

Your Directors submit their report for the half-year ended 31 December 2015.

DIRECTORS

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

Peter Terence Kempen
FCA, FAICD (Chairman)

Dr Sam Aaron Hupert
M.B.B.S. (Deputy Chairman and Chief Executive Officer)

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

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

REVIEW AND RESULTS OF OPERATIONS

The Company reported a first half after tax profit of \$2.94m, an increase of \$1.33m compared to the same period last year. Revenue for the 6 month period of the Company increased from \$8.64m to \$14.28m, an increase of 65.3%.

The result from the underlying operations for the period was a profit before tax of \$5.06m compared to an underlying profit before tax of \$1.71m from the previous corresponding period, an increase of 196.6%. The underlying profit before tax is made up of reported profit before tax of \$4.48m and adding back one-offs of \$0.75m and then subtracting the net currency gain of \$0.17m (Dec 2014: \$0.90m).

During the period the Company continued to make strong inroads into the North America market winning an \$11.0m contract with Allegheny Health Network, a large health system in the Pittsburgh area. The Company also successfully completed the implementation of three previously announced contracts.

The Company is looking to further build on its presence in North America and is actively pursuing key opportunities, both within the enterprise imaging/large teaching hospitals and private imaging centre markets.

The Company's European business performed strongly, benefiting from a sale to a large German government hospital in November which the company hopes will lead to further contracts.

The Company continued its significant investment in R&D, both in Australia as well as overseas.

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

The Company's cash reserves have increased by \$3.26m for the 6 month period with cash reserves remaining high at \$16.2m at the end of December 2015. 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 an unfranked interim dividend of 1.5c per share.

ROUNDING

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which Class Order applies.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, we have obtained a declaration of independence from our auditors Ernst & Young, a copy of which is attached.

Signed in accordance with a resolution of the directors.



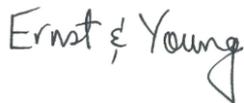
P T Kempen
Chairman
Melbourne, 19 February 2016

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 2015, 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



Paul Gower
Partner
Melbourne
19 February 2016

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Notes	Consolidated	
		2015	2014
		\$'000	\$'000
Continuing operations			
Revenue	2	14,260	8,585
Finance Revenue		25	55
Revenue		14,285	8,640
Cost of Sales		(482)	(110)
Gross Profit		13,803	8,530
Net Foreign Currency Gains/(Loss)	3a	171	900
Accounting and Secretarial Fees		(333)	(317)
Advertising and Public Relations		(714)	(479)
Depreciation & Amortisation	3b	(2,038)	(1,558)
Insurance		(287)	(253)
Legal Costs		(381)	(236)
Operating Lease Expenditure - minimum lease payments		(218)	(182)
Other Expense		(185)	(60)
Salaries and Employee Benefits Expense	3b	(4,868)	(3,390)
Travel and Accommodation		(470)	(348)
Profit for the period from continuing operations before tax		4,480	2,607
Income tax expense	9	(1,539)	(999)
Profit for the period from continuing operations		2,941	1,608
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		183	(34)
Other comprehensive income for the period		183	(34)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		3,124	1,574
Earnings per share (cents per share)			
-basic for net profit for half-year		2.91¢	1.60¢
-diluted for net profit for the half-year		2.85¢	1.58¢

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	Consolidated	
		Dec 2015 \$'000	Jun 2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	16,190	12,935
Trade and other receivables	7	4,270	3,731
Accrued revenue		1,448	210
Inventories		128	129
Prepayments		362	321
Total Current Assets		22,398	17,326
Non-Current Assets			
Deferred tax asset	9	567	509
Plant and equipment		363	341
Intangible assets	8	12,266	11,552
Prepayments		-	21
Total Non-Current Assets		13,196	12,423
TOTAL ASSETS		35,594	29,749
LIABILITIES			
Current Liabilities			
Trade and other payables	10	3,299	2,762
Income tax payable		1,558	495
Provisions		1,746	1,504
Total Current Liabilities		6,603	4,761
Non-Current Liabilities			
Trade and other payables	10	6	10
Deferred tax liabilities	9	3,737	2,953
Provisions		100	87
Total Non-Current Liabilities		3,843	3,050
TOTAL LIABILITIES		10,446	7,811
NET ASSETS		25,148	21,938
EQUITY			
Contributed Equity		1,252	327
Share Based Payment Reserve		834	666
Foreign Currency Translation Reserve		102	(81)
Retained Earnings		22,960	21,026
TOTAL EQUITY		25,148	21,938

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated				
	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	<u>327</u>	<u>666</u>	<u>(81)</u>	<u>21,026</u>	<u>21,938</u>
Profit for the period	-	-	-	2,941	2,941
Other comprehensive income	-	-	183	-	183
Total comprehensive income for the period	-	-	183	2,941	3,124
Transactions with owners in their capacity as owners					
Share based payment	-	168	-	-	168
Exercise of share options	925	-	-	-	925
Dividends	-	-	-	(1,007)	(1,007)
At 31 December 2015	<u>1,252</u>	<u>834</u>	<u>102</u>	<u>22,960</u>	<u>25,148</u>
	Issued Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	<u>327</u>	<u>284</u>	<u>282</u>	<u>19,814</u>	<u>20,707</u>
Profit for the period	-	-	-	1,608	1,608
Other comprehensive income	-	-	(34)	-	(34)
Total comprehensive income for the period	-	-	(34)	1,608	1,574
Transactions with owners in their capacity as owners					
Share based payment	-	161	-	-	161
Dividends	-	-	-	(1,003)	(1,003)
At 31 December 2014	<u>327</u>	<u>445</u>	<u>248</u>	<u>20,419</u>	<u>21,439</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,483	6,727
Payments to suppliers and employees		(7,001)	(4,221)
Income tax (paid)/refund		250	(265)
NET CASH FLOWS FROM OPERATING ACTIVITIES		5,732	2,241
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Capitalised development costs	8	(2,672)	(2,646)
Interest received		25	55
Purchase of property, plant and equipment		(103)	(123)
NET CASH FLOWS FROM/USED IN INVESTING ACTIVITIES		(2,750)	(2,714)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Payment of dividends on ordinary shares	4b	(1,007)	(1,003)
Proceeds from issuing shares		925	-
NET CASH FLOWS FROM/USED IN FINANCING ACTIVITIES		(82)	(1,003)
Net increase/(decrease) in cash and cash equivalents		2,900	(1,476)
Net foreign exchange differences		355	865
Cash and cash equivalents at beginning of period		12,935	15,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	16,190	14,648

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. Corporate Information

The interim consolidated financial statements of the Group for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of directors on 19 February 2016.

Pro Medicus Limited is a 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.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

The interim consolidated financial statements for the six months ended 31 December 2015 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 as at 30 June 2015, together with any public announcements made by the Company during the six months ended 31 December 2015.

(b) Significant accounting policies

Apart from the changes in accounting policy noted below, accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements for the year ended 30 June 2015.

Accrued Revenue

Accrued revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue generated from pay-per-view contracts is recognised based on the number of image views undertaken by the customer, multiplied by the contracted view rate. Accrued revenue has increased as a result of new contract wins in the past 18 months.

(c) Changes in accounting policy

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations noted below adopted as of 1 July 2015.

- **AASB 2015-3 Amendments to Australian Standards arising from the withdrawal of AASB 1031 - *Materiality***
The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards Amendments to Australian Standards arising from the withdrawal of AASB 1031 - *Materiality* did not have a material effect on the financial position or performance of the Group.
- **AASB 15 *Revenue from Contracts with Customers***
AASB 15: Revenue from Contracts with Customers replaces the existing revenue recognition standards. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers. The core principle of AASB15 is that an entity recognises revenue to depict the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
AASB 15: Revenue from Contracts with Customers had no impact of the half year financial report of the Group however assessment of the impact in the future is being completed.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on country of origin. Discrete financial information is reported to the executive management team on at least a monthly basis.

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

	Six months ended 31 Dec 2015	Australia		Europe		North America		Total Operations	
		Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
		2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue									
Sales to external customers		3,236	3,342	2,717	1,557	8,307	3,686	14,260	8,585
Inter-segment sales		5,091	1,346	2,306	2,228	-	-	7,397	3,574
Total segment revenue		8,327	4,688	5,023	3,785	8,307	3,686	21,657	12,159
Inter-segment elimination								(7,397)	(3,574)
Total consolidation revenue								14,260	8,585
Results									
Segment Result		3,256	1,317	1,026	745	173	490	4,455	2,552
Interest Revenue								25	55
Non segment expenses									
Income Tax (Expense)/Benefit								(1,539)	(999)
Net Profit/(Loss)								2,941	1,608
Assets									
Segment Assets		43,767	42,620	22,417	20,643	14,460	10,658	80,644	73,921
Inter-segment elimination								(45,050)	(44,172)
Total Assets								35,594	29,749
Liabilities									
Segment Liabilities		36,384	36,975	1,647	1,190	13,916	10,201	51,947	48,366
Inter-segment elimination								(41,501)	(40,555)
Total Liabilities								10,446	7,811
Product information									
		Consolidated							
		Dec	Dec						
Revenue from External customers		2015	2014						
		\$'000	\$'000						
Radiology Information Systems (RIS)		3,108	3,241						
Picture Archiving Communications Systems (Visage 7/PACS)		11,136	5,333						
Other income		16	11						
		14,260	8,585						

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. EXPENSES

	Consolidated	
	Dec 2015	Dec 2014
	\$'000	\$'000
(a) Net Foreign Currency Gains/(Loss)		
Net Currency Gains	459	1,161
Net Currency (Loss)	(288)	(261)
	<u>171</u>	<u>900</u>
(b) Expenses		
<u>Depreciation and Amortisation</u>		
Property Improvements	1	2
Motor Vehicles	4	1
Office Equipment	70	72
Furniture and Fittings	5	4
Amortisation on computer software	1	2
Amortisation on capitalised development costs	1,957	1,477
Total Depreciation and Amortisation Expenses	<u>2,038</u>	<u>1,558</u>
<u>Salaries and Employee Benefits Expense</u>		
Wages & Salaries **	4,036	2,780
Long service leave provision	208	29
Share-based payment ***	168	161
Defined contribution plan expense	456	420
	<u>4,868</u>	<u>3,390</u>

** - The Group's total Wages & Salaries incurred was \$6,203,000 (2014:\$4,908,000) of which \$2,166,000 (2014:\$2,128,000) of these costs have been capitalised.

*** - On 22 September 2015 249,375 performance rights were granted under the current long term incentive plan in relation to the 2015-16 financial year. The performance rights vest over 4 years from grant date on completion of service. The fair value of the 249,375 performance rights at grant date was \$494,136 (\$1.98 per performance right), a portion of which has been expensed for the period ended 31 December 2015.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	Dec 2015 \$'000	Dec 2014 \$'000
4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends proposed and recognised as a liability		
Franked dividend	-	-
(b) Dividends paid during the half-year		
Franked dividend	-	1,003
Unfranked dividend	1,007	-
(c) Dividends proposed and not recognised as a liability		
Interim Unfranked dividend	1,526	1,003
Dividends per share (cents per share)		
-Franked dividends paid per share (cents per share)	Nil	Nil
-interim dividend per share	1.50¢	1.00¢

5. EVENTS AFTER THE BALANCE SHEET DATE

On 19 February 2016, the directors of Pro Medicus Limited declared an interim dividend of 1.5 cents per share. The total amount of the dividend is \$1,525,506 which represents an unfranked dividend of a total of 1.5 cents per share. The dividend has not been provided for in the 31 December 2015 financial statements.

6. CASH AND CASH EQUIVALENTS

Reconciliation of Cash

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

	Dec 2015 \$'000	Jun 2015 \$'000
Cash at bank and in hand	13,690	12,935
Short term deposits	2,500	-
	16,190	12,935

7. TRADE AND OTHER RECEIVABLES

	Dec 2015 \$'000	Jun 2015 \$'000
Trade receivables	3,220	3,155
Provision for impairment	(140)	(140)
	3,080	3,015
Research & development right to receive	990	437
Other receivables	200	279
	4,270	3,731

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8. INTANGIBLE ASSETS

	Intellectual Property \$'000	Development Costs \$'000	Consolidated Software Licenses \$'000	Total \$'000
Six months ended 31 December 2015				
At 1 July 2015 net of accumulated amortisation and impairment	-	11,549	3	11,552
Additions - internal development	-	2,672	-	2,672
Amortisation charge for the period	-	(1,957)	(1)	(1,958)
At 31 December 2015 net of accumulated amortisation and impairment	-	12,264	2	12,266
At 31 December 2015				
Cost	1,848	29,720	296	31,864
Accumulated amortisation	(1,848)	(17,456)	(294)	(19,598)
Net carrying amount	-	12,264	2	12,266
Year ended 30 June 2015				
At 1 July 2014 net of accumulated amortisation and impairment	-	9,139	6	9,145
Additions - internal development	-	5,365	-	5,365
Amortisation charge for the year	-	(2,955)	(3)	(2,958)
At 30 June 2015 net of accumulated amortisation and impairment	-	11,549	3	11,552
At 30 June 2015				
Cost	1,848	27,048	288	29,184
Accumulated amortisation	(1,848)	(15,499)	(285)	(17,632)
Net carrying amount	-	11,549	3	11,552

In accordance with the Group's accounting policies and process, the Group evaluated each cash generating unit ('CGU') at 31 December 2015, to determine whether they 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 2015.

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 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 2015 financial report.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

9. 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:

	Dec 2015 \$'000	Dec 2014 \$'000
Income taxes		
Current income tax expense	(726)	(257)
Prior year adjustment	(87)	-
Deferred income tax (expense)/benefit related to origination and reversal of deferred taxes	(726)	(742)
Income tax expense	(1,539)	(999)
Income tax recognised in other comprehensive income	-	-
Total income tax expense	(1,539)	(999)

	Interim Consolidated Statement of Financial Position		Interim Consolidated Statement of Comprehensive Income	
	Dec 2015 \$'000	Jun 2015 \$'000	Dec 2015 \$'000	Dec 2014 \$'000
Deferred tax liabilities				
Foreign Currency Exchange Gain	960	914	(46)	(259)
Intellectual Property expenses	(336)	(345)	(9)	(9)
Capitalised development expenses	3,110	2,384	(726)	(213)
Other	3	-	(3)	(1)
	3,737	2,953	(784)	(482)
Deferred tax assets				
Employment Entitlements	430	326	104	24
Tax Losses	61	114	(53)	(286)
Audit Fee Accrual	28	24	4	1
Other	48	45	3	1
	567	509	58	(260)
Deferred tax (expense)/benefit			(726)	(742)

10. TRADE AND OTHER PAYABLES

	Dec 2015 \$'000	Jun 2015 \$'000
Current		
Trade payables	432	404
Other payables and accruals	2,179	1,611
	2,611	2,015
Deferred Income	688	747
	3,299	2,762
Non-Current		
Deferred Income	6	10
	6	10

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 2015 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 of the Board



P T Kempen
Chairman
Melbourne, 19 February 2016

To the members of Pro Medicus Limited

Report on the 31 December 2015 Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pro Medicus Limited, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pro Medicus Limited and the entities it controlled during the half-year. ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

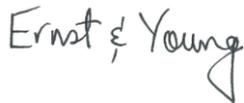
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pro Medicus Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Paul Gower
Partner
Melbourne
19 February 2016