Pro Medicus Limited

ABN 25 006 194 752

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

OUR SUPPORT. YOUR SUCCESS.

Pro Medicus Limited

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 2018.

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)

REVIEW AND RESULTS OF OPERATIONS

The Company reported a first half after tax profit of $9.082m, an increase of $5.888m (up 184.3%) compared to the same period last year. Revenue from contracts with customers for the 6 month period of the Company increased from $15.886m (restated) to $25.315m, an increase of 59.4%.

The result from the underlying operations for the period was a profit of $9.234m compared to an underlying profit of $5.134m (restated) from the previous corresponding period, an increase of 79.9%. The underlying profit comprises reported profit after tax of $9.082m less the after tax net currency gain of $0.273m and adding back the impact of the new revenue recognition standard of $0.425m. The underlying profit from 2017, comprises of reported profit after tax of $3.194m adding the after tax currency loss last year of $0.349m and adding back the impact of the new revenue recognition standard of $1.875m and then subtracting a deferred tax adjustment from the prior period of $0.284m.

During the period the Company continued to make strong inroads into the North American market winning a key $27.0m contract with Partners Healthcare, the largest health system in the state of Massachusetts and one of the largest and most respected health providers in North America. The Company also continued to make significant progress with all key implementations being on or ahead of schedule.

The Company is looking to further build on its presence in North America and is actively pursuing a growing number of opportunities within the enterprise imaging/large teaching hospital and corporate/private imaging centre markets.

The Company's European business performed strongly throughout the period, extending its contract with a capital sale of $3.049m with the German government hospital in November.

The Company's Australian business improved as a result of increased adoption of the Visage RIS and Visage PACS products. Promedicus.net, the Company's e-health offering, continued to perform well throughout the period despite increasing competition.

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

The Company's cash reserves decreased by $0.503m due to a $1.061m increase in dividend payout, $1.683m increase in tax payments and greater investment in R&D for the 6 month period. Cash reserves were $24.735m at the end of December 2018 and 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 3.5c per share payable on 22 March 2019. The Board has also decided to announce a fully franked special dividend of 2.5c per share; as an advance to the final dividend payment in September 2019. The special dividend will be paid on 17 May 2019.

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 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
21 February 2019

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

As lead auditor for the review of Pro Medicus Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of 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 financial period.

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner

21 February 2019

Pro Medicus Limited

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000 Restated (Note 2)
Revenue from contracts with customers	3	**25,315**	15,886
Interest revenue		**126**	6
Revenue		**25,441**	15,892
Cost of sales		**(1,260)**	(92)
Gross profit		**24,181**	15,800
Net foreign currency gains / (losses)	4a	**390**	(498)
Accounting and secretarial fees		**(394)**	(378)
Advertising and public relations		**(945)**	(741)
Depreciation and amortisation	4b	**(3,024)**	(2,190)
Insurance		**(321)**	(398)
Legal costs		**(137)**	(262)
Operating lease expense		**(278)**	(261)
Other expense		**(574)**	(414)
Salaries and employee benefits expense	4b	**(5,221)**	(4,664)
Travel and accommodation		**(438)**	(376)
Profit before income tax		**13,239**	5,618
Income tax expense	10	**(4,157)**	(2,424)
Profit for the period		**9,082**	3,194
Other comprehensive Income			
Items that may be reclassified subsequent to profit and loss			
Foreign currency translation		**(679)**	178
Other comprehensive income for the period		**(679)**	178
Total comprehensive income for the period, net of tax		**8,403**	3,372
Earnings per share (cents per share)			
Basic		**8.77¢**	3.10¢
Diluted		**8.70¢**	3.06¢

The accompanying notes form an integral part of these consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	Consolidated 31 Dec 2018 $'000	 30 Jun 2018 $'000 Restated (Note 2)
ASSETS			
Current assets			
Cash and cash equivalents	7	**24,735**	25,238
Trade and other receivables	8	**13,550**	4,992
Accrued revenue		**2,512**	3,229
Contract assets	2	**203**	184
Income tax receivable		**115**	-
Inventories		**43**	54
Prepayments		**622**	707
Total current assets		**41,780**	34,404
Non-current assets			
Deferred tax asset	10	**7,139**	6,466
Plant and equipment		**498**	352
Intangible assets	9	**17,517**	16,854
Contract assets	2	**546**	580
Trade and other receivables	8	**1,796**	2,351
Prepayments		**-**	36
Total non-current Assets		**27,496**	26,639
TOTAL ASSETS		**69,276**	61,043
LIABILITITES			
Current Liabilities			
Trade and other payables	11	**3,289**	2,991
Income tax payable		**-**	838
Deferred revenue	12	**5,449**	4,040
Other current financial liabilities		**166**	193
Provisions		**1,887**	1,838
Total current liabilities		**10,791**	9,900
Non-current liabilities			
Deferred tax liabilities	10	**5,365**	4,883
Deferred revenue	12	**11,909**	11,096
Provisions		**79**	95
Total non-current liabilities		**17,353**	16,074
TOTAL LIABILITIES		**28,144**	25,974
NET ASSETS		**41,132**	35,069
Shareholders' equity			
Contributed equity		**1,962**	1,962
Share buyback reserve		**(73)**	(73)
Share reserve		**6,207**	4,920
Foreign currency translation reserve		**(597)**	82
Retained earnings		**33,633**	28,178
Total shareholders' equity		**41,132**	35,069

The accompanying notes form an integral part of these consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Share Buyback Reserve $'000	Share Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2018	**1,962**	**(73)**	**4,920**	**82**	**28,178**	**35,069**
Profit for the period	**-**	**-**	**-**	**-**	**9,082**	**9,082**
Other comprehensive Income	**-**	**-**	**-**	**(679)**	**-**	**(679)**
Total comprehensive Income	**1,962**	**(73)**	**4,920**	**(597)**	**37,260**	**43,472**
Transactions with owners in their capacity as owners						
Share based payment	**-**	**-**	**346**	**-**	**-**	**346**
Tax effect of share based payments	**-**	**-**	**941**	**-**	**-**	**941**
Dividends	**-**	**-**	**-**	**-**	**(3,627)**	**(3,627)**
Balance at 31 December 2018	**1,962**	**(73)**	**6,207**	**(597)**	**33,633**	**41,132**

	Share capital $'000	Share Buyback Reserve $'000	Share Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2017	1,937	(73)	1,717	145	31,108	34,834
Impact of adoption of new accounting standards (i)	-	-	-	-	(7,746)	(7,746)
Balance at 1 July 2017 (Restated Note 2)	1,937	(73)	1,717	145	23,362	27,088
Profit for the period	-	-	-	-	3,194	3,194
Other comprehensive Income	-	-	-	178	-	178
Total comprehensive Income	1,937	(73)	1,717	323	26,556	30,460
Transactions with owners in their capacity as owners						
Share based payment	-	-	282	-	-	282
Tax effect of share based payments	-	-	1,715	-	-	1,715
Dividends	-	-	-	-	(2,566)	(2,566)
Balance at 31 December 2017	1,937	(73)	3,714	323	23,990	29,891

(i) The Group has adopted AASB 15 *Revenue from Contracts with Customers* on a full retrospective basis. This resulted in a decrease of $7,746,000 to retained earnings as at 1 July 2017, being the cumulative effect on initial application of the standard (refer to Note 2).

The accompanying notes form an integral part of these consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		**18,562**	16,286
Payments made to suppliers and employees		**(8,056)**	(7,612)
Income tax paid		**(4,112)**	(2,429)
Net cash flows from operating activities		**6,394**	6,245
Cash flows used in investing activities			
Payments for development costs	9	**(3,596)**	(3,091)
Payments for property, plant and equipment		**(238)**	(108)
Interest received		**126**	6
Net cash flows used in investing activities		**(3,708)**	(3,193)
Cash flows from financing activities			
Payment of dividends on ordinary shares	5b	**(3,627)**	(2,566)
Net cash flows used in financing activities		**(3,627)**	(2,566)
Net increase in cash and cash equivalents held		**(941)**	486
Net foreign exchange differences		**438**	(465)
Cash and cash equivalents at the beginning of the period		**25,238**	22,775
Cash and cash equivalents at the end of the period	7	**24,735**	22,796

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

The interim consolidated financial statements of the Group for the half-year ended 31 December 2018 were authorised for issue in accordance with a resolution of directors on 21 February 2019.

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.

The nature of the operations and principal activities of the Company are described in Note 2.

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 2018 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 2018, together with any public announcements made by the Company during the half-year ended 31 December 2018.

(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 2018, except for the adoption of new standards effective as of 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time for reporting periods commencing from 1 July 2018, but do not have an impact on the interim consolidated financial statements of the Group.

(i) AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the full retrospective approach by restating the comparative period and recording the cumulative impact of the adoption in retained earnings as at 1 July 2017.

The Group’s contracts with customers comprise multiple goods and services, typically with specific fixed or variable consideration receivable, including:

- Installation and professional services;
- Product licences;
- Transactional services, including image viewing and image archiving; and
- Support services, including updates and upgrades to the product licence.

The Group’s contracts with customers comprise multiple activities in order to provide customers with the specified product. The nature of the Group’s products requires significant integration of various goods and services promised in contracts that represent a combined output – being the offered product. The multiple goods or services in the contract are highly interrelated and are integral in combination to the performance of the product.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 15 *Revenue from Contracts with Customers* (continued)

The Group has determined that within its contracts with customers there is one performance obligation of delivering a specified product given:

- The Group provides a significant service of integrating the goods or services with other goods or services promised in the contract. The combined output – being the offered product – represents a bundle of the Group's various goods or services;
- Goods or services (i.e. installation, product licence, transaction services and support services) are highly interrelated and integral to the performance of the product. The Group could not fulfil its performance obligation of delivering a specified product by transferring each of the goods or services independently; and
- Only the Group can provide product installation, transactional services and support (including significant updates/upgrades) services to customers of product licences, given the associated intellectual property of the product owned by the Group.

Revenue from multi-element contracts is recognised over the term of the contract, commencing when the product is ready for use following the installation and establishment of the product licence on the basis that:

- Product updates/upgrades received by the customer over the contract period are frequent and significant to the performance and compliance of the products with relevant regulatory authorities;
- Customers have no alternate use for the Group's products outside of the contract period; and
- The Group has an enforceable right to payment for performance completed to date during the period of the contract.

Revenue is recognised by reference to the satisfaction of the one performance obligation using the input method. The input method is applied based on the elapsed term of the contract in comparison to the length of the total contract term from when the product is ready for use by the customer until the licence and support periods end.

The Group receives consideration for certain elements of product contracts that is variable based on transaction volumes and dependent upon customer activity. Such variable consideration is recognised as revenue as the customer activity occurs over the term of the contract and the Group becomes entitled to payment.

Directly attributable commissions paid to employees of the Group for obtaining contracts are initially capitalised as a contract asset and recognised within salaries and employee benefits expense over time as revenue from the related contract is recognised. The carrying value of contract assets are assessed for impairment at each reporting date.

Under AASB 118, the recognition of each good or service within customer contracts was predominantly separate.

On the adoption of AASB 15, the determination of each contract containing a single performance obligation and satisfaction of that performance obligation over-time has resulted in an impact to the timing of revenue recognition for the following:

- Installation and professional services fees that were recognised under AASB 118 based on the stage of completion of the service, measured as a percentage of the total expected services to be provided for each contract prior to the product becoming ready for use; and
- Upfront licence fees for a contractual term with an unlimited transactional services element were recognised at a point in time when the product was ready for use as subsequent support provided to customers was considered a separate service.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 15 *Revenue from Contracts with Customers* (continued)

The adoption of AASB 15 has had the following impact on the Group after applying the full retrospective approach:

Impact on the interim consolidated statement of financial position (increase/(decrease)) as at 30 June 2018:

The following outlines the impact on the interim consolidated statement of financial position (increase / (decrease)) at the transition date on 1 July 2017, and had AASB 15 been applied at 31 December 2018 and 30 June 2018:

	Consolidated		
	31 Dec 2018 $'000 (B)	30 Jun 2018 $'000 (B)	1 Jul 2017 $'000 (A)
Current assets			
Contract assets	203	184	155
Total current assets	203	184	155
Non-current assets			
Contract assets	546	580	590
Deferred tax assets	4,363	3,972	4,742
Total non-current assets	4,909	4,552	5,332
TOTAL ASSETS	5,112	4,736	5,487
Current liabilities			
Deferred revenue	4,758	4,040	3,110
Total current liabilities	4,758	4,040	3,110
Non-current liabilities			
Deferred revenue	11,909	11,096	9,842
Deferred tax liabilities	190	194	281
Total non-current liabilities	12,099	11,290	10,123
TOTAL LIABILITIES	16,857	15,330	13,233
NET ASSETS	(11,745)	(10,594)	(7,746)
Equity			
Foreign currency translation reserve	(796)	(70)	-
Retained earnings	(10,949)	(10,524)	(7,746)
TOTAL EQUITY	(11,745)	(10,594)	(7,746)

(A) Impact on transition to AASB 15 at 1 July 2017 applying the full retrospective method.

(B) Impact of AASB 15 at 30 June 2018 and 31 December 2018, having previously applied AASB 118.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 15 Revenue from Contracts with Customers (continued)

The adoption of AASB 15 has had the following impact on the Group after applying the full retrospective approach:

Impact on the statement of comprehensive income (increase/(decrease)) for the half-year ended 31 December 2017:

The following outlines the impact on the interim consolidated statement of comprehensive income (increase/(decrease)) of applying AASB 15 for the half-year ended 31 December 2018 and 31 December 2017:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenues from contracts with customers	**(533)**	(682)
Salaries and employee benefits expense	**41**	76
Income tax expense [(A)]	**(149)**	1,117
Profit for the period	**(425)**	(1,875)
Other comprehensive income		
Foreign currency translation	**(726)**	145
Other comprehensive income for the period	**(726)**	145
Total comprehensive income for the period	**(1,151)**	(1,730)

(A) The impact on income tax expense for the half-year ended 31 December 2017 includes the deferred tax impact for a change in legislative income tax rates in the USA.

The impact on basic and diluted earnings per share is, as follows:

- Basic earnings per share	(0.41¢)	(1.82¢)
- Diluted earnings per share	(0.41¢)	(1.80¢)

There is no impact on the interim consolidated statement of cash flows.

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

(b) New accounting standards and interpretations (continued)

(ii) AASB 9 Financial Instruments

The Group has adopted AASB 9 *Financial Instruments* retrospectively from 1 July 2018. AASB 9 introduces new requirements for:

- Classification and measurement of financial assets and financial liabilities
- Impairment of financial assets
- Hedge accounting

► ***Classification and measurement of financial assets and financial liabilities***

Under AASB 9, the Group has determined that there is no change to classification and measurement to financial assets and financial liabilities.

The table below outlines the accounting treatment for financial assets and financial liabilities under AASB 139 as compared to AASB 9:

Financial Asset / Liability	Previous AASB 139	Current AASB 9
Cash and cash equivalents	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Foreign currency forward contracts	Fair value through profit or loss	Fair value through profit or loss

► ***Impairment of financial assets***

The adoption of AASB 9 has changed the Group’s accounting for impairment losses for trade and other receivables by replacing AASB 139’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The Group has applied the simplified approach to trade receivables in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECLs is determined by the based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment.

Based on the assessment undertaken by the Group, there has been no material impact to the statement of financial position and statement of comprehensive income for the half-year ended 31 December 2018 and the comparative period.

► ***Hedge accounting***

The Group did not apply hedge accounting during the half-year ended 31 December 2018 and in the comparative period.

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.

Impairment is not monitored at a segment level.

Types of products and services

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

Accounting policies and inter-segment transactions

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 2018 $'000**	31 Dec 2017 $'000 (Restated)	**31 Dec 2018 $'000**	31 Dec 2017 $'000 (Restated)	**31 Dec 2018 $'000**	31 Dec 2017 $'000 (Restated)	**31 Dec 2018 $'000**	31 Dec 2017 $'000 (Restated)
Revenue from contracts with customers								
Sales to external customers - software	**4,392**	3,369	**4,140**	1,363	**15,578**	11,154	**24,110**	15,886
Sales to external customers - hardware	**-**	-	**1,205**	-	**-**	-	**1,205**	-
Inter-segment sales	**13,687**	7,120	**4,166**	2,596	**-**	-	**17,853**	9,716
Total segment revenue	**18,079**	10,489	**9,511**	3,959	**15,578**	11,154	**43,168**	25,602
Inter-segment elimination							**(17,853)**	(9,716)
Total consolidation revenue							**25,315**	15,886
Results								
Segment Result	**10,190**	4,477	**2,519**	847	**404**	288	**13,113**	5,612
Interest Revenue							**126**	6
Non segment expenses								
Income tax expense							**(4,157)**	(2,424)
Profit for the period							**9,082**	3,194

3. SEGMENT INFORMATION (CONTINUED)

Product information

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue from external customers		(Restated)
Radiology Information Systems (RIS)	**3,708**	2,818
Picture Archiving Communications Systems (Visage 7/PACS)	**20,382**	13,042
Hardware income	**1,205**	-
Other income	**20**	26
	25,315	15,886

4. EXPENSES

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Net foreign currency gains / (losses)		
Currency gains	**1,894**	2,028
Currency (loss)	**(1,504)**	(2,526)
	390	(498)
(b) Expenses		
Depreciation and amortisation		
Property improvements	**1**	1
Motor vehicles	**4**	4
Office equipment	**76**	55
Furniture and fittings	**10**	10
Amortisation on capitalised development costs	**2,933**	2,120
Total depreciation and amortisation expenses	**3,024**	2,190
Salaries and employee benefits expense		
Gross wages and salaries	**7,222**	6,292
Capitalised wages and salaries (i)	**(2,902)**	(2,411)
Long service leave provision	**32**	34
Share-based payments expense (ii)	**346**	282
Defined contribution plan expense	**523**	467
Total salaries and employee benefits expenses	**5,221**	4,664

i. The Group's total wages and salaries incurred was $7,222,000 (2017: $6,292,000) of which 2,902,000 (2017:$2,411,000) of these costs have been capitalised as development costs within intangible assets.

ii. 241,250 performance rights were granted on 16 August 2018 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") after completion of a service condition being 4 years from the grant date. The total fair value of the performance rights at grant date was $719,551 ($1.10 to $4.24 per performance right). The amount of share-based payment expense for the half-year ended 31 December 2018 takes into consideration the probability of certain performance conditions vesting.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Dividends proposed and recognised as a liability		
Franked dividend	**-**	-
(b) Dividends paid during the half-year		
Franked dividend	**3,627**	2,566
Unfranked dividend	**-**	-
(c) Dividends proposed and not recognised as a liability		
Interim franked dividend	**3,627**	2,584
Special franked dividend	**2,590**	-
Interim unfranked dividend	**-**	-
Dividends per share (cents per share)		
- Franked dividends per share	**6.00¢**	2.50¢
- Interim dividend per share	**3.50¢**	2.50¢
- Special dividend per share	**2.50¢**	-

6. EVENTS AFTER THE BALANCE SHEET DATE

On 21 February 2019, the directors of Pro Medicus Limited declared a) a fully franked interim dividend of 3.5 cents per share amounting to $3,627,000; and b) a fully franked special dividend of 2.5 cents per share amounting to $2,590,000. These dividends have not been provided for in the 31 December 2018 interim financial statements.

7. CASH AND CASH EQUIVALENTS

Reconciliation of cash

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Cash at bank and in hand	**14,634**	11,228
Short-term deposits	**10,101**	14,010
	24,735	25,238

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
Trade receivables	**13,504**	4,790
Other receivables	**46**	202
	13,550	4,992
Non-current		
Trade receivables	**1,796**	2,351
	1,796	2,351

9. INTANGIBLE ASSETS

	Consolidated			
	Intellectual Property $'000	**Development Costs $'000**	**Software Licenses $'000**	**Total $'000**
Half-year ended 31 December 2018				
At 1 July 2018, net of accumulated amortisation and impairment	**-**	**16,853**	**1**	**16,854**
Additions - internal development	**-**	**3,596**	**-**	**3,596**
Amortisation charge for the period	**-**	**(2,933)**	**-**	**(2,933)**
At 31 December 2018, net of accumulated amortisation and impairment	**-**	**17,516**	**1**	**17,517**
At 31 December 2018				
Cost	**1,848**	**43,268**	**322**	**45,439**
Accumulated amortisation and impairment	**(1,848)**	**(25,753)**	**(321)**	**(27,922)**
Net carrying amount	**-**	**17,516**	**1**	**17,517**
Year ended 30 June 2018				
At 1 July 2017, net of accumulated amortisation and impairment	-	15,477	1	15,478
Additions - internal development	-	6,164	-	6,164
Amortisation charge for the year	-	(4,788)	-	(4,788)
At 30 June 2018, net of accumulated amortisation and impairment	-	16,853	1	16,854
At 30 June 2018				
Cost	1,848	39,673	312	41,833
Accumulated amortisation and impairment	(1,848)	(22,820)	(311)	(24,979)
Net carrying amount	-	16,853	1	16,854

9. INTANGIBLE ASSETS (CONTINUED)

In accordance with the Group's accounting policies and process, the Group evaluated each cash generating unit ('CGU') at 31 December 2018, to determine whether there were any indications of impairment. Where an indicator of impairment exists a formal estimate of the recoverable amount is performed.

After consideration of potential indicators which could impact the valuation of the CGU's at 31 December, the Group concluded there are no impairment indicators for the Group's CGU's as at 31 December 2018.

Impact of judgements and estimates on valuation outcomes

It should be noted that significant judgement and assumptions are required in making estimates of an asset's recoverable amount. This is particularly so in the assessment of long life assets. The projected cash flows used in the recoverable amount valuation are subject to variability in key assumptions, including, but not limited to revenue forecasts. A change in the revenue forecasts used in the estimates could result in a change in an asset's recoverable amount as outlined in the 30 June 2018 annual financial report.

10. 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 2018 $'000	31 Dec 2017 $'000 (Restated)
Current income tax expense	**(3,956)**	(2,148)
Prior year adjustment	**(143)**	(27)
Origination and reversal of deferred taxes	**(58)**	(249)
Income tax expense	**(4,157)**	(2,424)
Income tax recognised in other comprehensive income	**-**	-
Total income tax expense	**(4,157)**	(2,424)

	Interim Consolidated Statement of Financial Position		Interim Consolidated Statement of Comprehensive Income		Direct to Equity	
	31 Dec 2018 $'000	30 Jun 2018 $'000 (Restated)	**31 Dec 2018 $'000**	31 Dec 2017 $'000 (Restated)	**31 Dec 2018 $'000**	31 Dec 2017 $'000
Deferred tax liabilities						
Foreign currency exchange gain	**212**	120	**(92)**	689	**-**	-
Capitalised development expenses	**4,910**	4,525	**(385)**	(63)	**-**	-
Prepayments	**2**	-	**(2)**	-	**-**	-
Contract assets	**190**	194	**4**	114	**-**	-
Depreciation expenses	**51**	44	**(7)**	8	**-**	-
	5,365	4,883	**(482)**	748	**-**	-
Deferred tax assets						
Employment entitlements	**450**	466	**(16)**	(116)	**-**	-
Intellectual property expenses	**280**	290	**(10)**	(9)	**-**	-
Audit fee accrual	**36**	20	**16**	12	**-**	-
Deferred revenue	**4,364**	3,972	**392**	(1,182)	**-**	-
Employee share trust - unvested share based payments	**2,003**	1,715	**39**	296	**249**	431
Other	**6**	3	**3**	2	**-**	-
	7,139	6,466	**424**	(997)	**249**	431
Deferred tax movement			**(58)**	(249)	**249**	431

11. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
Trade payables	**497**	565
Other payables and accruals	**2,792**	1,434
	3,289	1,999

12. DEFERRED REVENUE

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000 (Restated)
Current		
Deferred revenue from contracts with customers	**5,449**	4,040
	5,449	4,040
Non-current		
Deferred revenue from contracts with customers	**11,909**	11,096
	11,909	11,096

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 2018 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

Peter Kempen

P T Kempen AM
Chairman
Melbourne
21 February 2019

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

Report on the Half-Year Financial Report

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 condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 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.

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 control as the directors determine is 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 a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Tony Morse
Partner

Melbourne
21 February 2019