

Your Directors submit their report for the half-year ended 31 December 2011

## **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  
LL.B., B.Com, LL.M (Lond), MBA (Melb) (Non-Executive Director)

## **REVIEW AND RESULTS OF OPERATIONS**

The Company reported a first half after tax profit of \$1.094 million, a increase of 67.5% compared to the same period last year. This was achieved on revenue of \$7.452m which was largely in line with revenue from the same period in 2011.

First-half profits grew as a result of higher margin sales, operational savings and positive movements in foreign currency.

During the period the company continued its significant investment in R&D, both in Australia as well as overseas. This has led to a number of enhancements to the existing product lines as well as significant progress with the company's new technology RIS platform, which went live at its first site in December 2011.

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

The company's cash reserves grew to \$4.03 million at the end of December 2011, an increase of over 23%. The company continues to remain debt free.

The Board is of the view that whilst difficult trading conditions in Europe and North America may provide challenges in the short to medium term, the company is now better placed to meet these challenges if and when they arise. As a result the company has announced an interim dividend of 0.5c per share fully franked.

The company has also announced a share buy-back scheme on 13 February 2012 that will enable the company to buy back up to 10% of its shares over the next twelve months as part of its capital management strategy.

## **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.



P T Kempen  
Chairman  
Melbourne, 24 February 2012

## 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 2011, 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.



Ernst & Young



David Petersen  
Partner  
Melbourne  
24 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
Revenue		7,432	7,534
Finance Revenue		20	35
<b>REVENUE</b>		<b>7,452</b>	<b>7,569</b>
Cost of Sales		(228)	(242)
<b>GROSS PROFIT</b>		<b>7,224</b>	<b>7,327</b>
Net Currency Gains		442	-
Net Currency Losses		-	(222)
Accounting & Secretarial Fees		(241)	(258)
Advertising and Public Relations		(318)	(431)
Depreciation & Amortisation	3	(1,789)	(1,354)
Insurance		(158)	(169)
Legal Costs		(109)	(75)
Operating Lease Expenditure - minimum lease payments		(187)	(211)
Other Expenses		(289)	(219)
Salaries and Employee Benefits Expense	3	(2,721)	(3,202)
Travel and Accommodation		(236)	(365)
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,618</b>	<b>821</b>
Income tax expense		(524)	(168)
<b>NET PROFIT FOR THE PERIOD</b>		<b>1,094</b>	<b>653</b>
<b>Other comprehensive income</b>			
Foreign currency translation		(391)	(163)
<b>Other comprehensive income for the period</b>		<b>(391)</b>	<b>(163)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>703</b>	<b>490</b>
-basic for net profit for half-year		1.09¢	0.65¢
-diluted for net profit for the half-year		1.09¢	0.65¢

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011	Notes	Consolidated	
		Dec 2011	Jun 2011
		\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	4,031	3,255
Trade and other receivables	7	2,872	3,849
Income tax receivable		51	-
Inventories		172	153
Prepayments		161	199
<b>TOTAL CURRENT ASSETS</b>		<b>7,287</b>	<b>7,456</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax asset	8	1,813	1,731
Plant and equipment		390	388
Intangible assets		13,527	13,533
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,730</b>	<b>15,652</b>
<b>TOTAL ASSETS</b>		<b>23,017</b>	<b>23,108</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,918	1,685
Income tax payable		-	1,084
Provisions		1,194	1,266
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,112</b>	<b>4,035</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	8	3,965	3,855
Provisions		24	20
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,989</b>	<b>3,875</b>
<b>TOTAL LIABILITIES</b>		<b>7,101</b>	<b>7,910</b>
<b>NET ASSETS</b>		<b>15,916</b>	<b>15,198</b>
<b>EQUITY</b>			
Contributed Equity		330	330
Share Reserve		137	122
Foreign Currency Translation Reserve		(1,539)	(1,148)
Retained Earnings		16,988	15,894
<b>TOTAL EQUITY</b>		<b>15,916</b>	<b>15,198</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated				
	Issued Capital	Share Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2010</b>	330	79	(1,144)	17,397	16,662
Profit for the period	-	-	-	653	653
Other comprehensive income	-	-	(163)	-	(163)
<b>Total comprehensive income for the period</b>	-	-	(163)	653	490
<b>Transactions with owners in their capacity as owners</b>					
Share based payment	-	9	-	-	9
Dividends	-	-	-	(2,005)	(2,005)
<b>At 31 December 2010</b>	330	88	(1,307)	16,045	15,156
	Issued Capital	Share Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2011</b>	330	122	(1,148)	15,894	15,198
Profit for the period	-	-	-	1,094	1,094
Other comprehensive income	-	-	(391)	-	(391)
<b>Total comprehensive income for the period</b>	-	-	(391)	1,094	703
<b>Transactions with owners in their capacity as owners</b>					
Share based payment	-	15	-	-	15
Dividends	-	-	-	-	-
<b>At 31 December 2011</b>	330	137	(1,539)	16,988	15,916

**CONSOLIDATED STATEMENT OF CASHFLOWS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		8,409	8,077
Payments to suppliers and employees		(4,287)	(5,719)
Income tax (paid)/refunded		(1,631)	1,327
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,491</b>	<b>3,685</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Capitalised Development Costs		(1,660)	(1,933)
Interest Received		20	35
Purchase of property, plant and equipment		(125)	(117)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,765)</b>	<b>(2,015)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of dividends on ordinary shares		-	(2,005)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>(2,005)</b>
Net increase/(decrease) in cash and cash equivalents		726	(335)
Net foreign exchange differences		50	(386)
Cash and cash equivalents at beginning of period		3,255	3,785
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	6	<b>4,031</b>	<b>3,064</b>

**Notes to the Financial Statements**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

<p><b>1. Corporate Information</b></p> <p>The condensed half-year report of Pro Medicus Limited (the Company) for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of directors on 23 February 2012.</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><b>BASIS OF PREPARATION AND ACCOUNTING POLICIES</b></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 2011.</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 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.</p>
<p><b>(a) Basis of Preparation</b></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>(b) Significant accounting policies</b></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 2011.</p>
<p><b>(c) Changes in accounting policy</b></p> <p>The accounting policies adopted are consistent with those of the previous financial year except as follows:</p> <p><b>Government Grants</b></p> <p>Research and Development tax credits are recognised in accordance with AASB 120: Accounting for Government Grants and Government Assistance. The Research and Development tax credit is recognised when there is reasonable assurance that the grant will be received and all conditions have been complied with. The grant is recognised as a reduction to the cost base of the intangible and released to income as a reduction in amortisation expense over the expected useful life of the related asset. The amount recognised for the period to 31 December 2011 is \$214,000</p> <p>The following amending standards have been adopted from 1 July 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"> <li>▪ <b>AASB 1054 Australian Additional Disclosures:</b> This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:             <ol style="list-style-type: none"> <li>a) Compliance with Australian Accounting Standards</li> <li>b) The statutory basis or reporting framework for financial statements</li> <li>c) Whether the financial statements are general purpose or special purpose</li> <li>d) Audit fees</li> <li>e) Imputation credits</li> </ol> </li> </ul>

Note 1 (c) continued

- **AASB 2011-5 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation (AASB 127, AASB 128 & AASB 131):** This standard makes amendments to:
  - > AASB 127 Consolidated and Separate Financial Statements
  - > AASB 128 Investments in Associates
  - > AASB 131 Interests in Joint Venturesto extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.
  
- **AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13)**

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes of equity or in the notes to the financial statements.

Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.

Clarifies that when the fair value of award credits is measured based on value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.



## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 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 2011	Dec 2010	Dec 2011	Dec 2010	Dec 2011	Dec 2010	Dec 2011	Dec 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>								
Sales to external customers	2,633	3,648	3,453	2,243	1,346	1,643	7,432	7,534
Inter-segment Sales	672	301	1,603	1,578	-	-	2,275	1,879
Total segment revenue	3,305	3,949	5,056	3,821	1,346	1,643	9,707	9,413
Inter-segment elimination							(2,275)	(1,879)
Total consolidation revenue							7,432	7,534
<b>Results</b>								
Segment Result	1,097	249	364	1,031	137	(494)	1,598	786
Interest Revenue							20	35
Non segment expenses								
Income Tax Expense							(524)	(168)
Net Profit							1,094	653
	Dec 2011	June 2011	Dec 2011	June 2011	Dec 2011	June 2011	Dec 2011	June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>								
Segment Assets	18,317	16,066	2,483	4,869	2,217	2,173	23,017	23,108
Total Assets							23,017	23,108
<b>Liabilities</b>								
Segment Liabilities	5,283	3,951	1,440	3,627	378	332	7,101	7,910
Total Liabilities							7,101	7,910

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 3. REVENUE AND EXPENSES

	Consolidated	
	Dec 2011 \$'000	Dec 2010 \$'000
<b>Expenses</b>		
<u>Depreciation and Amortisation</u>		
Property Improvements	1	6
Motor Vehicles	2	4
Office Equipment	55	53
Computer Equipment & Software	58	64
Furniture and Fittings	3	1
Research & Development Equipment	4	6
Amortisation on capitalised development costs	1,365	919
Amortisation on intellectual property	301	301
Total Depreciation and Amortisation Expenses	1,789	1,354
<u>Salaries and Employee Benefits Expense</u>		
Wages & Salaries	2,588	3,050
Long service leave provision	-	13
Superannuation	133	139
	2,721	3,202

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	2011 \$'000	2010 \$'000
<b>4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>		
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividend	-	-
<b>(b) Dividends paid during the half-year</b>		
Franked dividend	-	2,006
<b>(c) Dividends proposed and not recognised as a liability</b>		
Interim Fully Franked dividend	501	-
Dividends per share (cents per share)		
-Franked dividends paid per share (cents per share)	0.50¢	-
-interim dividend per share	0.50¢	-

## 5. EVENTS AFTER THE BALANCE SHEET DATE

On 23 February 2012, the directors of Pro Medicus Limited declared an interim dividend of 0.5 cents per share. The total amount of the dividend is \$501,400 which represents a fully franked dividend of a total of 0.5 cents per share. The dividend has not been provided for in the 31 December 2011 financial statements.

The company has also announced a share buy-back scheme on 13 February 2012 that will enable the company to buy back up to 10% of its shares over the next twelve months as part of its capital management strategy.

## 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 2011 \$'000	Jun 2011 \$'000
Cash at bank and in hand	3,978	3,204
Short term deposits	53	51
	<b>4,031</b>	<b>3,255</b>

## 7. TRADE AND OTHER RECEIVABLES

	Dec 2011 \$'000	Jun 2011 \$'000
Trade receivables	2,827	3,895
Provision for impairment	(227)	(118)
	<b>2,600</b>	<b>3,777</b>
Other receivables	272	72
	<b>2,872</b>	<b>3,849</b>

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 8. INCOME TAX

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

	<b>Dec 2011 \$'000</b>	Dec 2010 \$'000
Current income tax expense	552	294
Deferred income tax expense related to origination and reversal of deferred taxes	(28)	(126)
<b>Income tax expense</b>	<b>524</b>	<b>168</b>
Income tax recognised in other comprehensive income	-	-
<b>Total income taxes from continuing operations</b>	<b>524</b>	<b>168</b>

#### Deferred tax liabilities

	<b>Dec 2011 \$'000</b>	Jun 2011 \$'000
Foreign Currency Exchange Gain	326	203
Intellectual Property expenses	(34)	85
Capitalised development expenses	3,673	3,565
Other	-	2
	<b>3,965</b>	<b>3,855</b>

#### Deferred tax assets

Employment Entitlements	302	296
Tax Losses	1,478	1,412
Audit Fee Accrual	23	23
Other	10	-
	<b>1,813</b>	<b>1,731</b>

## 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 2011 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 2012



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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 2011, 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 31 December 2011 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 2011 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*.

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

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Petersen'.

David Petersen  
Partner  
Melbourne  
24 February 2012