Pro Medicus Limited

ABN 25 006 194 752

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

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 2019.

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 $12.051m, an increase of $2.969m (up 32.7%) compared to the same period last year. Revenue from contracts with customers for the 6 month period of the Company increased from $25.315m to $29.288m, an increase of 15.7%.

Underlying profit before tax was $14.810m compared with $10.190m for the previous corresponding period, an increase of 45.3%. The underlying profit for 2018, comprises of reported profit before tax of $13.239m and subtracting the one off capital sale to the German government of $3.049m before tax.

Tax expense for the first half was $2.759m which represents a tax rate of 18.6%. This is due to the expense being reduced by the benefit of a tax deduction relating to the company's purchase of shares for employees under the Long Term Incentive Scheme. This benefit will not be replicated in the second half and the tax rate will move closer to the statutory rate for the full year.

During the period the Company continued to make strong inroads into the North American market winning key contracts with Ohio State University (A$9.0m – 5 year deal), a large multi-disciplinary academic medical center in Columbus, Ohio; and Nines (A$6.0m – 5 year deal), a Palo Alto based teleradiology business. 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 in line with expectations with an increase in support revenue, following last year's capital sale of $3.049m with the German government hospital.

The Company's Australian business increased revenue by 21.5% compared to the same period last year, with the rollout of the Healius (formerly Primary Health) contract and extension of the contract with I-MED being the main contributors to the increased revenue.

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

The Company's cash reserves increased by $6.529m despite an increase of $1.052m in dividend payout, $1.393m increase in tax payments and greater investment in R&D for the 6 month period. Cash reserves were $38.844m at the end of December 2019 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 6.0c per share payable on 20 March 2020.

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
13 February 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2019, 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

Tony Morse
Partner

13 February 2020

Pro Medicus Limited

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated 31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers	3	**29,288**	25,315
Interest revenue		**110**	126
Revenue		**29,398**	25,441
Cost of sales		**(163)**	(1,260)
Gross profit		**29,235**	24,181
Net foreign currency gains / (losses)	4a	**(85)**	390
Accounting and secretarial fees		**(533)**	(394)
Advertising and public relations		**(1,166)**	(945)
Depreciation and amortisation	4b	**(3,785)**	(3,024)
Insurance		**(370)**	(321)
Legal costs		**(222)**	(137)
Other expense		**(821)**	(852)
Salaries and employee benefits expense	4b	**(6,754)**	(5,221)
Travel and accommodation		**(689)**	(438)
Profit before income tax		**14,810**	13,239
Income tax expense	10	**(2,759)**	(4,157)
Profit for the period		**12,051**	9,082
Other comprehensive Income			
Items that may be reclassified subsequent to profit and loss			
Foreign currency translation		**(56)**	(679)
Other comprehensive income for the period		**(56)**	(679)
Total comprehensive income for the period, net of tax		**11,995**	8,403
Earnings per share (cents per share)			
Basic		**11.60¢**	8.77¢
Diluted		**11.54¢**	8.70¢

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Consolidated 31 Dec 2019 $'000	30 Jun 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**38,844**	32,315
Trade and other receivables	8	**11,004**	17,419
Accrued revenue		**2,428**	1,776
Contract assets		**245**	210
Other current financial assets		**167**	-
Income tax receivable		**2,873**	-
Inventories		**38**	31
Prepayments		**838**	705
Total current assets		**56,437**	52,456
Non-current assets			
Deferred tax asset	10	**8,275**	12,131
Plant and equipment		**497**	503
Intangible assets	9	**18,504**	18,168
Contract assets		**783**	516
Right-of-use lease asset	2	**2,526**	-
Trade and other receivables	8	**-**	504
Prepayments		**330**	-
Total non-current Assets		**30,915**	31,822
TOTAL ASSETS		**87,352**	84,278
LIABILITITES			
Current Liabilities			
Trade and other payables	11	**3,916**	3,421
Income tax payable		**-**	766
Deferred revenue	12	**6,163**	7,626
Lease liabilities	2	**638**	-
Other current financial liabilities		**-**	159
Provisions		**2,072**	1,950
Total current liabilities		**12,789**	13,922
Non-current liabilities			
Deferred tax liabilities	10	**6,578**	5,731
Deferred revenue	12	**13,619**	15,287
Lease liabilities	2	**1,917**	-
Provisions		**49**	50
Total non-current liabilities		**22,163**	21,068
TOTAL LIABILITIES		**34,952**	34,990
NET ASSETS		**52,400**	49,288
Shareholders' equity			
Contributed equity		**1,962**	1,962
Share buyback reserve		**(915)**	(73)
Share reserve		**6,929**	10,290
Foreign currency translation reserve		**(407)**	(351)
Retained earnings		**44,831**	37,460
Total shareholders' equity		**52,400**	49,288

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

Pro Medicus Limited

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	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 2019	**1,962**	**(73)**	**10,290**	**(351)**	**37,460**	**49,288**
Profit for the period	**-**	**-**	**-**	**-**	**12,051**	**12,051**
Other comprehensive Income	**-**	**-**	**-**	**(56)**	**-**	**(56)**
Total comprehensive Income	**1,962**	**(73)**	**10,290**	**(407)**	**49,511**	**61,283**
Transactions with owners in their capacity as owners						
Share based payment	**-**	**-**	**450**	**-**	**-**	**450**
Share buyback	**-**	**(842)**	**-**	**-**	**-**	**(842)**
Tax effect of share based payments	**-**	**-**	**(3,811)**	**-**	**-**	**(3,811)**
Dividends	**-**	**-**	**-**	**-**	**(4,680)**	**(4,680)**
Balance at 31 December 2019	**1,962**	**(915)**	**6,929**	**(407)**	**44,831**	**52,400**

	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

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 2019

		Consolidated	
		31 Dec 2019	31 Dec 2018
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers		**32,425**	18,562
Payments made to suppliers and employees		**(10,719)**	(8,056)
Income tax paid		**(5,505)**	(4,112)
Interest paid		**(62)**	-
Net cash flows from operating activities		**16,139**	6,394
Cash flows used in investing activities			
Payments for development costs	9	**(3,721)**	(3,596)
Payments for property, plant and equipment		**(98)**	(238)
Interest received		**110**	126
Net cash flows used in investing activities		**(3,709)**	(3,708)
Cash flows from financing activities			
Payments of dividends on ordinary shares	5b	**(4,679)**	(3,627)
Payments for share buyback		**(842)**	-
Payments for lease liabilities		**(240)**	-
Net cash flows used in financing activities		**(5,761)**	(3,627)
Net increase in cash and cash equivalents held		**6,669**	(941)
Net foreign exchange differences		**(140)**	438
Cash and cash equivalents at the beginning of the period		**32,315**	25,238
Cash and cash equivalents at the end of the period	7	**38,844**	24,735

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 2019 were authorised for issue in accordance with a resolution of directors on 13 February 2020.

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

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

(a) Basis of preparation

The interim consolidated financial statements for the half-year ended 31 December 2019 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 2019, together with any public announcements made by the Company during the half-year ended 31 December 2019.

(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 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and revised standards and amendments thereof and interpretations effective for the Group from 1 July 2019 include:

- **AASB 16 *Leases***

  The details and impact of the adoption of AASB16 *Leases* is disclosed below in Note 2(b)(i).

- **AASB Interpretation 23 *Uncertainty over Income Tax Treatments***

  Details of AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is disclosed in Note 2(b)(ii). The adoption of this interpretation did not have any impact on the disclosures or the amounts recognised in the Group's interim consolidated financial statements.

- ***AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle***

  The adoption of this amending standard did not have any impact on the disclosures or the amounts recognised in the Group's interim consolidated financial statements.

- ***AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement***

  The adoption of this amending standard did not have any impact on the disclosures or the amounts recognised in the Group's interim consolidated financial statements.

(i) AASB 16 Leases

AASB 16 *Leases* ("AASB 16") supersedes AASB 117 *Leases* ("AASB 117"), AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives and AASB Interpretation* 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 16 *Leases* (continued)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted AASB 16 using the modified retrospective method of adoption with the date of initial application being 1 July 2019. The reclassifications and adjustments arising from the transition to AASB 16 are therefore recognised in the opening statement of financial position at 1 July 2019. As the Group has adopted the modified retrospective method, there was no restatement of comparative information

Nature of the effect of adoption of AASB 16

The Group is, or has been in the relevant period, lessee under lease contracts for office premises and motor vehicles.

Before the adoption of AASB 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. All of the Group's leases were classified as operating leases under AASB 117.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is lessee. AASB 16 provides specific transition requirements and practical expedients, which has been applied by the Group.

- *Leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the initial date of application being 1 July 2019. The right-of-use assets for leases were recognised at an amount equal to the lease liability at the initial date of application, adjusted for previously recognised prepaid or accrued lease payments.

Application of practical expedients

In applying AASB 16 at the initial date of application being at 1 July 2019, the Group has applied the available practical expedients:

- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 16 *Leases* (continued)

Effect of adopting AASB 16 at 1 July 2019

The effect of adopting AASB 16 is as follows:
Impact on the statement of financial position (increase/(decrease)) at 1 July 2019:

	Consolidated 1 Jul 2019 $'000
Non-current assets	
Lease assets	2,822
Deferred tax asset	827
Total non-current assets	3,649
TOTAL ASSETS	3,649
Current liabilities	
Lease liabilities	661
Total current liabilities	661
Non-current liabilities	
Lease liabilities	2,161
Deferred tax liabilities	827
Total non-current liabilities	2,988
TOTAL LIABILITIES	3,649
NET ASSETS	-
Equity	-
TOTAL EQUITY	-

There is no impact on the statement of profit or loss and other comprehensive income, statement of cash flows, and basic and diluted earnings per share for the comparative period as the Group elected to adopt the modified retrospective approach to transitioning to AASB 16.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	Consolidated 1 Jul 2019 $'000
Operating lease commitments as at 30 June 2019	**497**
Weighted average incremental borrowing rate as at 1 July 2019	4.76%
Discounted operating lease commitments at 1 July 2019	**469**
Add:	
Payments in optional extension periods not recognised as at 30 June 2019	2,353
Lease liabilities as at 1 July 2019	**2,822**

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

(b) New accounting standards and interpretations (continued)

(i) AASB 16 *Leases* (continued)

Effect of AASB 16 on the six months period ended 31 December 2019

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the half-year ended 31 December 2019:

Consolidated	Right-of-use assets			Lease liabilities
	Property $'000	Motor vehicles $'000	Total $'000	Total $'000
As at 1 July 2019	2,724	98	2,822	(2,822)
Depreciation expense	(272)	(24)	(296)	-
Interest expense	-	-	-	(62)
Payments	-	-	-	302
Foreign exchange translation	-	-	-	27
As at 31 December 2019	**2,452**	**74**	**2,526**	**(2,555)**

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application at 1 July 2019.

- *Right of use assets*

  The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the relevant commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the relevant lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the relevant lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

  At the commencement date of the relevant lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the relevant commencement date), and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The Group applies the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated lease components as a single lease component.

  The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

(b) New accounting standards and interpretations (continued)

(i) AASB 16 *Leases* (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the relevant lease commencement date if the interest rate implicit in the lease is not readily determinable. After the relevant commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Significant judgements*

  The Group has makes the following significant judgements with respect to its leases as lessee:

  - *Determining the lease term of contracts with renewal options*

    The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

    Under some of its property leases, the Group is able to continually exercise the option to extend the term of the lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy). The Group has included reasonably certain renewal options as part of the lease term for its property leases ranging from 5 to 10 years.

  - *Determining the incremental borrowing rate*

    The Group has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities or right-of-use assets recognised. The Group reassesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date based on the term of the lease (or the remaining term of the lease at the initial date of application.

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

(b) New accounting standards and interpretations (continued)

(ii) AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* ("AASB Interpretation 23") addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 *Income Taxes* ("AASB 12"). It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. AASB Interpretation 23 specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of AASB Interpretation 23, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

AASB Interpretation 23 did not have an impact on the interim consolidated financial statements of the Group.

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 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000
Revenue from contracts with customers								
Sales to external customers - software	**5,335**	4,392	**1,658**	4,140	**22,295**	15,578	**29,288**	24,110
Sales to external customers - hardware	**-**	-	**-**	1,205	**-**	-	**-**	1,205
Inter-segment sales	**21,644**	13,687	**7,803**	4,166	**-**	-	**29,447**	17,853
Total segment revenue	**26,979**	18,079	**9,461**	9,511	**22,295**	15,578	**58,735**	43,168
Inter-segment elimination							**(29,447)**	(17,853)
Total consolidation revenue							**29,288**	25,315
Results								
Segment Result	**14,799**	10,190	**(675)**	2,519	**576**	404	**14,700**	13,113
Interest Revenue							**110**	126
Non segment expenses								
Income tax expense							**(2,759)**	(4,157)
Profit for the period							**12,051**	9,082

3. SEGMENT INFORMATION (CONTINUED)

Product information

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from external customers		
Radiology Information Systems (RIS)	**4,768**	3,708
Picture Archiving Communications Systems (Visage 7/PACS)	**24,434**	20,382
Hardware income	**-**	1,205
Other income	**86**	20
	29,288	25,315

4. EXPENSES

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
(a) Net foreign currency gains / (losses)		
Currency gains	**2,551**	1,894
Currency (loss)	**(2,636)**	(1,504)
	(85)	390
(b) Expenses		
Depreciation and amortisation		
Property improvements	**1**	1
Motor vehicles	**3**	4
Office equipment	**97**	76
Furniture and fittings	**3**	10
Right-of-use lease assets	**296**	-
Amortisation on software licences	**1**	-
Amortisation on capitalised development costs	**3,384**	2,933
Total depreciation and amortisation expenses	**3,785**	3,024
Salaries and employee benefits expense		
Gross wages and salaries	**8,991**	7,222
Capitalised wages and salaries (i)	**(3,300)**	(2,902)
Long service leave provision	**(13)**	32
Share-based payments expense (ii)	**450**	346
Defined contribution plan expense	**626**	523
Total salaries and employee benefits expenses	**6,754**	5,221

i. The Group's total wages and salaries incurred was $8,991,000 (2018: $7,222,000) of which $3,300,000 (2018:$2,902,000) of these costs have been capitalised as development costs within intangible assets.

ii. 91,293 performance rights were granted on 16 September 2019 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 $848,000 ($2.85 to $13.58 per performance right). The amount of share-based payment expense for the half-year ended 31 December 2019 takes into consideration the probability of certain performance conditions vesting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
(a) Dividends proposed and recognised as a liability		
Franked dividend	**-**	-
(b) Dividends paid during the half-year		
Franked dividend	**4,679**	3,627
Unfranked dividend	**-**	-
(c) Dividends proposed and not recognised as a liability		
Interim franked dividend	**6,237**	3,627
Special franked dividend	**-**	2,590
Interim unfranked dividend	**-**	-
Dividends per share (cents per share)		
- Franked dividends per share	**6.00¢**	6.00¢
- Interim dividend per share	**6.00¢**	3.50¢
- Special dividend per share	**-**	2.50¢

6. EVENTS AFTER THE BALANCE SHEET DATE

On 13 February 2020, the directors of Pro Medicus Limited declared a fully franked interim dividend of 6.0 cents per share amounting to $6,237,000. These dividends have not been provided for in the 31 December 2019 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 2019 $'000	30 Jun 2019 $'000
Cash at bank and in hand	**30,764**	24,315
Short-term deposits	**8,080**	8,000
	38,844	32,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade receivables	**10,968**	17,861
Less: Allowance for expected credit loss	**-**	(647)
	10,968	17,214
Other receivables	**36**	205
	11,004	17,419
Non-current		
Trade receivables	**-**	504
	-	504

9. INTANGIBLE ASSETS

	Consolidated			
	Intellectual Property $'000	**Development Costs $'000**	**Software Licenses $'000**	**Total $'000**
Half-year ended 31 December 2019				
At 1 July 2019, net of accumulated amortisation and impairment	**-**	**18,167**	**1**	**18,168**
Additions - internal development	**-**	**3,721**	**-**	**3,721**
Amortisation charge for the period	**-**	**(3,384)**	**(1)**	**(3,385)**
At 31 December 2019, net of accumulated amortisation and impairment	**-**	**18,504**	**-**	**18,504**
At 31 December 2019				
Cost	**1,848**	**50,601**	**317**	**52,766**
Accumulated amortisation and impairment	**(1,848)**	**(32,097)**	**(317)**	**(34,262)**
Net carrying amount	**-**	**18,504**	**-**	**18,504**
Year ended 30 June 2019				
At 1 July 2018, net of accumulated amortisation and impairment	-	16,853	1	16,854
Additions - internal development	-	7,207	-	7,207
Amortisation charge for the year	-	(5,893)	-	(5,893)
At 30 June 2019, net of accumulated amortisation and impairment	-	18,167	1	18,168
At 30 June 2019				
Cost	1,848	46,879	321	49,048
Accumulated amortisation and impairment	(1,848)	(28,712)	(320)	(30,880)
Net carrying amount	-	18,167	1	18,168

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 2019, 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 2019.

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 2019 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 2019 $'000	31 Dec 2018 $'000
Current income tax expense	**(1,798)**	(3,956)
Prior year adjustment	**(22)**	(143)
Origination and reversal of deferred taxes	**(939)**	(58)
Income tax expense	**(2,759)**	(4,157)
Income tax recognised in other comprehensive income	**-**	-
Total income tax expense	**(2,759)**	(4,157)

	Interim Consolidated Statement of Financial Position		Interim Consolidated Statement of Comprehensive Income		Direct to Equity	
Deferred tax liabilities	**31 Dec 2019 $'000**	30 Jun 2019 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000	**31 Dec 2019 $'000**	31 Dec 2018 $'000
Foreign currency exchange gain	**(23)**	51	**74**	(92)	**-**	-
Capitalised development expenses	**5,566**	5,439	**(127)**	(385)	**-**	-
Prepayments	**-**	-	**-**	(2)	**-**	-
Contract assets	**249**	184	**(65)**	4	**-**	-
Lease asset	**750**	-	**77**	-	**-**	-
Depreciation expenses	**36**	57	**21**	(7)	**-**	-
	6,578	5,731	**(20)**	(482)	**-**	-
Deferred tax assets						
Employment entitlements	**599**	619	**(20)**	(16)	**-**	-
Intellectual property expenses	**262**	271	**(9)**	(10)	**-**	-
Audit fee accrual	**24**	37	**(13)**	16	**-**	-
Deferred revenue	**4,750**	5,451	**(701)**	392	**-**	-
Lease liabilities	**759**	-	**(68)**	-	**-**	-
Employee share trust - unvested share based payments	**1,881**	5,749	**(104)**	39	**520**	249
Other	**-**	4	**(4)**	3	**-**	-
	8,275	12,131	**(919)**	424	**520**	249
Deferred tax movement			**(939)**	(58)	**520**	249

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

11. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade payables	**1,723**	705
Other payables and accruals	**2,193**	2,716
	3,916	3,421

12. DEFERRED REVENUE

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Deferred revenue from contracts with customers	**6,163**	7,626
	6,163	7,626
Non-current		
Deferred revenue from contracts with customers	**13,619**	15,287
	13,619	15,287

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 2019 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf board

P T Kempen AM
Chairman
Melbourne
13 February 2020

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2019, 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 2019 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 2019 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.

Building a better
working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Tony Morse
Partner

Melbourne
13 February 2020