

Pro Medicus Limited

ABN 25 006 194 752

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2022



OUR SUPPORT. YOUR SUCCESS.

DIRECTORS' REPORT

Your Directors of Pro Medicus Limited (the "Company") and its subsidiaries (the "Group") submit their report for the half-year ended 31 December 2022.

DIRECTORS

The names and details of the Company's directors in office during the half-year and until the date of this report:

- Peter Terence Kempen AM
FCA, FAICD (Chairman)
- Dr Sam Aaron Hupert
M.B.B.S. (Deputy Chairman and Chief Executive Officer)
- Anthony Barry Hall
B.Sc. (Hons), M.Sc. (Executive Director and Technology Director)
- Anthony James Glenning
B.Sc, B.Eng, M.EE (Non-Executive Director)
- Dr Leigh Bernard Farrell
PhD, B.Sc. (Hons), FAICD, (Non-Executive Director)
- Deena Robyn Shiff
B.Sc. (Econ) Hons, B.A. Law (Hons), FAICD, (Non-Executive Director)
- Alice Williams
B.Com, FCPA, FAICD, CFA, AIF ASFA, (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The Company reported a first half after tax profit of \$27.19m, an increase of \$6.51m (up 31.5%) compared to the same period last year. Revenue from contracts with customers for the 6-month period increased from \$44.33m to \$56.89m, an increase of 28.3%.

Underlying profit before tax was \$37.22m compared with \$28.61m for the previous corresponding period, an increase of 30.0%. This comprises reported profit before tax of \$38.10m, less the net currency gains before tax of \$0.25m and the fair value gain on the movement of other financial assets (net of interest) of \$0.63m. The underlying profit for the previous corresponding half year of \$28.61m, comprised reported profit before tax of \$29.38m, less the pre-tax currency gain of \$0.58m and the fair value gain on the movement of other financial assets of \$0.19m. A change by the company to the application of the accounting standard relating to the capitalisation of development costs negatively impacted underlying profit before tax by \$1.25m.

Underlying profit is a non-IFRS measure and has been included in the analysis of financial performance as the Directors consider it provides a meaningful comparison of results from period to period.

The currencies of the countries in which the Company has its activities have been volatile during the half year. On a constant currency basis¹, the revenue would have been \$52.93m (up 19.4%) and profit before tax would have decreased by \$3.28m. The net effect of constant currency and the negative impact of capitalised development costs would have been an increase of \$2.03m to operating expense and underlying profit before tax would have been \$35.19m (up 23.0%) for the half year ended 31 December 2022.

During the period the Company continued to grow its North American presence (revenue up 38.6%) with 3 major implementations for Novant Health, Allina Health and Inova Health being completed. The North American business continued to expand, winning key contracts with Montage Health, Children's Hospital of Philadelphia, Bay Imaging Consultants and Luminis Heath (combined A\$32.0m – 5-to-7-year deals). The Company also signed a renewal with University of Florida (A\$15.5m – 7 year deal) in Gainesville & Jacksonville, Florida.

The Company is looking to further build on its presence in North America, Germany and Australia and is actively pursuing a growing number of opportunities within the academic/teaching hospital, integrated delivery network (IDN) and corporate/private imaging centre markets.

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

The Company's European revenue decreased 36.3%. This was due to a one-off sale of \$1.67m from the extension of the German government hospital contract to a fourth site in the prior period. Excluding this one-off sale, the underlying European business increased by 28.9% period on period.

The Company's Australian business increased revenue by 10.6% compared to the same period last year, with the rollout of the Healius (formerly Primary Health) contract and extension of the contract with I-MED being the main contributors to the increased revenue.

The Company maintained its significant investment in research and development ("R&D"), both in Australia as well as overseas.

The Company was able to continue its R&D and client support activities via a combination of work from home and in-office activities with sales meetings, demonstrations to prospective clients performed by a combination of onsite meetings and remote video conferencing.

Exam volumes, particularly in the US, continued to grow throughout the period with customers now at or above pre-COVID levels.

The Company's cash reserves increased by \$4.0m despite an increase of \$4.2m in dividend payout and higher tax paid during the period. Cash reserves and other financial assets were \$94.53m at the end of December 2022, an increase of 4.4% in the half. The company remains debt free.

The Board is of the view that there are sufficient cash reserves to fund the anticipated growth of the business from internal sources. As a result, the Company has announced a fully franked interim dividend of 13.0c per share payable on 24 March 2023.

ROUNDING

Unless otherwise stated, the amounts contained in this 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 Legislative Instrument applies.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, we have obtained a declaration of independence from our auditors Ernst & Young, a copy of which is attached.

Signed in accordance with a resolution of the directors.



P T Kempen AM
Chairman
Melbourne
15 February 2023

AUDITOR'S INDEPENDENCE DECLARATION



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

As lead auditor for the review of the half-year financial report of Pro Medicus Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

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

Ernst & Young

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

Tony Morse
Partner
15 February 2023

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

		Consolidated	
	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from contracts with customers	3	56,887	44,330
Interest income		506	326
Revenue		57,393	44,656
Cost of sales		(285)	(322)
Gross profit		57,108	44,334
Net foreign currency gains	4a	250	576
Fair value movements on other financial assets		127	(136)
Accounting and secretarial expenses		(644)	(724)
Advertising and public relations expenses		(1,599)	(1,245)
Depreciation and amortisation	4b	(3,890)	(3,565)
Insurance costs		(502)	(489)
Legal costs		(327)	(406)
Other expenses		(716)	(742)
Employee benefits expenses	4c	(11,052)	(7,909)
Travel and accommodation expenses		(655)	(316)
Profit before income tax		38,100	29,378
Income tax expense	9	(10,911)	(8,702)
Profit for the period		27,189	20,676
Other comprehensive Income			
Items that may be reclassified subsequent to profit and loss			
Foreign currency translation		33	(476)
Other comprehensive income for the period		33	(476)
Total comprehensive income for the period, net of tax		27,222	20,200
Earnings per share (cents per share)			
Basic		26.05¢	19.82¢
Diluted		25.96¢	19.71¢

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Consolidated	
	Notes	31 Dec 2022 \$'000	30 Jun 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		65,470	63,656
Trade and other receivables	7	40,041	27,440
Accrued revenue		350	-
Contract costs		557	449
Other financial assets	12	29,061	26,898
Inventories		53	77
Prepayments		1,222	1,304
Total current assets		136,754	119,824
Non-current assets			
Deferred tax asset	9	11,039	10,866
Plant and equipment		479	459
Contract costs		2,272	1,466
Right-of-use assets		1,885	2,143
Intangible assets	8	22,070	22,293
Prepayments		390	-
Total non-current assets		38,135	37,227
TOTAL ASSETS		174,889	157,051
LIABILITIES			
Current Liabilities			
Trade and other payables	10	6,418	5,601
Income tax payable		4,126	6,299
Deferred revenue	11	10,707	10,128
Other current financial liabilities		-	1,252
Lease liabilities		623	604
Provisions		2,993	2,976
Total current liabilities		24,867	26,860
Non-current liabilities			
Deferred tax liabilities	9	8,245	8,090
Deferred revenue	11	23,402	18,628
Lease liabilities		1,409	1,675
Provisions		55	66
Total non-current liabilities		33,111	28,459
TOTAL LIABILITIES		57,978	55,319
NET ASSETS		116,911	101,732
Shareholders' equity			
Contributed equity		1,959	1,959
Share buyback reserve		(5,774)	(5,224)
Share based payment reserve		14,297	13,258
Foreign currency translation reserve		(804)	(837)
Retained earnings		107,233	92,576
Total shareholders' equity		116,911	101,732

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Issued Capital \$'000	Share Buyback Reserve \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2022	1,959	(5,224)	13,258	(837)	92,576	101,732
Profit for the period	-	-	-	-	27,189	27,189
Other comprehensive Income	-	-	-	33	-	33
Total comprehensive Income	1,959	(5,224)	13,258	(804)	119,765	128,954
Transactions with owners in their capacity as owners						
Share based payment expense	-	-	352	-	-	352
Share buyback	-	(550)	-	-	-	(550)
Tax effect of share based payments	-	-	687	-	-	687
Dividends	-	-	-	-	(12,532)	(12,532)
Balance at 31 December 2022	1,959	(5,774)	14,297	(804)	107,233	116,911

	Issued Capital \$'000	Share Buyback Reserve \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2021	1,962	(915)	13,322	392	66,922	81,683
Profit for the period	-	-	-	-	20,676	20,676
Other comprehensive Income	-	-	-	(476)	-	(476)
Total comprehensive Income	1,962	(915)	13,322	(84)	87,598	101,883
Transactions with owners in their capacity as owners						
Share based payment expense	-	-	440	-	-	440
Tax effect of share based payments	-	-	1,219	-	-	1,219
Dividends	-	-	-	-	(8,351)	(8,351)
Balance at 31 December 2021	1,962	(915)	14,981	(84)	79,247	95,191

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Consolidated	
	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts from customers		48,287	43,075
Payments made to suppliers and employees		(15,721)	(11,380)
Income tax paid		(12,413)	(4,604)
Interest paid		(31)	(58)
Net cash flows from operating activities		20,122	27,033
Cash flows used in investing activities			
Payments for capitalised development costs	8	(3,247)	(4,286)
Payments for property, plant and equipment		(173)	(133)
Investments in other financial assets		(12,944)	(1,210)
Sale of other financial assets		11,142	1,766
Interest received		506	326
Net cash flows used in investing activities		(4,716)	(3,537)
Cash flows from financing activities			
Payments of dividends on ordinary shares	5b	(12,532)	(8,351)
Payments for lease liabilities		(256)	(244)
Payment for share buyback		(845)	-
Net cash flows used in financing activities		(13,633)	(8,595)
Net increase in cash and cash equivalents held		1,773	14,901
Net foreign exchange differences		41	12
Cash and cash equivalents at the beginning of the period		63,656	42,039
Cash and cash equivalents at the end of the period		65,470	56,952

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

1. CORPORATE INFORMATION

The interim consolidated financial statements of the Group for the half-year ended 31 December 2022 were authorised for issue in accordance with a resolution of directors on 15 February 2023.

The Company is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(a) Basis of preparation

The interim consolidated financial statements for the half-year ended 31 December 2022 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2022, together with any public announcements made by the Company during the half-year ended 31 December 2022.

(b) New accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022.

New and/or amended standards that were effective for the Group as of 1 July 2022 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

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

(c) 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.

There were no significant changes the judgements, estimates and assumptions applied by the Company as compared to those disclosed in the 30 June 2022 financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION

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.

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

The accounting policies used by the Group in reporting segments internally are the same as those used in preparing the financial statements in prior periods.

Inter-entity sales

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	
Half-year ended	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers								
Sales to external customers - RIS	7,239	6,521	-	-	-	-	7,239	6,521
Sales to external customers - PACS	539	509	2,102	3,301	46,927	33,857	49,568	37,667
Inter-segment sales	34,931	24,677	3,755	9,356	-	-	38,686	34,033
Total segment revenue	42,709	31,707	5,857	12,657	46,927	33,857	95,493	78,221
Inter-segment elimination							(38,686)	(34,033)
Other income							80	142
Total consolidated revenue from contract with customers							56,887	44,330
Results								
Segment Result	34,279	26,747	1,853	1,415	959	890	37,091	29,052
Interest Revenue							506	326
Other amounts unallocated to segments							503	-
Non segment expenses								
Income tax expense							(10,911)	(8,702)
Profit for the period							27,189	20,676

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION (CONTINUED)

Product information

	Consolidated	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from external customers		
Radiology Information Systems (RIS)	7,239	6,521
Picture Archiving Communications Systems (Visage 7/PACS)	49,568	37,667
Other income	80	142
	56,887	44,330

4. EXPENSES

	Consolidated	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
(a) Net foreign currency gains		
Currency gains	6,148	3,514
Currency (loss)	(6,259)	(2,800)
Fair value gain/(loss) on financial instruments – forward exchange contracts	361	(138)
	250	576
(b) Depreciation and amortisation		
Property, plant and equipment assets	153	136
Right-of-use lease assets	267	267
Capitalised development costs	3,470	3,162
Total depreciation and amortisation expenses	3,890	3,565
(c) Employee benefits expense		
Gross wages and salaries	12,314	10,047
Capitalised wages and salaries (i)	(2,450)	(3,383)
Long service leave provision	26	37
Share-based payments expense (ii)	352	440
Defined contribution plan expense	810	768
Total salaries and employee benefits expenses	11,052	7,909

- i. The Group incurred total wages and salaries of \$12,314,000 (2021: \$10,047,000) of which \$2,450,000 (2021: \$3,383,000) were capitalised as development costs within intangible assets.
- ii. The Groups share-based payments includes a portion of expense relating to the FY20, FY21, FY22 and FY23 grant of performance rights. 71,414 performance rights were granted on 24 August 2022 under the Group's long term incentive plan. The performance rights vest in accordance with performance conditions related to earnings per share ("EPS") and total shareholder returns ("TSR") which are assessed over a three year period and conditional on a four year service commencing 1 July 2022. The preliminary fair value of the performance rights at grant date was \$1,810,012 (\$25.27 per TSR right, \$50.80 per EPS right). The amount of share-based payment expense for the half-year ended 31 December 2022 takes into consideration the probability of EPS performance conditions being achieved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Declared and paid during the period:</i>		
Final franked dividend for 2022: 12.0 cents (2021: 8.0 cents franked)	12,532	8,351
<i>Declared subsequent to the end of the year (not recognised as a liability as at 31 December):</i>		
Interim franked dividend for 2023: 13.0 cents (2022: 10.0 cents franked)	13,576	10,439

6. EVENTS AFTER THE BALANCE SHEET DATE

On 15 February 2023, the directors of Pro Medicus Limited declared a fully franked interim dividend of 13.0 cents per share amounting to \$13,576,000. These dividends have not been provided for in the 31 December 2022 interim financial statements.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Current		
Trade receivables	40,500	27,837
Less: Allowance for expected credit losses	(663)	(654)
	39,837	27,183
Other receivables	204	257
	40,041	27,440

The Group's trade and other receivables balance increased due to an increased volume of new customer installations finalised towards the end of the period (for which the Group charges upfront implementation and professional services fees that are subsequently deferred and recognised as revenue over the life of the relevant customer contract).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

8. INTANGIBLE ASSETS

	Development Costs \$'000
Half-year ended 31 December 2022	
At 1 July 2022, net of accumulated amortisation and impairment	22,293
Additions - internal development	3,247
Amortisation charge for the period	(3,470)
At 31 December 2022, net of accumulated amortisation and impairment	<u>22,070</u>
At 31 December 2022	
Cost	73,987
Accumulated amortisation and impairment	(51,917)
Net carrying amount	<u>22,070</u>
Year ended 30 June 2022	
At 1 July 2021, net of accumulated amortisation and impairment	20,009
Additions - internal development, six months to 31 December 2021	4,286
Amortisation charge - six months to 31 December 2021	(3,162)
At 31 December 2021, net of accumulated amortisation and impairment	21,133
Additions - internal development, six months to 30 June 2022	4,501
Amortisation charge - six months to 30 June 2022	(3,341)
At 30 June 2022, net of accumulated amortisation and impairment	<u>22,293</u>
At 30 June 2022	
Cost	70,741
Accumulated amortisation and impairment	(48,448)
Net carrying amount	<u>22,293</u>

In accordance with the Group's accounting policies and process, the Group evaluated each cash generating unit ('CGU') at 31 December 2022, to determine whether there were any indications of impairment. Where an indicator of impairment exists a formal estimate of the recoverable amount is performed.

The Group concluded there were no impairment indicators for the Group's CGU's as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings (i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the interim period).

The major components of income tax expense in the interim consolidated income statements are:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Current income tax expense	(12,480)	(8,602)
Prior year adjustment	28	(1)
Origination and reversal of deferred taxes	1,541	(99)
Income tax expense	(10,911)	(8,702)
Income tax recognised in other comprehensive income	-	-
Total income tax expense	(10,911)	(8,702)

	Interim Consolidated Statement of Financial Position		Interim Consolidated Statement of Comprehensive Income		Recognised within Equity	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities						
Foreign currency exchange gain	(418)	(344)	(74)	(173)	-	-
Intangible assets	(6,621)	(6,688)	67	(337)	-	-
Prepayments	(3)	-	(3)	(4)	-	-
Contract costs	(673)	(464)	(209)	(3)	-	-
Right-of-use lease asset	(506)	(582)	76	68	-	-
Depreciation expenses	(24)	(12)	(12)	-	-	-
	(8,245)	(8,090)	(155)	(449)	-	-
Deferred tax assets						
Employment entitlements	1,113	982	131	(28)	-	-
Intellectual property expenses	206	215	(9)	(10)	-	-
Audit fee accrual	53	26	27	24	-	-
Deferred revenue	7,958	6,537	1,421	192	-	-
Lease liabilities	547	620	(73)	(62)	-	-
Unrealised fair value loss on other financial assets	284	-	284	-	-	-
Employee share trust - unvested share based payments	711	2,322	(88)	138	(1,523)	(2,219)
Allowance for expected credit losses	158	158	-	98	-	-
Other	9	6	3	(2)	-	-
	11,039	10,866	1,696	350	(1,523)	(2,219)
Deferred tax movement			1,541	(99)	(1,523)	(2,219)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

10. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current		
Trade payables	292	1,643
Other payables and accruals	6,126	3,958
	6,418	5,601

11. DEFERRED REVENUE

	Consolidated	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current		
Deferred revenue from contracts with customers	10,707	10,128
	10,707	10,128
Non-current		
Deferred revenue from contracts with customers	23,402	18,628
	23,402	18,628

12. OTHER FINANCIAL ASSETS

	Consolidated	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Hybrid/convertible debt instruments, listed	4,023	5,626
Other debt instruments, listed	1,100	494
Other debt instruments, unlisted	13,874	11,196
Managed fund units, unlisted	9,703	9,582
Foreign exchange forward contracts (derivatives)	361	-
	29,061	26,898

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value.

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

Investments

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

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

Derivatives

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

Fair value measurement

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

For personal use only

DIRECTORS' DECLARATION

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

- (a) The Financial Statements and notes 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 31 December 2022 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf board



P T Kempen AM
Chairman
Melbourne
15 February 2023

AUDITOR'S REPORT



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Independent auditor's review report to the members of Pro Medicus Limited

Conclusion

We have reviewed the accompanying half-year financial report of Pro Medicus Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

AUDITOR'S REPORT



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Ernst & Young

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

Tony Morse
Partner

Melbourne
15 February 2023