

Your Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names and details of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Peter Terence Kempen
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)

Roderick Lyle (appointed 23 November 2010)
LL.B., B.Com, LL.M (Lond), MBA (Melb) (Non-Executive Director)

Dr Peter David Jonson (retired 23 November 2010)
B.Comm (Hons), M.A. (Hons), PhD, F.A.I.C.D, F.A.A.S.S.

David Chambers (resigned 11 October 2010)
B.Sc. Grad Dip. Bus.

Melvyn Keith Ward (deceased 1 October 2010)
AO B.E.(Hons), M.Eng.Sc., F.I.E(Aust), F.T.S., F.A.I.M., I.V.A.

REVIEW AND RESULTS OF OPERATIONS

The Company reported a first half after tax profit of \$0.653 million, a decrease of 47.2% on the December 2009 reported result. This was based on total revenue of \$7.569m which decreased by 11.1% compared with the comparable prior period. The decrease in revenue is reflective of a decline in major new sales made during the period.

First-half profits were also lower primarily due to the strong Australian dollar, significant R&D costs and the effects of slower than expected spending in overseas markets, particularly the US. During this period the company experienced substantial start up costs relating to the introduction of new technology at several reference sites in Australia without seeing the upside through increased sales.

With operational reference sites having been established, Pro Medicus anticipates sales growth to increase as these new innovative products are available to the market.

Pro Medicus continues to invest in new product development and will release its new RIS technology in February 2011

Promedicus.net, the company's e-health offering, continued to perform well throughout the period.

The company has cash reserves, as at the end of December of \$3.1 million and continues to remain debt free.

The Board is of the view that at the current stage of development and roll out of new technology it is prudent to place priority on conservation of its cash reserves. It has consequently decided not to pay an interim dividend and will review the position at year's end.

ROUNDING

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 Class Order 98/0100. The company is an entity to which Class Order 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.

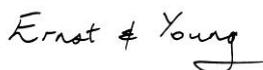
Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'P T Kempen', written in a cursive style.

P T Kempen
Chairman
Melbourne, 24 February 2011

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

In relation to our review of the financial report of Pro Medicus Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Painter'.

Stuart Painter
Partner
Melbourne
24 February 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Revenue		7,534	8,433
Finance Revenue		35	80
REVENUE		7,569	8,513
Cost of Sales		(242)	(376)
GROSS PROFIT		7,327	8,137
Accounting & Secretarial Fees		(258)	(265)
Advertising and Public Relations		(431)	(478)
Depreciation & Amortisation	3(a)	(1,354)	(1,247)
Insurance		(169)	(162)
Legal Costs		(75)	(112)
Operating Lease Expenditure - minimum lease payments		(211)	(273)
Other Expenses		(441)	(461)
Salaries and Employee Benefits Expense	3(a)	(3,202)	(3,045)
Travel and Accommodation		(365)	(465)
PROFIT BEFORE INCOME TAX		821	1,629
Income tax expense		(168)	(393)
NET PROFIT FOR THE PERIOD		653	1,236
Other comprehensive income			
Foreign currency translation		(163)	(240)
Other comprehensive income for the period		(163)	(240)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		490	996
-basic for net profit for half-year		0.65¢	1.20¢
-diluted for net profit for the half-year		0.65¢	1.20¢

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010	Notes	Consolidated	
		Dec 2010	Jun 2010
		\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	6	3,064	3,785
Trade and other receivables		5,262	5,702
Inventories		226	324
Prepayments		208	158
TOTAL CURRENT ASSETS		8,760	9,969
NON-CURRENT ASSETS			
Deferred tax asset		1,279	1,267
Plant and equipment		349	368
Intangible assets		13,093	12,379
TOTAL NON-CURRENT ASSETS		14,721	14,014
TOTAL ASSETS		23,481	23,983
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,904	2,289
Income tax payable		1,377	10
Provisions		1,214	1,303
TOTAL CURRENT LIABILITIES		4,495	3,602
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,813	3,675
Provisions		17	44
TOTAL NON-CURRENT LIABILITIES		3,830	3,719
TOTAL LIABILITIES		8,325	7,321
NET ASSETS		15,156	16,662
EQUITY			
Contributed Equity		330	330
Share Reserve		88	79
Foreign Currency Translation Reserve		(1,307)	(1,144)
Retained Earnings		16,045	17,397
TOTAL EQUITY		15,156	16,662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated				
	Issued Capital	Share Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009	330	35	(569)	15,483	15,279
Profit for the period	-	-	-	1,236	1,236
Other comprehensive income	-	-	(240)	-	(240)
Total comprehensive income for the period	-	-	(240)	1,236	996
Transactions with owners in their capacity as owners					
Share based payment	-	-	-	-	-
Dividends	-	-	-	(2,006)	(2,006)
At 31 December 2009	330	35	(809)	14,713	14,269
	Issued Capital	Share Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	330	79	(1,144)	17,397	16,662
Profit for the period	-	-	-	653	653
Other comprehensive income	-	-	(163)	-	(163)
Total comprehensive income for the period	-	-	(163)	653	490
Transactions with owners in their capacity as owners					
Share based payment	-	9	-	-	9
Dividends	-	-	-	(2,005)	(2,005)
At 31 December 2010	330	88	(1,307)	16,045	15,156

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Notes	Consolidated	
		2010	2009
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,077	9,501
Payments to suppliers and employees		(5,719)	(6,022)
Income tax paid		-	(675)
Income tax received		1,327	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,685	2,804
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capitalised Development Costs		(1,933)	(2,703)
Interest Received		35	80
Purchase of property, plant and equipment		(117)	(113)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,015)	(2,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends on ordinary shares		(2,005)	(2,006)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,005)	(2,006)
Net decrease in cash and cash equivalents		(335)	(1,938)
Net foreign exchange differences		(386)	(305)
Cash and cash equivalents at beginning of period		3,785	5,561
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	3,064	3,318

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

<p>1. Corporate Information</p> <p>The condensed half-year report of Pro Medicus Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of directors on 24 February 2011.</p> <p>Pro Medicus Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian stock exchange.</p> <p>The nature of the operations and principal activities of the Company are described in note 2.</p>
<p>BASIS OF PREPARATION AND ACCOUNTING POLICIES</p>
<p>The condensed half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.</p>
<p>It is recommended that the condensed half-year financial report be read in conjunction with the annual Financial Report of Pro Medicus Limited for the year ended 30 June 2010.</p> <p>It is also recommended that the half-year financial report be considered together with any public announcements made by Pro Medicus Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.</p>
<p>(a) Basis of Preparation</p> <p>The condensed half-year report is a general-purpose financial report, prepared in accordance with the requirements of the <i>Corporations Act 2001 and, AASB 134 Interim Financial Reporting</i>.</p> <p>For the purpose of preparing the condensed half-year report, the half-year has been treated as a discrete reporting period.</p>
<p>(b) Significant accounting policies</p> <p>Apart from the changes in accounting policy noted below, accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements for the year ended 30 June 2010.</p>
<p>(c) Changes in accounting policy</p> <p>The following amending standards have been adopted from 1 January 2011. Adoption of these standards did not have any effect on the financial position or performance of the Group.</p> <ul style="list-style-type: none"> ▪ AASB 5 Non Current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. ▪ AASB 107 Statement of Cash Flows: States that only expenditure that results in recognising as asset can be classified as a cash flow from investing activities. ▪ AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation. ▪ AASB Interpretation 17 Distribution of Non-cash Assets to Owners: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or the performance of the Group. <p>The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.</p>

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2. 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.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and the services provided, as these are the sources of the Group's major risk and have the most effect on the rates of return.

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 is the same as those contained in note 1 to the accounts and in prior periods except as detailed below:

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	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	3,648	3,704	2,243	2,772	1,643	1,957	7,534	8,433
Inter-segment Sales	301	456	1,578	2,685	-	-	1,879	3,141
Total segment revenue	3,949	4,160	3,821	5,457	1,643	1,957	9,413	11,574
Inter-segment elimination							(1,879)	(3,141)
Total consolidation revenue							7,534	8,433

Results

Segment Result	249	1,125	1,031	1,487	(494)	(1,063)	786	1,549
Interest Revenue							35	80
Non segment expenses								
Income Tax Expense							(168)	(393)
Net Profit							653	1,236

	Dec 2010	June 2010						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Assets

Segment Assets	19,031	17,160	2,388	4,579	2,062	2,397	23,481	24,136
Total Assets							23,481	24,136

Liabilities

Segment Liabilities	5,152	4,642	2,640	2,149	533	520	8,325	7,311
Total Liabilities							8,325	7,311

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3. REVENUE AND EXPENSES

	Consolidated	
	Dec 2010	Dec 2009
	\$'000	\$'000
(a) Other Expenses		
<u>Depreciation and Amortisation</u>		
Property Improvements	6	6
Motor Vehicles	4	28
Office Equipment	53	89
Computer Equipment & Software	64	99
Furniture and Fittings	1	4
Research & Development Equipment	6	11
Amortisation on capitalised development costs	919	734
Intangible assets	301	276
Total Depreciation and Amortisation Expenses	1,354	1,247
<u>Salaries and Employee Benefits Expense</u>		
Wages & Salaries	3,050	2,804
Long service leave provision	13	16
Superannuation	139	225
	3,202	3,045
Net foreign exchange losses	222	65

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

Franked dividend

(b) Dividends paid during the half-year

Franked dividend

(c) Dividends proposed and not recognised as a liability

Interim Fully Franked dividend

Dividends per share (cents per share)

-Franked dividends paid per share (cents per share)

-interim dividend per share

Consolidated	
2010	2009
\$'000	\$'000
-	-
2,006	2,006
-	-
-	-
-	-

5. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after Balance Sheet date.

6. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	Dec 2010	Jun 2010
	\$'000	\$'000
Cash at bank and in hand	3,014	3,736
Short term deposits	50	49
	3,064	3,785

7. PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of Research & Development Tax Concession

During the period an adjustment was made for a prior period R&D tax concession claim. The adjustment which relates to the 2007/08 income tax year led to a decrease in retained earnings of \$163,218 and an increase in income tax payable of \$163,218. These adjustments have been reflected in the 30 June 2010 comparative numbers.

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 financial position as at 31 December 2010 and of its performance for the half-year ended on that date of the consolidated entity
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (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 of the Board



P T Kempen
Chairman
Melbourne, 24 February 2011

To the members of Pro Medicus Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pro Medicus Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at [period date] 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*. As the auditor of Pro Medicus Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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 Pro Medicus Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its 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*.



Ernst & Young



Stuart Painter
Partner
Melbourne
24 February 2011