Rule 4.2A

Appendix 4D
Half-Year Report

1. Company details

Name of entity

Pro Medicus Limited

ABN or equivalent company reference	Financial half year ended ('current period')	Financial half year ended ('previous period')
25 006 194 752	**31 December 2005**	**31 December 2004**

2. Results for announcement to the market.

The information in this report should be read in conjunction with the 30 June 2005 Annual Financial Report.

ASX Listing Rules Ref			2005 A$'000
2.1	**Revenue from ordinary activities** As reported % change up/(down) of revenue from ordinary activities from the previous corresponding period.		5,595 Up 24.6%
2.2	**Profit/(Loss) from ordinary activities after tax attributable to members** % change up/(down) of Profit/(Loss) from ordinary activities after tax attributable to members from the previous corresponding period.		2,820 Up 56.5%
2.3	**Net Profit/(Loss) for the period attributable to members** % change up/(down) of Net Profit/(Loss) for the period attributable to members from the previous corresponding period.		2,820 Up 56.5%
2.4	**Dividends (distributions)**	Amount per security	Franked amount per security
	Franked dividend amount per security Final Dividend – paid 4 October 2005 Previous corresponding period Interim Dividend Previous corresponding period Special Interim Dividend Previous corresponding period	 3.25¢ 2.25¢ 2.00¢ 1.50¢ 0.50¢ Nil	 3.25¢ 2.25¢ 2.00¢ 1.50¢ 0.50¢ Nil
2.5	**Record date for Interim dividend** Interim dividends payment dates		21 March, 2006 5 April, 2006

2.6	**Operating Results for the Period** **REVIEW AND RESULTS OF OPERATIONS** Pro Medicus today reported a record first half after tax profit of $2.82 million which is an increase of 56.5% on the December 2004 reported result. This was based on total revenue of $5.595m which is an increase of 24.6% compared with the comparable prior period. Financially the company continued its 23 year history of a strong balance sheet with cash reserves increasing to $11.6 million up $1.2 million on last year. The company continues to be debt free. As a result, the company announced an interim dividend of 2.0c per share, an increase of 33% on the previous year. In addition a special dividend of 0.5c per share has been declared to be paid on the same terms as the interim dividend. Revenue for the half-year included income from the Canadian AltaPACS contract which contributed to the percentage of overseas revenue increasing from 1% of revenue in December 2004 to 17% in December 2005. The Agfa North American contract continues to go well with revenue from sales of the product to be booked in the second half. The company incurred a number of non recurring costs related to the North American contract which were expensed in the half. During the past half year, the company continued its focus on higher margin software sales, e-health and services. Margin, calculated as profit before tax to revenue from operating activities increased to 74.5% (2004: 60.2%). Promedicus.net, the company's e-health offering, continued its strong growth. Over 20,000 doctors are now registered to use the network making promedicus.net the leading e-health provider in Australia. The network carried 1.5 million transactions for the half-year, an 11.6% increase on the previous comparative period. The company continued to maximise the value of promedicus.net by extending its use to non-radiology providers, a trend it anticipates will accelerate through the 2006 financial year. It also intends to leverage its relationship with the 20,000 doctors using promedicus.net to promote its other products and services, including the ProMed Clinical software. Building on the success of the first digital imaging installation at Lake Imaging, the company has now installed the technology at 17 sites, the most recent being Sydney's North Shore Private Hospital which has provided the company with a key reference site in New South Wales, the country's largest market. The half also saw a major milestone being reached with the installation and clinical validation of the company's first US installation at Hackensack Radiology Group (HRG), a New Jersey group comprising 23 Radiologists. Agfa's specialised sales force has reported strong interest in the product with further sales being made since the commercialistion of the software at HRG. The company intends to continue to focus on overseas expansion in Canada and the US as well as growth prospects in Australia for its world class digital radiology integration technology, promedicus.net and developing the market for ProMed Clinical.

3. Net Tangible Assets per security

	2005	2004
Net Tangible Assets per security	$0.111	$0.104

4. Details of entities over which control has been gained or lost during the period

There are no entities over which control has been gained or lost during the period.

5. Details of Dividends

	2005 $'000	2004 $'000
Interim Dividend		
An Interim Dividend of 2.00 cents (2004: 1.50) per share fully franked will be paid on 5 April 2006.	2,000	1,500
Special Dividend		
A Special Dividend of 0.50 cents (2004: Nil) per share fully franked will be paid on 5 April 2006.	500	Nil

6. Dividend or Distribution reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

7. Associates and joint venture entities

There are no associates or relevant joint ventures.

8. Foreign Entity accounting standards

Not applicable

9. Audit Statement

This report is based on accounts to which one of the following applies.
(Tick one)

☐ The +accounts have been audited.

☒ The +accounts have been subject to review.

☐ The +accounts are in the process of being audited or subject to review.

☐ The +accounts have *not* yet been audited or reviewed.

Sign here:

Date: 27 February 2006

Company Secretary
Geoffrey W. Holden

PRO MEDICUS LIMITED

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2005.

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.

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

Dr Peter David Jonson
B.Comm(Hons), M.A.(Hons), PhD, F.A.I.C.D, F.A.A.S.S. (Deputy Chairman)

Dr Sam Aaron Hupert
M.B.B.S. (Managing Director and Chief Executive Officer)

Anthony Barry Hall .
B.Sc.(Hons), M.Sc. (Executive Director and Technology Director)

Philip Gregory Molyneux
B.Econ, F.C.A. (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

Pro Medicus today reported a record first half after tax profit of $2.82 million which is an increase of 56.5% on the December 2004 reported result. This was based on total revenue of $5.595m which is an increase of 24.6% compared with the comparable prior period.

Financially the company continued its 23 year history of a strong balance sheet with cash reserves increasing to $11.6 million up $1.2 million on last year. The company continues to be debt free. As a result, the company announced an interim dividend of 2.0c per share, an increase of 33% on the previous year. In addition a special dividend of 0.5c per share has been declared to be paid on the same terms as the interim dividend.

Revenue for the half-year included income from the Canadian AltaPACS contract which contributed to the percentage of overseas revenue increasing from 1% of revenue in December 2004 to 17% in December 2005.

The Agfa North American contract continues to go well with revenue from sales of the product to be booked in the second half. The company incurred a number of non recurring costs related to the North American contract which were expensed in the half.

During the past half year, the company continued its focus on higher margin software sales, e-health and services. Margin, calculated as profit before tax to revenue from operating activities increased to 74.5% (2004: 60.2%).

Promedicus.net, the company's e-health offering, continued its strong growth. Over 20,000 doctors are now registered to use the network making promedicus.net the leading e-health provider in Australia. The network carried 1.5 million transactions for the half-year, an 11.6% increase on the previous comparative period. The company continued to maximise the value of promedicus.net by extending its use to non-radiology providers, a trend it anticipates will accelerate through the 2006 financial year. It also intends to leverage its relationship with the 20,000 doctors using promedicus.net to promote its other products and services, including the ProMed Clinical software.

Building on the success of the first digital imaging installation at Lake Imaging, the company has now installed the technology at 17 sites, the most recent being Sydney's North Shore Private Hospital which has provided the company with a key reference site in New South Wales, the country's largest market.

The half also saw a major milestone being reached with the installation and clinical validation of the company's first US installation at Hackensack Radiology Group (HRG), a New Jersey group comprising 23 Radiologists. Agfa's specialised sales force has reported strong interest in the product with further sales being made since the commercialistion of the software at HRG.

The company intends to continue to focus on overseas expansion in Canada and the US as well as growth prospects in Australia for its world class digital radiology integration technology, promedicus.net and developing the market for ProMed Clinical.

Directors' Report cont.

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 at Appendix 1.

Signed in accordance with a resolution of the directors.

M K Ward
Chairman
Melbourne, 27 February 2006

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

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

In relation to our review of the financial report of Pro Medicus Ltd for the half-year ended 31 December 2005, 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

Ernst & Young

David Petersen
Partner
Melbourne

Date: 27 February 2006

CONDENSED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005	Notes	2005 $'000	2004 $'000
Revenue	2(a)	**5,331**	4,223
Cost of Sales	2 (a)	**(97)**	(186)
Gross Profit		**5,234**	4,037
Other Income	2 (a)	**264**	266
Other Expenses	2(a)	**(1,524)**	(1,758)
Profit before tax and finance costs		**3,974**	2,545
Finance Costs		—	(1)
Profit before income tax		**3,974**	2,544
Income tax expense		**(1,154)**	(742)
Net profit for the period		**2,820**	1,802
Earnings per share (cents per share)			
- basic for net profit for half-year		2.82¢	1.80¢
- diluted for net profit for the half-year		2.81¢	1.80¢
- interim dividend paid per share	(3)	2.00¢	1.50¢
- special dividend paid per share	(3)	0.50¢	Nil¢

CONDENSED BALANCE SHEET

AS AT 31 DECEMBER 2005	Notes	Dec 2005 $'000	Jun 2005 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**11,564**	10,406
Trade and other receivables		**1,569**	3,835
Inventories		**12**	18
Prepayments		**64**	11
Total Current Assets		**13,209**	14,270
Non-current Assets			
Deferred income tax asset		**280**	279
Property, plant and equipment		**181**	190
Intangible assets		**984**	679
Total Non-current Assets		**1,445**	1,148
TOTAL ASSETS		**14,654**	15,418
LIABILITIES			
Current Liabilities			
Trade and other payables		**518**	693
Income tax payable		**568**	840
Provisions		**532**	527
Total Current Liabilities		**1,618**	2,060
Non-current Liabilities			
Deferred income tax liabilities		**274**	181
Provisions		**374**	359
Total Non-current Liabilities		**648**	540
TOTAL LIABILITIES		**2,266**	2,600
NET ASSETS		**12,388**	12,818
EQUITY			
Issued Capital		**9**	9
Retained earnings		**12,379**	12,809
TOTAL EQUITY		**12,388**	12,818

CONDENSED CASH FLOW STATEMENT

HALF-YEAR ENDED 31 DECEMBER 2005	Notes	2005 $'000	2004 $'000
Cash flows from operating activities			
Receipts from customers		**7,430**	4,999
Payments to suppliers and employees		**(1,609)**	(2,087)
Interest received		**319**	266
Borrowing costs		**—**	(1)
Income tax paid		**(1,334)**	(900)
Net cash flows from operating activities		**4,806**	2,277
Cash flows from investing activities			
Capitalised Development Costs		**(374)**	—
Purchase of property, plant and equipment		**(24)**	(13)
Net cash flows used in investing activities		**(398)**	(13)
Cash flows from financing activities			
Repayments of hire purchase borrowings		**—**	(133)
Equity dividends paid		**(3,250)**	(2,250)
Net cash flows from financing activities		**(3,250)**	(2,383)
Net increase/(decrease) in cash and cash equivalents		**1,158**	(119)
Cash and cash equivalents at beginning of period		**10,406**	10,479
Cash and cash equivalents at end of period		**11,564**	10,360

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Issued Capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 July 2004	9	11,066	11,075
Profit for the period	—	1,802	1,802
Equity dividends	—	(2,250)	(2,250)
At 31 December 2004	9	10,618	10,627

	Issued Capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 July 2005	9	12,809	12,818
Profit for the period	—	2,820	2,820
Equity dividends	—	(3,250)	(3,250)
At 31 December 2005	9	12,379	12,388

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The 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 entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Pro Medicus Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

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 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the company under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

(c) Summary of significant accounting policies

(i) Foreign currency translation

Both the functional and presentation currency of Pro Medicus Limited is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at 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 balance sheet date.

(ii) Property plant and equipment

Property 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:

	2005	2004
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 property, 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 income statement in the period the item is derecognised.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

(iii) Intangible assets

Separately acquired intangible assets

Intangible assets acquired separately are capitalised at cost.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. The useful life of the capitalised licence was assessed to be 5 years.

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 level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of policies applied to the company's intangible assets is as follows:

	Licences	Development Costs
Useful Lives	Finite	Finite
Method used	5 years - straight line	5 years - straight line
Internally generated/ acquired	Acquired	Internally generated
Impairment test/ Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(iv) Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present values using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(v) Inventories

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.

(vi) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that Pro Medicus will not be able to collect the debts. Bad debts are written off when identified.

(vii) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(viii) Pension and other post employment benefits

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

Liabilities arising in respect of wages and salaries and annual leave, expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and
- Other types of employee benefits are recognised against profits on a net basis in their respective categories.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

Currently, fair values of the option plan allocations are not recognised as expenses in the financial statements.

(ix) Share based payment transactions

The company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

There is currently one plan in place to provide these benefits being the Employee Share Incentive Scheme, which provides benefits to directors and staff by way of options to shares in the Company.

As these options were granted prior to 7 November 2002 they are exempted from the requirements of AASB 2 "Share-based Payment" As such no expense has been recorded in the income statement.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(x) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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 income statement on a straight-line basis over the lease term.

(xi) Revenue

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by completion of identifiable service segments.

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

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

Licences

Control of the right to receive licensing fees.

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.

(xii) 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xiii) Other taxes

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

- where 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

(xiv) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xv) Derivative financial instruments

The entity uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(d) AASB 1 Transitional exemptions

The Company has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Share-based payment transactions

AASB 2 "Share-Based Payments" is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Company has not elected to adopt this exemption and has applied AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

		30-Jun-05	31-Dec-04	01-Jul-04
		$'000	$'000	$'000
Total Equity under AGAAP		12,818	10,627	11,075
Tax effect on introduction of IFRS	(a)	—	8	11
Total equity under AIFRS		12,818	10,635	11,086

(a) AASB 112 Income Taxes requires the company to use a balance sheet method, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. Under former AGAAP the income statement method was used, which involved tax-effecting only those items that impacted the profit and loss.

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Year ended	Half-Year ended
	30-Jun-05	31-Dec-04
	$'000	$'000
Profit after tax as previously reported	5,493	1,802
Adjustments	—	—
Net Profit under AIFRS	5,493	1,802

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

	2005 $'000	2004 $'000
2. REVENUE AND EXPENSES		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Sale of goods	**87**	214
Rendering of Services	**3,677**	3,378
Licence Income	**1,567**	631
Finance income	**264**	266
Total Revenue	**5,595**	4,489
(ii) Expenses		
Accounting & Secretarial Fees	**96**	87
Advertising and Public Relations	**51**	70
Borrowing costs expensed	**—**	1
Consulting Fees	**—**	45
Cost of Goods Sold	**97**	186
Depreciation and Amortisation	**33**	37
Insurance	**60**	56
Legal Expenses	**7**	35
Operating Lease Expenditure	**82**	85
Other Expenses	**130**	74
Research & Development Costs	**219**	408
Salaries and Employee Benefits Expense	**744**	781
Travel and Accommodation	**102**	79
Total Expenses	**1,621**	1,944

(b) Seasonality of Operations

The Company does not typically experience seasonality in relation to demand for its product. Subject to revenue growth attributable to new customers, revenues tend to average out on a productive day basis throughout the year, with a similar number of productive days in both halves of the year.

3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES	2005 $'000	2004 $'000
(a) Dividends proposed and recognised as a liability		
Franked dividend	**—**	—
(b) Dividends paid during the half-year		
Franked dividend	**3,250**	2,250
(c) Dividends proposed and not recognised as a liability		
Interim Franked dividend	**2,000**	1,500
Special Franked dividend	**500**	—

4. SEGMENT INFORMATION

Geographic Segments

The company operates predominantly in one industry being, information technology within the health care industry and in two geographical areas being Australia and North America.

Geographic Segments

	Australia		North America		Pro Medicus Ltd	
	2005	2004	**2005**	2004	**2005**	2004
Revenue	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**
Sales to customers outside the company	4,429	4,223	902	—	5,331	4,223
Total segment revenue	4,429	4,223	902	—	5,331	4,223
Interest Revenue					264	266
Total Revenue					5,595	4,489
Results						
Segment Result	3,486	2,544	487	—	3,974	2,544
Non segment expenses						
Income Tax Expense					(1,154)	(742)
Net Profit					2,820	1,802

5. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

6. EVENTS AFTER THE BALANCE SHEET DATE

An interim dividend of 2.00 (2004: 1.50) cents per share has been declared since 31 December 2005.

A special dividend of 0.50 (2004: nil) cents per share has been declared since 31 December 2005.

No other significant post balance date events have been identified.

7. ADDITIONAL INFORMATION

Reconciliation of Cash

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

	2005 **$'000**	2004 $'000
Cash at bank and in hand	**914**	10,360
Short-term deposits	**10,650**	—
	11,564	10,360

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 company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of it's performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and 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

M K Ward

Chairman

Melbourne, 27 February 2006

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Independent review report to members of Pro Medicus Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Pro Medicus Ltd (the company), for the half-year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Pro Medicus Ltd is not in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of Pro Medicus Ltd at 31 December 2005 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*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne

Date: 27 February 2006