporate Advisor in the Melbourne Office of Clayton Utz and is a former Managing Partner of that office. He joined the Board at a difficult time for the Company and played a critical role in establishing the foundations of its current success.

The Board wishes to thank Roderick for his efforts and wish him well for the future.

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	29,067,500	NIL
S. A. Hupert	29,107,660	NIL
P. T. Kempen	678,082	NIL
A. J. Glenning	4,000	NIL
L. Farrell	2,501	NIL

EARNINGS PER SHARE

	Cents
Basic earnings per share	12.35
Diluted earnings per share	12.22

DIVIDENDS

ORDINARY SHARES	CENTS	$'000
Final dividends recommended:		
Normal dividend plan	3.5	3,618
Dividends paid in the year:		
Interim for the year	2.5	2,584
Final dividend for 2017 shown as recommended in the 2017 report:		
Normal dividend plan	2.5	2,566

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;
- Promedicus.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;
- 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 promedicus.net products including R&D for Visage RIS, its new technology platform.

The R&D for the Visage Imaging product set is carried out in Europe.

REVIEW AND RESULTS OF OPERATIONS

Investment Activities

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

Performance Indicators

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

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

Dynamics of the Business

Australia

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

The Group's Australian revenue was in line with the previous year (down 2.0%). The rollout of the Healthcare Imaging (Primary) contract announced in March 2017 commenced during the period. In May 2018, the company announced a major extension of its contract with I-MED, Australia's largest radiology provider. Once fully implemented the extension to the contract is estimated to provide an additional $1.3m in revenue per annum.

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

North America

The North American team fulfil sales, marketing and professional services roles. Revenue from North America increased by 18.4% compared to the previous year. This was attributable to new sales to Yale New Haven Health and the sale of Visage Open Archive to Mercy Health, as well as an 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 from our European operations increased by 33.2% from the previous year.

Financials

Reported profit after tax for the period was $12.74m an increase of 36.7% from the previous year.

Full year revenue of the Group increased from $31.62m to $36.02m, an increase of 13.9%. 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 the significant increase in the performance of the North American and European operations, as well as unrealised foreign currency gains.

Underlying profit, which excludes currency movements was $12.57m an increase of 27.4% from the previous year.

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.

Cash from Operations

Net cash flows from operating activities for the current period was a positive $13.87m, with receipts from customers totalling $32.21m compared with payments of $13.39m to suppliers and employees. During the year the Company paid out a total of $5.2m in dividends, the net result being total cash assets of $25.24m; an increase of 10.8% 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 31.1% from $34.83m to $45.66m. 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 3.5 cents per share has been declared post 30 June 2018. Please refer to Note 8 of the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors anticipate that the 2019 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 2019 financial year.
- Continued strong interest in the Visage 7.0 suite of products in the North American market has resulted in a number of sales opportunities that the Company is actively pursuing.
- The ability of the expanded Visage 7.0 product set to address key market segments such as large Health Systems and Hospitals in addition to the private radiology and teleradiology markets.
- Market dynamics that favour the adoption of Visage 7.0 technology such as trend towards modular, best in breed solutions.
- Increased revenue from Visage RIS, the company's new technology RIS platform as the rollout of this new platform continues.

As a result, it is anticipated that the 2019 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 17 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, 25,000 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 1,206,609 un-issued ordinary shares under performance rights. Refer to Note 17 of the financial statements for further details of the performance rights outstanding.

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

Shares Issued as a Result of the Exercise of Performance Rights

During the financial year, 280,000 performance rights were exercised by current employees and no performance rights expired. A further 403,500 performance rights were exercised by key management personnel in the current year to acquire fully paid ordinary shares in Pro Medicus Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

INDEMNIFICATION OF AUDITORS

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

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

(i) Non – executive directors

Peter Terence Kempen	Chairman
Roderick Lyle	Director (non-executive) – retired 14 November 2017
Anthony Glenning	Director (non-executive)
Leigh Farrell	Director (non-executive) – appointed 8 September 2017

(ii) Executive directors

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

(iii) Other Executives

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

Remuneration Committee

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

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

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

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

Remuneration Philosophy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

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

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

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

The remuneration of Non-Executive Directors for the period ended 30 June 2018 is detailed in Table 1 of this report.

Executives (including Executive Directors remuneration)

Objective

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

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

Structure

Employment contracts have been entered into with all Executives of the Group. Details of these contracts are provided on page 23.

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

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

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

Fixed Remuneration

Objective

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

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

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

REMUNERATION REPORT (audited) (continued)

Variable Remuneration – Long Term Incentive (LTI)

Performance Rights

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

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

The table below outlines the proportion of performance rights that were granted based on performance measures since the plan was established. No new grants were awarded during the year under this long term incentive plan.

	2018	2017	2016	2015	2014
75% EBIT targets met	N/A	125%	85%	25%	90%
25% Individual targets met	N/A	83%	88%	92%	87%

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

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

Variable Remuneration – Short Term Incentive (STI)

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

STI bonus for 2018

For the 2018 financial year, the total amount of STI cash bonus either paid or accrued at year end was $594,813. The maximum STI cash bonus amount payable was $780,861.

Key Performance Indicators

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

Shareholder Returns

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

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

	2018	2017	2016	2015	2014
Basic earnings per share – reported (cents)	12.4	9.1	6.3	3.2	1.5
Return on assets (%)	31.0	28.6	24.3	17.6	8.4
Return on equity (%)	27.9	26.8	23.3	14.7	7.3
Dividend payout ratio (%) – normal dividend plan	48.5	44.0	47.9	62.3	132.8
Dividend payout ratio (%) – total dividend	48.5	44.0	47.9	62.3	132.8
Available franking credits ($'000)	820	531	0	0	782

Employment Contracts

Executive Directors

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

These agreements provide the following major terms:

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

Executives (excluding Executive Directors)

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

Remuneration of key management personnel of the Company and the Group.

Table 1: **Remuneration of key management personnel for the year ended 30 June 2018**

	Short-Term			Post Employment	Long Term	Share-Based Payment	Total	Total Performance Related (%)
30 June 2018 ($)	Salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation	Long Service Leave	Performance Rights		
Directors								
P T Kempen	73,437	–	1,563	25,000	–	–	100,000	–
S A Hupert	475,000	–	–	25,000	18,339	–	518,339	–
A B Hall	350,000	–	–	25,000	10,106	–	385,106	–
R. Lyle	19,026	–	–	1,807	–	–	20,833	–
A. Glenning	91,324	–	–	8,676	–	–	100,000	–
L Farrell	68,493	–	–	6,507	–	–	75,000	–
Executives								
D Tauber	315,528	–	–	19,472	2,433	53,426	390,859	13.7%
M Westerhoff	444,834	173,214	17,555	2,698	–	124,500	762,801	39.0%
B Levin	284,247	88,147	–	–	–	82,737	455,131	37.5%
S Lambright	219,645	333,452	–	–	–	18,688	571,785	61.6%
	2,341,534	**594,813**	**19,118**	**114,160**	**30,878**	**279,351**	**3,379,854**	

REMUNERATION REPORT (audited) (continued)

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

During the reporting period, 27,347 rights with a fair value of $46,794 ($0.72 to $2.37 per performance right) were granted as performance rights to Danny Tauber with a grant date of 7 September 2017. 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, 76,759 rights with a fair value of $131,344 ($0.72 to $2.37 per performance right) were granted as performance rights to Malte Westerhoff with a grant date of 7 September 2017. 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, 23,324 rights with a fair value of $39,910 ($0.72 to $2.37 per performance right) were granted as performance rights to Brad Levin with a grant date of 7 September 2017. 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, 18,023 rights with a fair value of $30,840 ($0.72 to $2.37 per performance right) were granted as performance rights to Sean Lambright with a grant date of 7 September 2017. 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 2017

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

During the reporting period, 26,800 rights with a fair value of $48,374 ($0.85 to $2.45 per performance right) were granted as performance rights to Danny Tauber with a grant date of 19 October 2016. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

During the reporting period, 77,538 rights with a fair value of $139,956 ($0.85 to $2.45 per performance right) were granted as performance rights to Malte Westerhoff with a grant date of 19 October 2016. The performance rights have a 4 year vesting period from grant date and are automatically exercised upon achievement of the vesting conditions.

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

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

Table 3: Shareholdings of Key Management Personnel

Shares held in Pro Medicus Limited (Number)	Balance at beginning of year	On Exercise of Performance rights	On Exercise of Options	Net Change Other	Balance 30 June 2018
30 June 2018	1 July 2017 Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
P T Kempen	678,082	—	—	—	678,082
S A Hupert	30,107,660	—	—	(1,000,000)*	29,107,660
A B Hall	30,068,500	—	—	(1,001,000)**	29,067,500
R Lyle	340,000	—	—	—	340,000
A Glenning	4,000	—	—	—	4,000
L Farrell	—	—	—	2,501***	2,501
Executives					
D Tauber	406,412	107,250	—	(94,166)~	419,496
M Westerhoff	59,825	185,000	—	(123,645)~~	121,180
B Levin	10,000	61,250	—	(32,342)#	38,908
S Lambright	200,000	50,000	—	(70,000)##	180,000
Total	**61,874,479**	**403,500**	**—**	**(2,318,652)**	**59,959,327**

* *Sam Hupert sold 1,000,000 shares throughout the year at the prevailing market share price.*
** *Anthony Hall sold 1,001,000 shares throughout the year at the prevailing market share price.*
*** *Leigh Farrell purchased 2,501 shares throughout the year at the prevailing market share price.*
~ *Danny Tauber sold 94,166 shares throughout the year at the prevailing market share price.*
~~ *Malte Westerhoff sold 123,645 shares throughout the year at the prevailing market share price.*
Brad Levin sold 32,342 shares throughout the year at the prevailing market share price.
Sean Lambright sold 70,000 shares throughout the year at the prevailing market share price.

Table 4: Performance rights of Key Management Personnel

	Balance at beginning of year	Granted as Remuneration	Options Exercised	Balance at end of year			
30 June 2018 Number	1 July 2017			30 June 2018	Not vested	Vested/ Exercisable	Total
Directors							
P T Kempen	—	—	—	—	—	—	—
S A Hupert	—	—	—	—	—	—	—
A B Hall	—	—	—	—	—	—	—
R. Lyle	—	—	—	—	—	—	—
A. Glenning	—	—	—	—	—	—	—
L Farrell	—	—	—	—	—	—	—
Executives							
D Tauber	213,550	27,347	(107,250)	133,647	133,647	—	133,647
M Westerhoff	419,039	76,759	(185,000)	310,798	310,798	—	310,798
B Levin	159,156	23,324	(61,250)	121,230	121,230	—	121,230
S Lambright	72,188	18,023	(50,000)	40,211	40,211	—	40,211
Total	**863,933**	**145,453**	**(403,500)**	**605,886**	**605,886**	**—**	**605,886**

REMUNERATION REPORT (audited) (continued)

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

Other transactions and balances with Key Management Personnel
Purchases

During the year lease payments of $169,476 (2017: $169,476) in respect of the Group's operating premises at 450 Swan Street Richmond were paid to Champagne Properties Pty. Ltd., an entity controlled by S. Hupert and A. Hall. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms.

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

	Directors' Meetings	Eligible to attend	Audit Committee	Eligible to attend
Number of meetings held:	**9**		**2**	
Number of meetings attended:				
P. T. Kempen	9	9	2	2
R. Lyle	3	3	1	1
A. Glenning	9	9	2	2
L. Farrell	8	8	1	1
A. B. Hall	9	9	2	2
S. A. Hupert	9	9	2	2

Committee membership
As at 30 June 2018, 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 27).

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 $123,886.

Signed in accordance with a resolution of the Directors.

P T Kempen
Director

Melbourne, 16 August 2018

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Pro Medicus Limited

EY
Building a better working world

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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 Pro Medicus Limited for the financial year ended 30 June 2018, 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

Ernst & Young

Paul Gower
Partner

16 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	4	**35,961**	31,597
Finance Revenue		**56**	22
Revenue		**36,017**	31,619
Cost of Sales		**(220)**	(521)
Gross Profit		**35,797**	31,098
Net foreign currency gains/(losses)	5(a)	**463**	(777)
Accounting and secretarial fees		**(678)**	(638)
Advertising and public relations		**(1,035)**	(962)
Depreciation and amortisation	5(b)	**(4,938)**	(4,283)
Insurance		**(737)**	(756)
Legal costs		**(539)**	(268)
Operating lease expense		**(531)**	(514)
Other expense		**(1,060)**	(603)
Salaries and employee benefits expense	5(b)	**(8,556)**	(8,178)
Travel and accommodation		**(815)**	(707)
Profit before tax		**17,371**	13,412
Income tax expense	6	**(4,627)**	(4,091)
Profit for the year	16	**12,744**	9,321
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign Currency translation		**7**	28
Other comprehensive income for the year		**7**	28
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**12,751**	9,349
Earnings per share (cents per share)	7		
– Basic for net profit for the year		**12.4¢**	9.1¢
– Diluted for net profit for the year		**12.2¢**	9.0¢

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	**25,238**	22,775
Trade and other receivables	10	**4,992**	3,489
Accrued revenue		**3,229**	3,264
Inventories	11	**54**	54
Prepayments		**707**	598
Total Current Assets		**34,220**	30,180
Non-current Assets			
Deferred tax assets	6	**2,494**	1,023
Plant and equipment	12	**352**	283
Trade and other receivables	10	**2,351**	–
Intangible assets	13	**16,854**	15,478
Prepayments		**36**	242
Total Non-current Assets		**22,087**	17,026
TOTAL ASSETS		**56,307**	47,206
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**2,991**	3,458
Income tax payable		**838**	1,972
Other current financial liabilities	26	**193**	–
Provisions	15	**1,838**	1,822
Total Current Liabilities		**5,860**	7,252
Non-current Liabilities			
Deferred tax liabilities	6	**4,689**	5,045
Provisions	15	**95**	75
Total Non-current Liabilities		**4,784**	5,120
TOTAL LIABILITIES		**10,644**	12,372
NET ASSETS		**45,663**	34,834
EQUITY			
Contributed equity	16	**1,962**	1,937
Share buyback reserve		**(73)**	(73)
Share reserve	16	**4,920**	1,717
Foreign currency translation reserve	16	**152**	145
Retained earnings	16	**38,702**	31,108
TOTAL EQUITY		**45,663**	34,834

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated					
FOR THE YEAR ENDED 30 JUNE 2018	**Issued Capital $'000**	**Share Buyback Reserve $'000**	**Share Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Total Equity $'000**
At 1 July 2016	**1,302**	**–**	**1,104**	**117**	**24,862**	**27,385**
Profit for the year	–	–	–	–	9,321	9,321
Other comprehensive income	–	–	–	28		28
Total comprehensive income for the period	**–**	**–**	**–**	**28**	**9,321**	**9,349**
Transaction with owners in their capacity as owners						
Share Based Payment	–	–	613	–	–	613
Exercise of share options	635	–	–	–	–	635
Share buyback	–	(73)	–	–	–	(73)
Dividends	–	–	–	–	(3,075)	(3,075)
At 30 June 2017	**1,937**	**(73)**	**1,717**	**145**	**31,108**	**34,834**
At 1 July 2017	**1,937**	**(73)**	**1,717**	**145**	**31,108**	**34,834**
Profit for the year	–	–	–	–	12,744	12,744
Other comprehensive income	–	–	–	7	–	7
Total comprehensive income for the period	**–**	**–**	**–**	**7**	**12,744**	**12,751**
Transaction with owners in their capacity as owners						
Share Based Payment	–	–	564	–	–	564
Income tax effect of the Employee Share Trust	–	–	2,639	–	–	2,639
Exercise of share options	25	–	–	–	–	25
Share buyback	–	–	–	–	–	–
Dividends	–	–	–	–	(5,150)	(5,150)
At 30 June 2018	**1,962**	**(73)**	**4,920**	**152**	**38,702**	**45,663**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Consolidated	
FOR THE YEAR ENDED 30 JUNE 2018	Notes	**2018 $'000**	**2017 $'000**
Cash flows from operating activities			
Receipts from customers		**32,208**	31,874
Payments to suppliers and employees		**(13,387)**	(12,572)
Income tax paid		**(4,948)**	(4,473)
Net cash flows from operating activities	9	**13,873**	14,829
Cash flows from investing activities			
Capitalised development costs	13	**(6,164)**	(6,070)
Interest received		**56**	22
Purchase of plant and equipment	12	**(219)**	(80)
Net cash flows used in investing activities		**(6,327)**	(6,128)
Cash flows from financing activities			
Payment of dividends on ordinary shares	8	**(5,150)**	(3,075)
Payment of share buyback		**–**	(73)
Proceeds from issuing shares		**25**	635
Net cash flows used in financing activities		**(5,125)**	(2,513)
Net increase/(decrease) in cash and cash equivalents		**2,421**	6,188
Net foreign exchange differences		**42**	(520)
Cash and cash equivalents at beginning of period		**22,775**	17,107
Cash and cash equivalents at end of period	9	**25,238**	22,775

NOTES TO **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The financial report of Pro Medicus Limited (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of Directors on 16 August 2018.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b) Statement of compliance with IFRS

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

(c) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgements, estimates and assumptions

Capitalisation of development costs:

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

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

Impairment of non-financial assets:

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

Taxation:

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

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

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

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 17.

4. OPERATING SEGMENTS

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

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

Impairment is not monitored at segment level.

Types of products and services

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

Accounting policies and inter-segment transactions

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

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

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

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

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

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

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

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

Operating Segments	Australia		Europe		North America		Total Operations	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue								
Sales to external customers	**8,172**	8,340	**2,318**	1,740	**25,471**	21,517	**35,961**	31,597
Inter-segment sales	**20,691**	14,512	**7,451**	5,253	**–**	–	**28,142**	19,765
Total segment revenue	**28,863**	22,852	**9,769**	6,993	**25,471**	21,517	**64,103**	51,362
Inter-segment elimination							**(28,142)**	(19,765)
Total consolidation revenue							**35,961**	31,597
Results								
Segment result	**15,900**	11,609	**753**	1,222	**662**	559	**17,315**	13,390
Interest revenue							**56**	22
Non segment expenses								
Income tax expense							**(4,627)**	(4,091)
Net profit							**12,744**	9,321
Assets								
Non-current assets	**21,010**	19,549	**120**	121	**2,440**	55	**23,570**	19,725
Deferred tax asset	**2,415**	729	**–**	–	**79**	294	**2,494**	1,023
Current assets	**23,830**	26,834	**13,221**	24,057	**10,575**	24,441	**47,626**	75,332
Segment assets	**47,255**	47,112	**13,341**	24,178	**13,094**	24,790	**73,690**	96,080
Inter-segment elimination							**(17,383)**	(48,874)
Total assets							**56,307**	47,206
Liabilities								
Segment liabilities	**13,602**	31,696	**1,617**	2,147	**11,095**	23,638	**26,314**	57,481
Inter-segment elimination							**(15,670)**	(45,109)
Total liabilities							**10,644**	12,372
Other segment information								
Capital expenditure	**6,235**	6,075	**64**	53	**84**	23	**6,383**	6,151
Depreciation and amortisation	**4,823**	4,141	**65**	81	**50**	61	**4,938**	4,283
Cash flow information								
Net cash flow from operating activities	**3,097**	4,479	**(3,050)**	(4,733)	**13,828**	15,083	**13,875**	14,829
Net cash flow from investing activities	**(6,179)**	(6,053)	**(64)**	(53)	**(84)**	(22)	**(6,327)**	(6,128)
Net cash flow from financing activities	**(5,125)**	(2,513)	**–**	–	**–**	–	**(5,125)**	(2,513)

Product information

Revenue from external customers	Consolidated	
	2018 $'000	2017 $'000
Radiology Information Systems (RIS)	**7,150**	6,964
Picture Archiving Communications Systems (Visage 7/Open Archive)	**28,771**	24,595
Other income	**40**	38
Total revenue per statement of comprehensive income	**35,961**	31,597

Revenue from major customers
Included in the North American segment are customers that contributed to the total consolidated Group revenue by 15.1% (2017: 14.9%) from one party and 10.5% (2017: 13.0%) from another party. No other customer contributed 10% or more to the Group's revenue for the year ended 30 June 2018.

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

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

Revenue from the installation and ongoing support of software applications and services is recognised by reference to the stage of completion of a contract or contracts in progress.

Stage of completion is measured by completion of identifiable service segments as a percentage of the total services to be provided for each contract, which is determined by a quotation with the customer.

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

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

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

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

5. INCOME AND EXPENSES

(a) Net foreign currency gains/(losses)	Notes	Consolidated 2018 $'000	2017 $'000
Currency gains		**3,959**	3,377
Currency (loss)		**(3,303)**	(4,154)
Fair value loss on financial instruments – forward exchange contracts		**(193)**	–
Total net foreign currency gains/(losses)		**463**	(777)
(b) Expenses			
Depreciation and amortisation			
Motor vehicles	12	**7**	7
Office equipment	12	**122**	147
Furniture and fittings and property improvements	12	**21**	25
Capitalised development costs	13	**4,788**	4,103
Computer software	13	**–**	1
Total depreciation and amortisation expense		**4,938**	4,283
Salaries and employee benefits expense			
Gross wages and salaries expense		**11,990**	11,559
Capitalised wages and salaries expense**		**(5,026)**	(4,965)
Long service leave provision expense		**63**	68
Share-based payment expense		**564**	613
Defined contribution plan expense		**965**	903
Total salaries and employee benefits expense		**8,556**	8,178

** *The Group's total Wages and Salaries incurred was $11,990,000 (2017:$11,559,000) of which $5,026,000 (2017:$4,965,000) of these costs have been capitalised.*

6. INCOME TAX

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

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

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

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

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

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

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

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

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

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 2018, there are no temporary differences associated with the Group's investments in subsidiaries being recognised as the parent is able to control the timing of the reversal of any temporary differences and it is not probable any temporary difference will reverse in the foreseeable future.

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

6. INCOME TAX (cont'd)

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
The major components of income tax expense are:			
Statement of Comprehensive Income			
Current income tax			
Current income tax charge		**5,099**	3,865
Prior year adjustment		**(1)**	(167)
Deferred income tax			
Relating to origination and reversal of temporary differences		**(471)**	393
Income tax expense/(benefit) reported in the statement of comprehensive income		**4,627**	4,091
Statement of Changes of Equity			
Current income tax			
Impact of the Employee Share Trust – vested share based payments		**(1,283)**	–
Deferred income tax			
Relating to origination and reversal of temporary differences due to the Employee Share Trust – unvested share based payments		**(1,356)**	–
Income tax benefit reported directly in the Statement of Changes in Equity		**(2,639)**	–
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		**17,371**	13,412
At the applicable statutory income tax rate in each country			
– Australia		**4,786**	3,489
– United States of America		**186**	190
– Germany		**227**	368
Prior year adjustment		**(1)**	(167)
Expenditure not allowable for income tax purposes		**348**	330
Benefit from vested share based payments		**(171)**	-
Expenditure deductable for income tax purposes		**(266)**	-
Benefit from research and development tax offset		**(585)**	(569)
Other		**103**	450
Income tax expense reported in the statement of comprehensive income		**4,627**	4,091

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:	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Deferred Tax liabilities						
Foreign currency exchange gain	**120**	732	**612**	154	**–**	–
Capitalised development expenses	**4,525**	4,264	**(261)**	(764)	**–**	–
Other	**44**	49	**5**	(49)	**–**	–
Deferred income tax liabilities	**4,689**	5,045	**356**	(659)	**–**	–
Deferred tax assets						
Employee entitlements	**466**	690	**(224)**	279	**–**	–
Intellectual property expenses	**290**	308	**(18)**	(18)	**–**	–
Audit fee accrual	**20**	22	**(2)**	6	**–**	–
Employee Share Trust – unvested share based payments	**1,715**	–	**359**	–	**1,356**	–
Other	**3**	3	**–**	(1)	**–**	–
Deferred tax assets	**2,494**	1,023	**115**	266	**1,356**	–
Deferred tax movement (charged) or credited to profit or loss			**471**	(393)	**–**	–
Deferred tax movement (charged) or credited directly to equity			**–**	–	**1,356**	–

7. EARNINGS PER SHARE

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

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

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

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

7. EARNINGS PER SHARE (cont'd)

The following reflects the income and share data used in the basic and diluted earnings per share computations:	Consolidated 2018 $'000	Consolidated 2017 $'000
Net profit attributable to ordinary equity holders	**12,743,572**	9,321,331

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**103,190,471**	102,484,842
Effect of dilution:		
Share options	**17,534**	132,573
Performance rights	**1,083,201**	1,505,931
Weighted average number of ordinary shares adjusted for the effect of dilution	**104,291,206**	104,123,346

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

8. DIVIDENDS PAID AND PROPOSED

	Consolidated 2018 $'000	Consolidated 2017 $'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2017: 2.5 cents (2016: 1.5 cents franked)	**2,566**	1,535
Interim franked dividend for 2018: 2.5 cents (2017: 1.5 cents unfranked)	**2,584**	1,540
	5,150	3,075
Proposed for approval by directors (not recognised as a liability as at 30 June):		
Dividends on ordinary shares:		
Final franked dividend for 2018: 3.5 cents (2017: 2.5 cents franked)	**3,618**	2,566
Total dividends proposed	**3,618**	2,566
Franking credit balance		
– franking account balance as at the end of the financial year at 30% (2017: 30%)	**820**	531
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	**954**	501
– franking credits that the entity may be prevented from distributing in the subsequent financial year		
– franking credits that the entity may be prevented from distributing in the subsequent financial year		
– prior period adjustment		
	1,774	1,032
The amount of franking credits available for future reporting periods:		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(1,372)**	(1,102)
	402	(70)

The tax rate at which paid dividends have been franked is 30% (2017: 30%).
Dividends proposed will be fully franked.

9. CASH AND CASH EQUIVALENTS

	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash at bank and in hand	**11,228***	22,775
Short-term deposits	**14,010**	–
	25,238	22,775

* *$300,000 (2017:Nil) of the cash at bank balance is held as a deposit for foreign exchange forward contracts and could not be utilised at balance 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 with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes of value.

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

Short term deposits are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

Reconciliation of net profit after tax to net cash flows from operations

	2018	2017
Net profit	**12,744**	9,321
Adjustments for:		
Depreciation of property, plant and equipment	**150**	179
Amortisation of intangible assets	**4,788**	4,104
Interest received classified in investing activities	**(56)**	(22)
Current income tax impact of vested share based payments recognised directly in equity	**1,283**	–
Fair value loss on financial instruments	**193**	–
Foreign currency (gain)/loss	**(656)**	777
Share-based payment expense	**564**	613
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(3,854)**	1,282
(Increase)/decrease in inventory	**-**	32
(Increase)/decrease in deferred tax asset	**(115)**	(266)
(Increase)/decrease in prepayments	**97**	(309)
(Increase)/decrease in accrued revenue	**35**	(1,006)
(Decrease)/increase in trade and other payables	**154**	235
(Decrease)/increase in income tax payable	**(1,134)**	(775)
(Decrease)/increase in deferred tax liability	**(356)**	659
(Decrease)/increase in employee entitlements	**36**	5
Net cash flow from operations	**13,873**	14,829

10. TRADE AND OTHER RECEIVABLES

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

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

	Consolidated	
	2018 $'000	2017 $'000
Current		
Trade receivables	**4,790**	3,284
Provision for impairment	**–**	–
	4,790	3,284
Other receivables	**202**	205
	4,992	3,489
Non-current		
Trade receivables	**2,351**	–
	2,351	–

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

a) Allowance for impairment loss

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

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

	Total	0 – 30 days	31 – 60 days PDNI*	61 – 90 days PDNI*	+91 days PDNI*	+91 days CI**
2018 Consolidated	**7,141**	**5,862**	**359**	**254**	**666**	**–**
2017 Consolidated	**3,284**	**1,978**	**290**	**712**	**304**	**–**

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

Payment terms on $3,499,656 (2017: $301,356) of trade receivables have been renegotiated. Of the $3,499,656, an amount of $2,351,000 is due after 12 months and the remainder within 12 months. The Company has been in direct contact with these debtors and is satisfied that payment will be received in full.

11. INVENTORY

	Consolidated	
	2018 $'000	2017 $'000
Finished goods (at lower of cost and net realisable value)	**54**	54

Inventory write downs recognised as an expense during the year ended 30 June 2018 total nil (2017: nil)

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

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

12. PLANT & EQUIPMENT

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

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

	2018	2017
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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

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

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

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

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

12. PLANT & EQUIPMENT (cont'd)

	Consolidated					
	Property Improvements	Motor Vehicles	Office Equipment	Furniture & Fittings	Research & Development Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2018						
At 1 July 2017 net of accumulated depreciation	17	34	196	36	–	283
Additions	–	–	211	–	–	211
Disposals	–	–	–	–	–	–
Exchange differences	–	–	7	1	–	8
Depreciation charge for the year	(3)	(7)	(122)	(18)	–	(180)
At 30 June 2018 net of accumulated depreciation	**14**	**27**	**292**	**19**	**–**	**352**
At 30 June 2018						
Cost	333	488	2,480	409	209	3,919
Accumulated depreciation and impairment	(319)	(461)	(2,188)	(390)	(209)	(3,567)
Net carrying amount	**14**	**27**	**292**	**19**	**–**	**352**
Year ended 30 June 2017						
At 1 July 2016 net of accumulated depreciation	19	41	262	60	–	382
Additions	–	–	83	–	–	83
Disposals	–	–	–	–	–	
Exchange differences	–	–	(2)	(1)	–	(3)
Depreciation charge for the year	(2)	(7)	(147)	(23)	–	(179)
At 30 June 2017 net of accumulated depreciation	**17**	**34**	**196**	**36**	**–**	**283**
At 30 June 2017						
Cost	329	488	2,204	399	209	3,629
Accumulated depreciation and impairment	(312)	(454)	(2,008)	(363)	(209)	(3,346)
Net carrying amount	**17**	**34**	**196**	**36**	**–**	**283**

13. INTANGIBLE ASSETS

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

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

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

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

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

Research and development costs
Research costs are expensed as incurred.

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

13. INTANGIBLE ASSETS (cont'd)

	Consolidated			
	Intellectual Property i)	Development Costs ii)	Software Licenses iii)	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2018				
At 1 July 2017 net of accumulated amortisation and impairment	–	15,477	1	15,478
Additions - internal development	–	6,164	–	6,164
Disposals	–	–	–	–
Exchange differences	–	–	–	–
Amortisation charge for the year	–	(4,788)	–	(4,788)
At 30 June 2018 net of accumulated amortisation and impairment	**–**	**16,853**	**1**	**16,854**
At 30 June 2018				
Cost	1,848	39,673	312	41,833
Accumulated amortisation and impairment	(1,848)	(22,820)	(311)	(24,979)
Net carrying amount	**–**	**16,853**	**1**	**16,854**
Year ended 30 June 2017				
At 1 July 2016 net of accumulated amortisation and impairment	–	13,510	2	13,512
Additions - internal development	–	6,070	–	6,070
Disposals	–	–	–	–
Exchange differences	–	–	–	–
Amortisation charge for the year	–	(4,103)	(1)	(4,104)
At 30 June 2017 net of accumulated amortisation and impairment	**–**	**15,477**	**1**	**15,478**
At 30 June 2017				
Cost	1,848	38,725	294	40,867
Accumulated amortisation and impairment	(1,848)	(23,248)	(293)	(25,389)
Net carrying amount	**–**	**15,477**	**1**	**15,478**

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

ii) Development costs have been capitalised. 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 2018 the carrying values of capitalised development costs are Visage PACS ($11,579,921) RIS ($4,806,974) and Visage MagicWeb ($466,030), all sit within the Australian operating segment.

The Group undertook an impairment assessment of the capitalised development costs at an individual product level as at 30 June 2018. The recoverable amount of development costs have been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period. The projected cash flows were updated to reflect the change in forecast revenues and a post-tax discount rate of 17% (30 June 2017:17%) was applied. Cash flows beyond a 5 year period have been extrapolated using a 2.5% growth rate (30 June 2017: 2.5%). The Groups recoverable value was in excess of the carrying value using the value in use calculation and as such no impairment charges were recorded at 30 June 2018.

Key assumptions used in value in use calculations

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

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

Revenue forecasts – Revenue forecasts are based on current year consolidated budgets for each geographical segment. Estimated growth rates are then used to forecast the following 4 years revenue for each product used in each geographical segment. Total forecast segment growth rates range from 0% to 36% (2017: 0% to 57%) across the 4 year period.

Discount rates – The discount rate applied to the cash flow projections have been assessed to reflect the time value of money and the perceived risk profile of the industry in which each cash generating unit (CGU) operates. The post-tax discount rate applied was 17% (2017:17%).

Growth rate estimates – rates are based on industry based customer price index (CPI) forecasts. The long term rate of 2.5% (2017: 2.5%) was used in the current assessment.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of development costs, the estimated recoverable amount is in excess of its carrying value for each product, however adverse changes in assumptions could result in an impairment loss. Management has considered the possible change in each of the key assumptions applied to the respective capitalised development costs recoverable amount assessments. A reasonably possible adverse change in the revenue forecasts for the RIS product could have the potential to give rise to circumstances where the recoverable amount may be lower than the carrying amount. To illustrate the sensitivity of this assumption, if forecast revenues of the RIS product were to decrease materially, that is in the range of 10 – 15%, across the five year forecast period without the implementation of mitigation plans, cost reductions or restructure which management would look to do if such decreases were to arise, this could lead to a future impairment write-down of approximately $0.1 – $2.0 million.

14. TRADE AND OTHER PAYABLES

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

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
Current			
Trade payables		**565**	446
Other payables and accruals		**1,434**	2,086
		1,999	2,532
Deferred Income		**992**	926
		2,991	3,458

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

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

15. PROVISIONS

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

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

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

Employee leave benefits

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

(i) Annual leave and sick leave

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

(ii) Long service leave

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

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
Current			
Long service leave		**865**	821
Annual leave		**973**	1,001
		1,838	1,822
Non Current		**95**	75
Long service leave		**95**	75

16. CONTRIBUTED EQUITY AND RESERVES

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

Contributed Equity	Consolidated 2018 $'000	Consolidated 2017 $'000
(i) Ordinary shares	**1,962**	1,937
Issued and fully paid	**1,962**	1,937

Fully paid ordinary shares carry one vote per share and carry the right to dividends
(ii) Movements in shares on issue

	Number of Shares	2018 $'000
At 1 July 2017	**102,660,549**	**1,937**
Issued for cash on exercise of options	**25,000**	**25**
Vesting of performance rights	**683,500**	**–**
At 30 June 2018	**103,369,049**	**1,962**

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Share Reserve (i)		
Balance at 1 July	**1,717**	1,104
Share options expensed	**564**	613
Performance rights expensed	**2,639**	–
Balance at 30 June	**4,920**	1,717

16. CONTRIBUTED EQUITY AND RESERVES (cont'd)

	Consolidated	
	2018 $'000	2017 $'000
Foreign Currency Translation Reserve (ii)		
Balance at 1 July	**145**	117
Foreign Currency Movement	**7**	28
Balance at 30 June	**152**	145
Retained Earnings		
Balance at 1 July	**31,108**	24,862
Net profit for the year	**12,744**	9,321
Dividends	**(5,150)**	(3,075)
Balance at 30 June	**38,702**	31,108

(i) Share reserve

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

(ii) Foreign currency translation reserve

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

Capital Management

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

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

During the year, the company paid dividends of $5,150,121 (2017: $3,074,568).

17. SHARE BASED PAYMENTS

(i) Equity settled transactions:

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

There are currently two plans in place to provide these benefits:

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

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

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

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

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

(i) The grant date fair value of the award;

(ii) For options with non-market vesting conditions, the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) The expired portion of the vesting period.

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

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

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

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

Employee Share Option Scheme

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

200,000 shares were granted as options to Peter Kempen on becoming a Director of the company in 2008 under a separate agreement. The options had a grant date of 12 March 2008 and an exercise price of $1.25. The fair value of the options at grant date was $40,852 ($0.13 – $0.29 per option). The options had a first exercise date of 12 March 2009 and could be exercised at anytime through to expiry date of 12 March 2018. The options vested over a 5 year period on completion of service. During the reporting period, all options had vested and were fully exercised in previous reporting periods. There are no outstanding options at 30 June 2018.

900,000 shares were granted as options to key Visage Imaging GmbH employees under a separate agreement. The options had a grant date of 1 April 2010 and an exercise price of $1.00. The fair value of the options at grant date was $67,278 ($0.07 per option). The options had a first exercise date of 1 April 2011 and can be exercised at anytime through to expiry date of 1 April 2020. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and 25,000 options were exercised during the year. There are no outstanding options at 30 June 2018.

550,000 shares were granted as options to Key Executives under a separate agreement. The options had a grant date of 25 August 2010 and an exercise price of $1.00. The fair value of the options at grant date was $54,109 ($0.10 per option). The options had a first exercise date of 25 August 2011 and can be exercised at anytime through to expiry date of 25 August 2020. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and were fully exercised in previous reporting periods. There are no outstanding options at 30 June 2018.

200,000 shares were granted as options to Roderick Lyle on becoming a Director of the company in 2011 under a separate agreement. The options had a grant date of 18 November 2011 and an exercise price of $0.55. The fair value of the options at grant date was $45,116 ($0.23 per option). The options had a first exercise date of 18 November 2012 and can be exercised at anytime through to expiry date of 18 November 2021. The options vest over a 5 year period on completion of service. During the reporting period, all options had vested and were fully exercised in previous reporting periods. There are no outstanding options at 30 June 2018.

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

	2018		2017	
	Number of Options	**Weighted average exercise price**	**Number of Options**	**Weighted average exercise price**
Outstanding at the beginning of the year	**25,000**	**$1.00**	725,000	$0.91
– granted	**–**	**–**	–	–
– forfeited	**–**	**–**	–	–
– exercised	**(25,000)**	**$1.00**	(700,000)	$0.91
– expired	**–**	**–**	–	–
Outstanding at the end of the year	**–**	**–**	25,000	$1.00
Exercisable at end of year	**–**	**–**	25,000	$1.00

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

17. SHARE BASED PAYMENTS (cont'd)

Weighted average remaining contractual life

The weighted average remaining contractual life for share options outstanding at 30 June 2018 is zero years (2017: 2.76 Years)

Range of exercise price

The range of exercise prices for options outstanding at the end of the year was nil (2017: $1.00 - $1.00).

Weighted average fair value

The weighted average fair value of options granted during the year was nil (2017: nil).

Option pricing model

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

Performance Rights

Tranche 1

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

Tranche 2

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

During the reporting period, 330,021 performance rights have been granted from Tranche 2 with a grant date of 7 September 2017. 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 ($0.72 to $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 ($0.85 to $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. 364,375 performance rights vest over 4 years from grant date on completion of service. The fair value of the 364,375 performance rights at grant date was $721,463 ($1.98 per performance right). The remaining 50,000 performance rights vest in September 2016 and the fair value of these rights was $44,500 ($0.89 per performance right).

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

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

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

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

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

	2018	2017
	Number of Performance Rights	Number of Performance Rights
Outstanding at the beginning of the year	**1,565,836**	1,471,719
– granted	**330,021**	320,492
– forfeited	**–**	–
– exercised	**(683,500)**	(226,375)
– expired	**(5,748)**	–
Outstanding at the end of the year	**1,206,609**	1,565,836
Exercisable at end of year	**–**	–

Weighted average remaining contractual life

The weighted average remaining contractual life for performance rights at 30 June 2018 is 2.6 years (2017: 1.8 Years)

Performance rights pricing model (Tranche 1)

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

The following table lists the inputs to the models used:

	2018	2017
Dividend yield	**Nil**	0.6%
Expected volatility	**Nil**	40%
Risk-free interest rate	**Nil**	3.30%
Expected life of performance rights	**Nil**	1-4 years
Performance rights exercise price	**Nil**	$0.00
Fair value of performance rights at measurement date (per performance right)	**Nil**	$0.89-$4.88

Performance rights pricing model (Tranche 2)

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

The following table lists the inputs to the models used:

	2018	2017
Dividend yield	**0.82%**	0.6%
Expected volatility	**15.56%**	40%
Risk-free interest rate	**3.30%**	3.30%
Expected life of performance rights	**4 years**	1-4 years
Performance rights exercise price	**$0.00**	$0.00
Fair value of performance rights at measurement date (per performance right)	**$0.75-2.37**	$0.85-$2.45

18. COMMITMENTS

Leases

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

18. COMMITMENTS (cont'd)

Operating lease commitments – Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

The US operations have entered into a commercial property lease for office premises from 1 December 2015 for a 5 year period. The German operations have entered into a commercial property lease for office premises and can give notice to vacate 6 months prior to 31 March each year, whereby they sign into another 12 months.

The German operations also have several motor vehicle leases which expire at various stages between September 2018 and September 2021.

	Consolidated	
	2018 $'000	2018 $'000
Future minimum rentals payable under non-cancellable operating lease as at 30 June are as follows:		
– Within one year	**380**	350
– After one year and not more than five years	**343**	456
– After more than five years	**–**	–
	723	806

19. EVENTS AFTER THE BALANCE SHEET DATE

On 16 August 2018, the directors of Pro Medicus Limited declared a final dividend on ordinary shares in respect of the 2018 financial year. This dividend comprises a normal dividend of 3.5 cents per share. The total amount of the dividend is $3,617,917 which represents a franked dividend of a total of 3.5 cents per share. The dividend has not been provided for in the 30 June 2018 financial statements.

20. AUDITOR'S REMUNERATION

	Consolidated	
	20187	2017
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	**197,757**	169,895
- other services in relation to the Company or Group	**96,133**	55,590
	293,890	225,485
Amounts received or due and receivable by related practices of Ernst & Young (Australia):		
- audit of the financial report of Visage Imaging GmbH	**87,411**	59,143
- other services in relation to Visage Imaging GmbH	**27,753**	48,146
	409,054	332,774

21. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	Consolidated	
	2018 $'000	2017 $'000
Short-term employee benefits	**2,955,465**	3,184,596
Post-employment benefits	**114,160**	133,675
Other long-term benefits	**30,878**	18,683
Share-based payment	**279,351**	322,321
Total compensation	**3,379,854**	3,659,275

(b) Loans to Key Management Personnel

No loans are made to Key Management Personnel or staff.

(c) Other transactions and balances with Key Management Personnel

Purchases

During the year lease payments of $169,476 (2017: $169,476) in respect of the Group's operating premises at 450 Swan Street, Richmond were paid to Champagne Properties Pty. Ltd., an entity controlled by S. Hupert and A. Hall. Commercial arrangements on an 'arm's length basis' have been determined by an independent assessment of rental and lease terms. The current arrangement is on a month to month basis.

22. RELATED PARTY DISCLOSURE

(a) Subsidiaries

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

		% Equity interest		Investment $000	
Name	**Country of incorporation**	**2018**	2017	**2018**	2017
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**	–	**–**	–
PME Nominees Pty Ltd (ATF Employee Share Trust)	Australia	**100**	100	**–**	–
Pro Medicus (USA) LLC	United States	**100**	100	**–**	–
Visage Imaging Inc	United States	**100**	–	**–**	–
Visage Ventures Inc	United States	**100**	100	**2,389**	2,389
Visage Imaging GmbH	Germany	**100**	100	**3,638**	3,638
		–	–	**6,027**	6,027

(b) Ultimate parent

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

(c) Key management personnel

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

(d) Transactions with related parties

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

		Sales to related parties $000	Purchases from related parties $000	Other transactions with related parties $000
Related party				
Consolidated				
Champagne Properties Pty Ltd – Rental lease	**2018**	**–**	**169**	**–**
Champagne Properties Pty Ltd – Rental lease	2017	–	169	–

Terms and conditions of transactions with related parties

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

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

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

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

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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 79% (2017: 92%) 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	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**5,652**	2,804
	5,652	2,804
Financial liabilities		
Trade and other payables	**–**	–
Net exposure	**5,652**	2,804

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	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**144**	1,518
	144	1,518
Financial liabilities		
Trade and other payables	**–**	–
Net exposure	**144**	1,518

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

	Consolidated	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**125**	118
	125	118
Financial liabilities		
Trade and other payables	**–**	–
Net exposure	**125**	118

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	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**3**	3
	3	3
Financial liabilities		
Trade and other payables	**–**	–
Net exposure	**3**	3

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)	
Judgements of reasonably possible movements:	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
AUD/USD +10%	**(565)**	(280)	**(79)**	(69)
AUD/USD -5%	**283**	140	**40**	34
AUD/CAD +10%	**(14)**	(152)	**–**	–
AUD/CAD -5%	**7**	76	**–**	–
AUD/GBP +10%	**(13)**	(12)	**–**	–
AUD/GBP -5%	**6**	6	**–**	–
AUD/EUR +10%	**–**	–	**(215)**	(152)
AUD/EUR -5%	**–**	–	**107**	76

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

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

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) $25,238 (2017: $22,775).

The Group's policy is to place cash balances in either 30–90 day term deposits or commercial bills that earn higher interest rates.

At 30 June 2018, 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)**	
Judgements of reasonably possible movements:	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
+1% (100 basis points)	**250**	228	**–**	–
-0.5% (50 basis points)	**(125)**	(114)	**–**	–

Liquidity risk

The Group has minimal liquidity risk as it has cash reserves of $25.0m, 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 2018.

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

	Consolidated	
	2018 $'000	2017 $'000
<30 days	**1,157**	752
31 - 60 days	**149**	816
61 - 90 days	**227**	161
Over 90 days	**1,458**	1,729
TOTAL	**2,991**	3,458

24. CONTINGENCIES

Tax related contingencies

Amended assessments from the Australian Taxation Office (ATO)

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

Ongoing transactions – transfer pricing

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

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

25. PARENT ENTITY INFORMATION

	2018	**2017**
Information relating to Pro Medicus Limited	**$000**	$000
Current assets	**24,926**	26,834
Total assets	**35,294**	36,211
Current liabilities	**18,474**	28,274
Total liabilities	**19,425**	29,837
Issued capital	**1,962**	1,937
Retained earnings	**13,907**	5,001
Foreign currency translation reserve	**(2,944)**	(2,208)
Share reserve	**3,018**	1,717
Share Buyback Reserve	**(73)**	(73)
Total shareholders' equity	**15,870**	6,374
Profit/(loss) of the parent entity	**2,553**	(13)
Total comprehensive income of parent entity	**2,553**	(13)

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

26. OTHER ACCOUNTING POLICIES

(a) New accounting standards and interpretations

Changes in Accounting policy and disclosures

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017. Adoption of these standards did not have any effect on the financial position or performance of the Group. The necessary disclosures have been updated to reflect amended accounting standards.

Pronouncement	Title	Application date of standard*	Application date for Group*
AASB 2016-1	AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The adoption of this amendment had no material impact on the financial position or performance of the Group.	1 January 2017	1 July 2017
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The adoption of this amendment had no material impact on the Group.	1 January 2017	1 July 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The adoption of this amendment had no material impact on the financial position or performance of the Group.	1 January 2017	1 July 2017

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2018. These are outlined in the table below.

Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	*Financial Instruments*	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the Group.	1 January 2018	The Group is currently assessing the impact of the application of the new standard. Based on an initial assessment, the Group does not anticipate a material impact to the financial position or performance of the Group.	1 July 2018
AASB 15	*Revenue from Contracts with Customers*	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: • Step 1: Identify the contract(s) with a customer • Step 2 : Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligation in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	The Group is currently finalising its assessment to determine the impact of adopting AASB 15. The assessment performed to date has identified key areas of the business that may have potential risk of impact and may require a greater level of work effort to quantify the financial impact of AASB 15. This includes identifying changes to accounting policies, reporting requirements, business processes and associated internal controls with the objective of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.	1 July 2018
AASB 2016-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	The Group is currently assessing the impact of the application of the new standard. Based on an initial assessment, the Group does not anticipate a material impact to the financial position or performance of the Group.	1 July 2018

26. OTHER ACCOUNTING POLICIES (cont'd)

Pronouncement	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Interpretation 23	*Uncertainty over Income Tax Treatments*	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation 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.	1 January 2019	The Group is currently assessing the impact of the application of the new interpretation.	1 July 2019
AASB 16	*Leases*	AASB 16 requires lessees to account for all leases under a single on- balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from todays' accounting under AASB 117. Lessors will continue to classify all lease using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	The Group is currently continuing to assess the impact of the change in standard which it expects to be material. The new standard is expected to result in an increase in assets and liabilities, change in the timing in which lease expenses are recognised, a classification shift in earnings categories from operating lease expense to depreciation and interest expense, and an increase in gearing levels.	1 July 2019

(c) Derivative financial instruments and hedging

The Group uses derivative financial instruments (forward currency contracts) to hedge 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. 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.

	2018		2017	
	Carrying Amount $'000	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Financial liabilities				
Foreign exchange forward contracts	**(193)**	**(193)**	–	–
	(193)	**(193)**	–	–

(d) Investments and other financial assets

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

Recognition and derecognition

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

Subsequent measurement

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

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

(ii) Loans and receivables

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

(e) Other taxes

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

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

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

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

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

(f) Comparatives

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

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 2018 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 2018.

On behalf of the Board

P T Kempen
Chairman

Melbourne, 16 August 2018

INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pro Medicus Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

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1. Capitalisation of development costs

Why significant	How our audit addressed the key audit matter
The Group develops medical software related to radiology systems. Development costs are capitalised and presented as intangible assets on the consolidated statement of financial position. The carrying value of intangible assets as at 30 June 2018 was $16.9 million (30% of total assets). 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. The measurement of capitalised development costs is based on the time and overhead costs associated with individuals employed by the Group for the specific purpose of developing software. Capitalised development costs are amortised once the product is available for use. Capitalised development costs are amortised over a useful life of five years. Refer to Note 13 of the financial report for disclosure relating to capitalised program development costs.	Our audit procedures included the following: ► Assessed key measurement inputs, including salaries 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 within the capitalisation model to assess whether these costs were appropriately capitalised in accordance with Australian Accounting Standards. ► Agreed a sample of employee 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, as maintenance costs are not eligible for capitalisation. ► Assessed the useful life and amortisation rate allocated to capitalised development costs. ► Assessed the consistency of the capitalisation methodology applied by the Group in comparison to prior reporting periods. ► Assessed the adequacy of the disclosures included in Note 13.

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2. Impairment of intangible assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2018 the Group held $16.9 million (or 30% of total assets) in intangible assets, predominately comprising capitalised development costs recognised in accordance with Australian Accounting Standards. As explained in Note 13 of the financial report, intangible assets are tested by the Group for impairment annually. The directors' assessment of the recoverable amounts has been determined based on a value in use model referencing discounted cash flows of the RIS, Visage PACS, and Visage Magic Web cash generating units (CGUs). This impairment model contains estimates and significant judgements regarding future cash flow projections and, therefore, the recoverable amount of intangible assets was identified as a key audit matter.	Our audit procedures included the following: ► Assessed the appropriateness of the valuation methodologies. ► Assessed the incorporation of the Board approved 2019 cash flows into the Group's impairment analysis. ► Evaluated the key inputs and assumptions including cash flows, discount rates and growth rates adopted in the valuation of the recoverable amounts. In doing so, we assessed the Group's ability to achieve historical forecasts and assessed the assumptions with respect to forecasted future revenues and the probability of achieving such revenues. ► Assessed key assumptions including cash flow projections and discount rate to external market data. ► Assessed the adequacy of the disclosures made in the financial report per those required by Australian Accounting Standards.

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3. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group generated $36.0 million in revenue from its global operations for the year ended 30 June 2018. Revenue recognition was considered a key audit matter as it represents a key measurement of the Group's performance and growth. Revenue is predominately generated from pay-per-view contracts which are driven by the number of image views undertaken by the customer. Revenue from the installation and ongoing support of software applications and services is recognised by reference to the stage of contract completion. Service revenue is recognised over the term of the contract. Refer to Note 4 to the financial report for disclosure relating to revenue recognition.	Our audit procedures included the following: ► Reviewed a sample of significant new customer contracts to identify clauses applicable to revenue recognition. ► Selected a sample of revenue transactions and agreed revenue recognised to contracts. ► Analysed revenue recognised by comparing and contrasting the revenue recognition profile between reporting periods, including on a customer, product and geographical basis. ► Selected a sample of revenue transactions recognised prior to and after year end, to assess whether revenue was recognised in the appropriate period.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 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.

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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Pro Medicus Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner

Melbourne

16 August 2018

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ASX ADDITIONAL INFORMATION

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

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:	Ordinary shares Number of holders	Number of shares
1 - 1,000	1,830	940,764
1,001 - 5,000	1,536	3,831,527
5,001 - 10,000	336	2,582,977
10,001 - 100,000	325	8,589,039
100,001 and Over	39	87,424,742
	4,066	103,369,049
The number of shareholders holding less than a marketable parcel are:	80	1,214

(b) Twenty largest shareholders

	The names of the twenty largest holders of quoted shares are:	Listed ordinary shares Number of shares	Listed ordinary shares Percentage of ordinary shares
1	Dr S Hupert (multiple shareholdings)	29,107,660	29.33%
2	Mr A Hall (multiple shareholdings)	29,067,500	29.29%
3	HSBC Custody Nominees (Australia) Limited	5,902,948	5.71%
4	J P Morgan Nominees Australia Limited	5,727,443	5.54%
5	Citicorp Nominees Pty Ltd	3,728,228	3.61%
6	UBS Nominees Pty Ltd	2,699,945	2.61%
7	National Nominees Limited	1,984,641	1.92%
8	BNP Paribas Noms Pty Ltd	1,085,113	1.05%
9	HSBC Custody Nominees (Australia) Limited – A/C No 2	879,125	0.85%
10	Mr Bram Vander Jagt & Mrs Maaike Vander Jagt	850,000	0.82%
11	Grain Exporters (Australia) Pty Ltd	680,000	0.66%
12	Mr Peter Terence Kempen & Mrs Elaine Margaret Kempen (multiple shareholdings)	678,082	0.66%
13	Mr Danny Tauber	419,496	0.41%
14	Mr Kenneth John Vander Jagt & Mrs Tanya Vander Jagt	412,200	0.40%
15	Mr John Charles Plummer	365,000	0.35%
16	Mr Roderick Lyle (multiple shareholdings)	340,000	0.33%
17	Mr Stephen Geoffrey Wilson & Ms Denise Adele Prandi	337,537	0.33%
18	Mr Evan Philip Clucas and Ms Leanne Jane Weston	317,980	0.31%
19	Mr Colin Gregory Organ	271,000	0.26%
20	Mr Michael Wu	250,912	0.24%
		85,104,810	82.33%

(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	29,107,660
A Hall	29,067,500

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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 expressively reserved to the board and those delegated to management.	Yes	Page 77
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 77
1.3	A listed entity should have written agreement with each director and senior executive setting out the terms of their agreement.	No	Page 77
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 77
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Page 77
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 77
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 77

	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 78
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 76
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Page 76
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 76
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 77
Principle 3 – Act ethically and responsibly			
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	Yes	Page 79
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 78

	Recommendation	Comply Yes/No	Reference/ explanation
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 79
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 79
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 79
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 79
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 79
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 79
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 79
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 80
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 80
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 80
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 80

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 b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	No	Page 78
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 78
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 78

Pro Medicus Limited's corporate governance practices were in place throughout the year ended 30 June 2018.

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 21). The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

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

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

Performance

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

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

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

Diversity

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

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

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

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

Objectives	Steps taken/Outcome
Increase the number of women in the workforce, including senior management positions and at board level.	• There were no key senior female appointments made during the year as there were no key senior appointments made during the year. • Pro Medicus did not appoint any females in managerial roles as there were no managerial appointments made during the year • As at 30 June 2018, women represented 23% in the Group's workforce (2017:21%), 20% in key executive positions (2017:20%) and 0% at board level (2017:0%) • Women represented 43% of new hires during the year (2017:0%) • For the upcoming financial year, the Group targets to increase female representation in the Group's workforce to 25–30%
Promote an inclusive culture that treats the workforce with fairness and respect.	• Pro Medicus has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination. • No cases of discrimination were reported during the year (2017: nil).
Provide career development opportunities for every employee, irrespective of any cultural, gender or other differences.	• Whilst Pro Medicus place focus on gender diversity, career development opportunities are equal for all employees. • During the year, representation at training and development programs was based on performance of the employees.

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

Committees

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

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

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

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

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

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

Audit Committee

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

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

The members of the audit committee are:

P T Kempen Chairman

S A Hupert

A B Hall

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.

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

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

Continuous Disclosure Policy

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

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

Shareholder Communication

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

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

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

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

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

Trading policy

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

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

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

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

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

Code of Conduct

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

Risk Management Policies

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

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

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

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

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

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

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

CORPORATE INFORMATION

ABN 25 006 194 752

Directors

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

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

Dr Sam Aaron Hupert
Chief Executive Officer/
Managing Director

Anthony Barry Hall
Technology Director

Roderick Lyle
Non-Executive Director
(retired 14 November 2017)

Anthony Glenning
Non-Executive Director

Dr Leigh Farrell
Non-Executive Director
(appointed 8 September 2017)

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

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

You can do so much more online

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

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

YOU CAN:

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

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

DON'T MISS OUT ON YOUR DIVIDENDS

Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

BETTER STILL, WHY NOT HAVE US DO YOUR BANKING FOR YOU

Wouldn't you prefer to have immediate access to your dividend payment? Your dividend payments can be credited directly into any nominated bank, building society or credit union account in Australia as cleared funds on dividend payment date – and we will still mail [(or email if you prefer)] you a dividend advice confirming your payment details.

Not only can we do your banking for you, but payment by direct credit eliminates the risk of cheque fraud.

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

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

CONTACT INFORMATION

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

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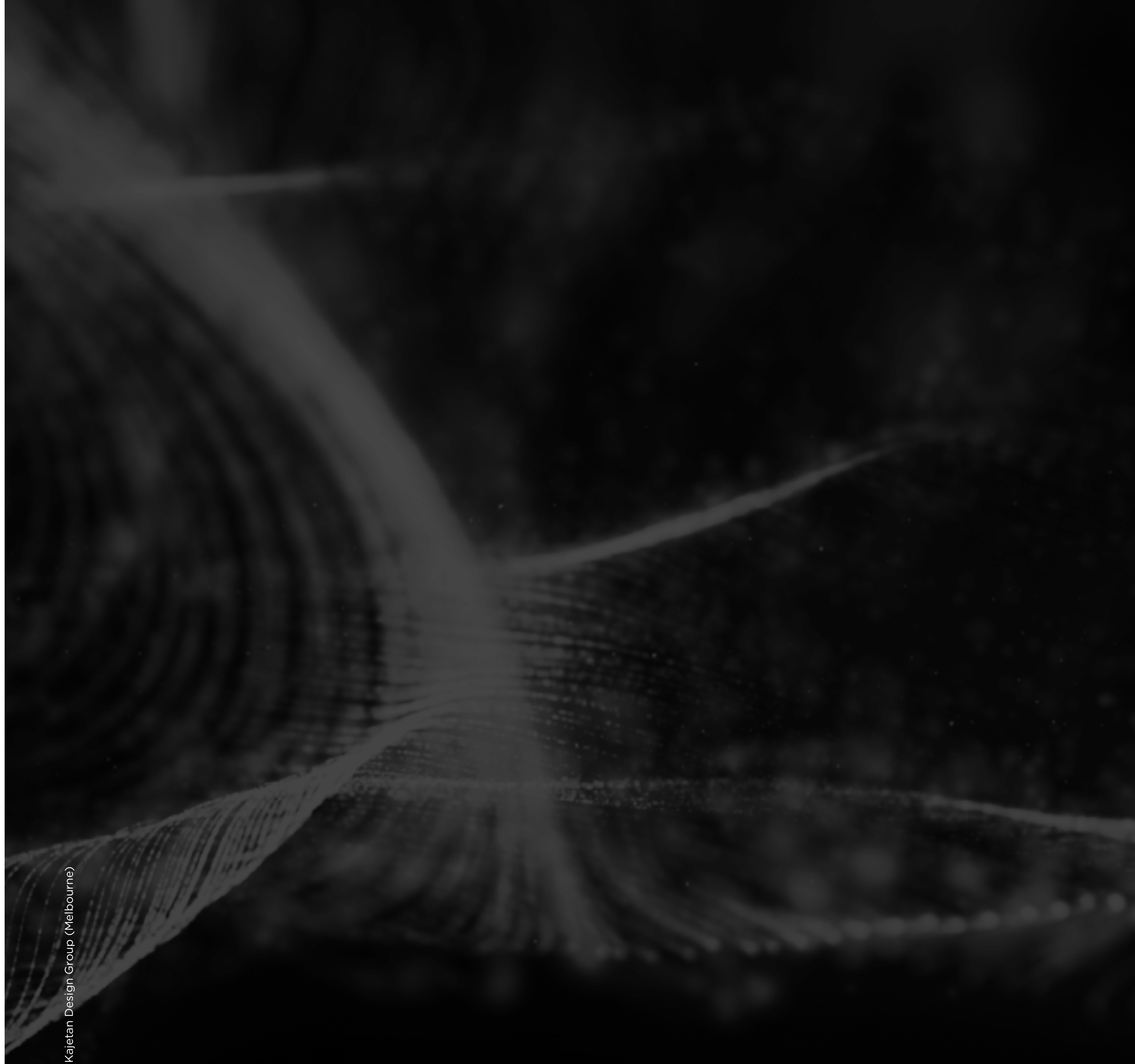

Designed and Produced by Kajetan Design Group (Melbourne)

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visageimaging.com

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