Results for announcement to the market
Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2010

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2010

$000	% Change	2010 Total	2009 Total
Revenue and share of net profits of associates	**(0.1%)**	**655,674**	655,823
EBITDA		**152,366**	174,967
Depreciation		**29,708**	26,889
EBITA		**122,658**	148,078
Interest expense		**43,464**	30,878
Amortisation of borrowing costs		**4,149**	6,331
Non-recurring items		**34,700**	-
Amortisation of intangibles		**10,568**	8,278
Income tax expense		**8,511**	24,930
Profit for the period after tax	**(72.6%)**	**21,266**	77,661
Attributable to non-controlling interest		**1,001**	1,101
Profit for the period after tax attributable to equity holders	**(73.5%)**	**20,265**	76,560

Cents per share	2010 Total	2009 Total
Basic earnings per share	**4.1**	16.5
Final dividend	**N/A**	N/A
Interim dividend [1, 2]	**3.0**	15.0
	3.0	15.0

[1] All dividends are fully franked at the corporate income tax rate (2010: 30%, 2009: 30%).
[2] The record date for determining entitlement to the interim dividend is 25 March 2011 and is payable on 11 April 2011.

Summary

The Directors of Primary Health Care Limited (Primary) announce the results for the six months ended 31 December 2010. Key points of the half year results are:

- EBITDA of $152.4m (2009: $175.0m);
- Net profit after tax and non-recurring items $20.3m (2009 $76.6m);
- Revenue growth has resumed in Pathology and Imaging divisions;
- Cost reduction program implemented during the period to offset funding cuts, with a one-off charge of $34.7m;
- Primary now positioned to improve earnings and margins in all divisions;
- Interim dividend reduced in recognition of one-off costs re cost reduction program.

Segment analysis

$m	Six months 31 December 2010	Six months 31 December 2009	Six months 30 June 2010
Revenue			
Medical Centres	**137.5**	**131.8**	127.2
Pathology	**364.0**	**363.5**	357.2
Imaging	**145.1**	**147.1**	142.0
Health Technology	**24.5**	**24.1**	22.3
Corporate	**3.0**	**3.1**	6.6
Intersegment	**(18.4)**	**(13.9)**	(14.4)
Total	**655.7**	**655.7**	**640.9**
EBITDA			
Medical Centres	**74.5**	**73.8**	68.6
Pathology	**55.3**	**73.4**	61.9
Imaging	**21.1**	**23.0**	19.6
Health Technology	**9.7**	**9.7**	10.3
Corporate	**(8.2)**	**(4.9)**	(4.4)
Total	**152.4**	**175.0**	**156.0**
Margin			
Medical Centres	**54.2%**	**56.0%**	53.9%
Pathology	**15.2%**	**20.2%**	17.3%
Imaging	**14.5%**	**15.6%**	13.8%
Health Technology	**39.6%**	**40.2%**	46.2%
Total	**23.2%**	**26.3%**	**26.7%**

Medical Centres

EBITDA for the division was $74.5m compared to $73.8m for the prior corresponding period and $68.6m for the six months ended 30 June 2010. EBITDA/Revenue margin for the period was 54.2% compared to 56.0% for the prior corresponding period and 53.9% for the six months ended 30 June 2010. Revenue for the six months was up 4.3% to $137.5m on prior corresponding period (6.4% excluding clinical trials business) and up 8.1% on the six months ended 30 June 2010.

As previously indicated the subdued growth in GP patient attendances in FY2010 continued into July 2010 but improved for the months August to November 2010. December 2010 was below expectations however January 2011 has returned to the improved trend identified in August to November 2010.

One new medical centre has been opened since 30 June 2010 and a total of 54 large-scale Primary centres are now in operation. A further two new centres are planned to be opened by 30 June 2011.

Pathology

EBITDA for the division was $55.3m compared to $73.4m for the prior corresponding period. EBITDA/Revenue margin for the period was 15.2% compared to 20.2%.

FY2010 and July 2010 was highlighted by minimal volume growth throughout the Australian Pathology Industry. This was a direct result of the announcement in May 2009 by the Federal Government of funding cuts for Pathology services.

In the six months to 31 December 2010, Primary has seen the return of monthly episode growth on prior year corresponding month as follows:

July 2010	0.8% increase
August 2010	3.5% increase
September 2010	5.2% increase
October 2010	6.3% increase
November 2010	5.7% increase
December 2010	6.5% increase

In total, for the first six months FY2011, episodes have grown by 4.7% over the prior corresponding six months of FY2010. The improving trend in referral numbers is across all States.

Total revenue for the six months compared to prior corresponding period is steady. Funding cuts were introduced on 1 November 2009 and therefore affected revenue for this whole current six month period compared to two months of prior period. The funding cuts amounted to approximately 6.0% of revenues on an annualised basis.

The change in licensed collection centres arrangements has increased costs for delivery of pathology services. Primary has taken and will continue to take the opportunity of deregulation to provide wider service to our referring practitioners and the community.

Imaging

Imaging reported revenue of $145.1m and EBITDA of $21.1m, compared to $147.1m and $23.0m for the prior corresponding period and $142.0m and $19.6m for the six months ended 30 June 2010.

The first six months of FY2011, has seen growth in total billings over the prior corresponding period of 5.5% (excluding closed sites). This is a reversal of prior trends.

More radiologists are converting from a salary to a fee for service model. The EBITDA/Revenue margin for the six months was 14.5% which is an increase from 13.8% over the six months to 30 June 2010.

Primary maintains its focus on larger multi-modality sites where it can provide a comprehensive service that is not only better, but also more affordable, for patients. These sites are being upgraded. Cost reductions continue.

Health Technology

Health Technology reported revenue growth of 1.7% in the period to $24.5m. EBITDA was steady at $9.7m. Subscription renewal rates remain high for all general practitioner and specialist software products.

Queensland Floods and Cyclone Yasi

Primary operations have experienced two recent significant natural disasters, being the recent floods in Queensland and Cyclone Yasi. Reductions in service volumes and hence revenues have impacted from December 2010. The financial impact incurred by Primary will, in part, be covered by its insurance policies. Given the nature of these insurance claims, a clear view of the total size of the financial impact and hence the insurance claim will take time to finalise during the second half of FY2011.

Interest expense and debt

Total interest expense for the six months was $47.6m of which $4.1m related to the amortisation of borrowing costs of both the retail bond and syndicated debt. Total net debt as at 31 December 2010 amounted to $1,039m.

In August/September 2010, Primary successfully raised $152m via a Listed Retail Bond. The purpose of this issue was to extend out a portion of the group's debt for a period of five years. The remainder of the group's balance sheet debt is via a syndicated banking facility and bilateral multi-option facility which matures in December 2012.

The issue of this Retail Bond did not increase Primary's overall funding costs over the term of the current funding profile. In addition it is envisaged that on re-financing of the syndicated bank debt in December 2012, Primary will benefit from the need to re-finance a lesser amount.

Corporate Costs

Corporate net costs were $8.2m and in line with expectations. The ex-Symbion head office site in Melbourne is to be closed this financial year. This allows full consolidation of corporate shared services together, with more direct management control and resultant cost savings.

Non Recurring One-Off Costs

In November 2010 Primary announced it was implementing a cost reduction program to offset funding cuts that have occurred across the healthcare industry in Australia. As a consequence of the cost reduction program $34.7m in non-recurring, one-off costs have been charged to the profit and loss account for the current financial half year to 31 December 2010.

Of this total non-recurring one-off cost, $28.0m is for cash items predominantly relating to staff redundancy and lease obligations. A non-cash cost of $6.7m relates to the write-off of assets associated with closed practices.

The cost reduction program enables Primary to assist in offsetting the cuts that have occurred to funding for healthcare. The current funding and regulatory environment requires healthcare providers to make increasing efficiency gains to maintain service levels to patients and practitioners.

As a result of the cost reduction program:

- A reduction of approximately 290 full-time equivalent positions has now occurred across the group, the majority of which were in the Pathology division;
- 23 sites in total have been closed. The majority of these sites are single modality diagnostic imaging practices predominantly in Queensland and sites associated with the clinical trial business in New South Wales and Victoria. In addition, further provision has been made for significant lease obligations on several Symbion medical centre practices which have been closed;
- Revenue loss from closed practices is estimated to be approximately $9m per annum, the majority being from the Imaging business; and
- Annual cost savings of approximately $27m will occur across the Primary group.

Taxation

The effective tax rate on operating earnings for the period was 28.5%.

Dividend

With the non-recurring one-off costs being incurred in the current financial half year to 31 December 2010, the dividend for the period will be reduced. The interim dividend will be 3.0 cents per share fully franked.

Outlook

Earnings before interest, tax, depreciation and amortisation (EBITDA) guidance for FY2011 is $330m to $340m (before deducting non-recurring one-off costs of $34.7m) as indicated to the market in November 2010. FY2012 will benefit from a full year of both the benefits of the cost reduction program being implemented, in addition to the improving revenue growth profile.

The continuing background for healthcare delivery is one of increasing patient numbers and need. This underlying healthcare demand will provide long term volume growth in each of Primary’s divisions.

Attachment A – Interim Financial Report
For the Half Year ended 31 December 2010

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Directors' Report
For the Half Year ended 31 December 2010

Your Directors present their report on the consolidated entity consisting of Primary Health Care Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2010.

Directors

The following persons were Directors of Primary Health Care Limited during the half year ended 31 December 2010 and up to the date of this report were:

- Mr. Robert Ferguson
- Dr. Edmund Gregory Bateman
- Mr. Brian Ball
- Mr. Terence Smith
- Mr. John David Crawford
- Dr. Michael Joseph Christie (resigned 26 November 2010)
- Mr. Stephen Higgs (resigned 26 November 2010)
- Dr. Errol Katz (appointed 26 November 2010)
- Dr. Paul Jones (appointed 26 November 2010).

Results

Key features of the Half Year are:

- EBITDA of $152.4m (2009: $175.0m)
- Net profit after tax and non-recurring items $20.3m (2009 $76.6m).
- Revenue growth has resumed in Pathology and Imaging divisions.
- Cost reduction program implemented during the period to offset funding cuts, with a one-off charge of $34.7m.
- Primary now positioned to improve earnings and margins in all divisions.
- Interim dividend reduced in recognition of one-off costs re cost reduction program.

Dividend

In respect of the Half Year ended 31 December 2010, an interim dividend of 3.0 cents per share has been declared fully franked (31 December 2009: 15.0 cents per share).

Rounding off of amounts

The company is of a kind referred to in Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission. In accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

Auditor's independence declaration

The auditors' independence declaration is set out on page 2.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

Edmund Bateman - Director
Sydney 15 February 2011

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Primary Health Care Limited
30-38 Short Street
LEICHHARDT NSW 2040

Primary Health Care Limited

Dear Board Members

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Primary Health Care Limited.

As lead audit partner for the review of the financial statements of Primary Health Care Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Hamilton-James

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 15 February 2011

Independent Auditors' Review Report

To the Members of Primary Health Care Limited

We have reviewed the accompanying half-year financial report of Primary Health Care Limited, which comprises the balance sheet as at 31 December 2010, and the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 23.

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, we have become aware of any matter that makes us 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 consolidated entity's financial position as at 31 December 2010 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 Primary Health Care Limited, 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.

Auditor's Independence Declaration

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

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 Primary Health Care 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 2010 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 15 February 2011

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' declaration

For the Half Year ended 31 December 2010

The directors declare that:

(a) in the directors' opinion, the attached financial statements and notes are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(b) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

Edmund Bateman
Director

Sydney, 15 February 2011

Income statement

For the Half Year ended 31 December 2010

	Note	**2010 $000**	2009 $000
Revenue	3	**655,577**	655,692
Share of net profits of associates accounted for using the equity method	7	**97**	131
Employee benefits expense		**287,704**	284,439
Property expenses		**71,358**	60,426
Consumables		**67,256**	67,638
Other expenses		**76,990**	68,353
EBITDA		**152,366**	174,967
Depreciation		**29,708**	26,889
Amortisation of intangibles		**10,568**	8,278
EBIT		**112,090**	139,800
Interest expense		**43,464**	30,878
Amortisation of borrowing costs		**4,149**	6,331
Profit before tax and non-recurring items		**64,477**	102,591
Non-recurring items	4	**34,700**	-
Profit before tax		**29,777**	102,591
Income tax expense	5	**8,511**	24,930
Profit for the period		**21,266**	77,661
Attributable to:			
Equity holders of Primary Health Care Limited		**20,265**	76,560
Non-controlling interest		**1,001**	1,101
Profit for the period		**21,266**	77,661

Earnings per share (Consolidated)	Note	**2010 Cents per share**	2009 Cents per share
Basic earnings per share	12	**4.11**	16.51
Diluted earnings per share	12	**4.11**	16.50

Notes to the financial statements are included on pages 11 to 23

Statement of comprehensive income

For the Half Year ended 31 December 2010

	2010 $000	2009 $000
Profit for the period	**21,266**	77,661
Other comprehensive income		
Exchange differences on translating foreign operations	**(489)**	892
Available for sale financial assets	**(475)**	3,355
Cash flow hedges	**-**	(14)
Income tax on other comprehensive income	**142**	(1,001)
Other comprehensive income for the period	**(822)**	3,232
Total comprehensive income for the period	**20,444**	80,893
Attributable to:		
Equity holders of Primary Health Care Limited	**19,443**	79,792
Non-controlling interest	**1,001**	1,101
	20,444	80,893

Notes to the financial statements are included on pages 11 to 23

Balance sheet

As at	Note	31 December 2010 $000	30 June 2010 $000
Current assets			
Cash		**36,102**	25,812
Income tax receivable		**-**	5,218
Receivables		**134,242**	149,727
Other financial assets		**2,383**	1,500
Consumables		**26,624**	24,304
Total current assets		**199,351**	206,561
Non-current assets			
Receivables		**2,050**	2,194
Property, plant and equipment		**392,034**	367,726
Goodwill	6	**3,037,312**	2,999,778
Other intangible assets		**74,307**	75,633
Investments in associates	7	**2,016**	1,999
Other financial assets		**1,168**	1,168
Deferred tax asset		**40,899**	41,194
Total non-current assets		**3,549,786**	3,489,692
Total assets		**3,749,137**	3,696,253
Current liabilities			
Payables		**110,394**	113,503
Deferred revenue		**9,129**	14,424
Tax liabilities		**424**	-
Provisions	8	**58,478**	42,692
Interest bearing liabilities	9	**3,852**	4,142
Total current liabilities		**182,277**	174,761
Non-current liabilities			
Payables		**6,127**	11,430
Provisions	8	**32,480**	39,152
Interest bearing liabilities	9	**1,071,003**	1,000,673
Total non-current liabilities		**1,109,610**	1,051,255
Total liabilities		**1,291,887**	1,226,016
Net assets		**2,457,250**	2,470,237
Equity			
Issued capital	11	**2,333,367**	2,318,578
Reserves		**8,348**	8,370
Retained profits		**111,012**	138,867
Equity attributable to equity holders of the parent		**2,452,727**	2,465,815
Non-controlling interest		**4,523**	4,422
Total equity		**2,457,250**	2,470,237

Notes to the financial statements are included on pages 11 to 23

Cash flow statement
For the Half Year ended 31 December 2010

	Note	31 December 2010 $000	31 December 2009 $000
Cash flows from operating activities			
Receipts from customers		**690,541**	683,677
Payments to suppliers and employees		**(547,623)**	(535,860)
Payments against non employee provisions		**(10,561)**	(8,421)
Income tax received		**4,915**	2,965
Income tax paid		**(8,694)**	(11,156)
Interest received		**522**	2,510
Interest paid		**(41,797)**	(32,106)
Other income		**1,715**	415
Distributions received from associates		**80**	55
Net cash provided by operating activities	13(b)	**89,098**	102,079
Cash flows from investing activities			
Payment for property plant and equipment		**(54,016)**	(54,603)
Payment for businesses purchased	13(e)	**(42,116)**	(32,136)
Payment for other intangibles		**(9,241)**	(5,012)
Payment for investments		**(2,439)**	(11,606)
Proceeds from the sale of property plant and equipment		**-**	3,474
Proceeds from the sale of investments		**1,223**	1,207
Net cash (used in) investing activities		**(106,589)**	(98,676)
Cash flows from financing activities			
Proceeds from issues of shares		**297**	272,721
Payments for share issue costs		**(312)**	(7,602)
Proceeds from borrowings		**222,086**	1,016,000
Payments for debt issue costs		**(6,037)**	(19,731)
Repayment of interest bearing liabilities		**(153,848)**	(1,438,315)
Dividends paid		**(34,325)**	(19,073)
Net cash provided by (used in) financing activities		**27,861**	(196,000)
Net increase (decrease) in cash held		**10,370**	(192,597)
Cash at the beginning of the period		**25,812**	223,397
Effect of exchange rate movements on cash held in foreign currencies		**(80)**	(14)
Cash at the end of the period	13(a)	**36,102**	30,786

Notes to the financial statements are included on pages 11 to 23

Statement of changes in equity
For the Half Year ended 31 December 2010

Consolidated	Issued capital $000	Investment revaluation reserve $000	Cash flow hedge reserve $000	Foreign currency translation reserve $000	Share based payments reserve $000	Retained earnings $000	Attributable to owners of the parent $000	Non controlling interest $000	Total $000
Balance at 1 July 2010	**2,318,578**	**271**	**-**	**339**	**7,760**	**138,867**	**2,465,815**	**4,422**	**2,470,237**
Profit for the period	-	-	-	-	-	20,265	**20,265**	1,001	**21,266**
Other comprehensive income	-	(333)	-	(489)	-	-	**(822)**	-	**(822)**
Total comprehensive income	**-**	**(333)**	**-**	**(489)**	**-**	**20,265**	**19,443**	**1,001**	**20,444**
Payment of dividends	-	-	-	-	-	(48,120)	**(48,120)**	(900)	**(49,020)**
Share based payment	-	-	-	-	800	-	**800**	-	**800**
Movement in share capital (Note 11)	14,789	-	-	-	-	-	**14,789**	-	**14,789**
Balance at 31 December 2010	**2,333,367**	**(62)**	**-**	**(150)**	**8,560**	**111,012**	**2,452,727**	**4,523**	**2,457,250**
Balance at 1 July 2009	1,995,264	204	1,148	(388)	7,797	109,087	2,113,112	3,592	2,116,704
Profit for the period	-	-	-	-	-	76,560	76,560	1,101	77,661
Other comprehensive income	-	2,350	(10)	892	-	-	3,232	-	3,232
Total comprehensive income	-	2,350	(10)	892	-	76,560	79,792	1,101	80,893
Payment of dividends	-	-	-	-	-	(31,202)	(31,202)	(875)	(32,077)
Share based payment	-	-	-	-	879	-	879	-	879
Movement in share capital (Note 11)	281,429	-	-	-	(1,169)	-	280,260	-	280,260
Balance at 31 December 2009	2,276,693	2,554	1,138	504	7,507	154,445	2,442,841	3,818	2,446,659

Notes to the financial statements are included on pages 11 to 23

Statement of changes in equity
For the Half Year ended 31 December 2010

Dividends	Cents per share 2010	Cents per share 2009	31 December 2010 $000	31 December 2009 $000
Recognised amounts				
Final dividend – previous financial year	**10.0**	7.0	**48,120**	31,202
Dividend forgone under the Bonus Share Plan	**-**	-	**(1,083)**	(72)
Total dividends paid	**10.0**	7.0	**47,037**	31,130
Unrecognised amounts				
Interim dividend - current financial period	**3.0**	15.0		

All dividends are fully franked at the corporate income tax rate (2010: 30%, 2009: 30%). It is proposed to pay a fully franked interim dividend of 3.0 cents. The dividend record date is 25 March 2011 and payment date is proposed as 11 April 2011. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP), operating at a 1.0% discount (31 December 2009: 2.0%). The last date for the receipt of an election notice for participation in these plans is 25 March 2011.

Notes to the financial statements are included on pages 11 to 23

1. Significant accounting policies

Statement of compliance
This half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* This financial report does not include all of the notes normally included within the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the 30 June 2010 annual financial report of Primary Health Care Limited, together with any public announcements made by Primary Health Care Limited and its controlled entities (the Group) during the period in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation
The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2010 annual financial report for the financial year ended 30 June 2010. These accounting policies are consistent with Australia Accounting Standards and with International Financial Reporting Standards.

Comparative information
Where necessary comparative amounts have been reclassified and repositioned for consistency with current period disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current period disclosures, where considered material, are referred to separately in the half year report or notes thereto.

2. Segment information

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

The only change to the Group's reported segments under AASB 8 is the specific exclusion of 'Corporate' as an operating segment, on the basis any revenue earned by the Corporate division is incidental to the activities of the Group as a whole. However, management believe that disclosing information about this segment to be useful to users of the Group's financial statements, on the basis information about Corporate revenue and expenses are reviewed by the chief operating decision makers on a monthly basis. Corporate revenue comprises profits on sales of available-for-sale investments, interest income, and distributions and dividends received. Corporate expenses comprise non-segmental expenses such as head office expenses, and depreciation and amortisation of Corporate assets. The Corporate contribution to the Group's result for the year, as reviewed by the chief operating decision makers, is disclosed under "Other" on the following page. Comparative information has been updated to conform to the requirements of AASB 8.

For internal management reporting purposes, the Group is organised into the four major operating segments, all within Australia, described below:

Medical Centres – This division provides a range of services and facilities to general practitioners, specialists and other health care providers who conduct their own practices and businesses at its medical centres.

Imaging – This division provides imaging and scanning services from stand-alone imaging sites and from within the Group's medical centres.

Pathology operations – This division provides pathology services.

Health Technology – This division develops, sells and supports health related software products.

Intersegment sales

All intersegment sales are eliminated on consolidation.

Medical Centres – This division charges the Group's Imaging and Pathology divisions a fee for use of its facilities and services.

Health Technology – This division charges all other Operating Segments a fee for IT research, development and support on behalf of the individual Operating Segment as appropriate.

2. Segment information (continued)

31 December 2010	Medical Centres $000	Pathology $000	Imaging $000	Health Technology $000	Other $000	Total $000
Revenue	**137,502**	**363,996**	**145,073**	**24,456**	**3,022**	**674,049**
Intersegment sales	(10,674)	-	-	(7,701)	-	(18,375)
Revenue including share of net profits of associates	**126,828**	**363,996**	**145,073**	**16,755**	**3,022**	**655,674**
EBITDA	**74,447**	**55,297**	**21,069**	**9,735**	**(8,182)**	**152,366**
Depreciation	(8,126)	(7,922)	(12,874)	(232)	(554)	(29,708)
Amortisation	(3,276)	(1,978)	(1,526)	(3,256)	(532)	(10,568)
EBIT	**63,045**	**45,397**	**6,669**	**6,247**	**(9,268)**	**112,090**
Finance costs						47,613
Profit for before tax and non-recurring items						**64,477**
Non-recurring items	12,331	7,093	9,608	88	5,580	34,700
Profit before tax						**29,777**

31 December 2009	Medical Centres $000	Pathology $000	Imaging $000	Health Technology $000	Other $000	Total $000
Revenue	131,755	363,452	147,205	24,150	3,093	669,655
Intersegment sales	(9,531)	-	-	(4,301)	-	(13,832)
Revenue including share of net profits of associates	122,224	363,452	147,205	19,849	3,093	655,823
EBITDA	73,770	73,345	22,957	9,760	(4,865)	174,967
Depreciation	(7,004)	(7,138)	(11,808)	(337)	(602)	(26,889)
Amortisation	(1,821)	(1,421)	(1,601)	(2,935)	(500)	(8,278)
EBIT	64,945	64,786	9,548	6,488	(5,967)	139,800
Finance costs						37,209
Profit for before tax and non-recurring items						102,591
Non-recurring items	-	-	-	-	-	-
Profit before tax						102,591

Notes to the financial statements

For the Half Year ended 31 December 2010

3. Revenue	31 December 2010 $000	31 December 2009 $000
Trading revenue	**652,555**	652,468
Other revenue		
Interest revenue	**522**	2,510
Dividend revenue	**-**	416
Profit on sale of investments	**785**	298
Dividend received from Pan Pharmaceutical Liquidator (note 14(a))	**1,715**	-
	655,577	655,692

4. Non-recurring items		
Lease tails and make good of closed sites	**14,700**	-
Redundancies and related costs	**9.400**	-
Assets written off at closed sites	**6,700**	-
Legal and other costs	**3,900**	-
	34,700	-

5. Income tax expense		
The prima facie income tax expense on the continuing operations pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax expense	**29,777**	102,591
Income tax calculated at 30% (2009 – 30%)	**8,933**	30,777
Tax effect of amounts which are not (taxable) deductible in calculating taxable income:		
Research and development allowance	**(360)**	(444)
Share-based payments expense	**240**	264
Acquisition-related costs	**638**	-
Investment allowance	**-**	(528)
Other	**-**	(530)
	9,451	29,539
Over provision in prior years	**(940)**	(4,609)
	8,511	24,930

6. Goodwill	31 December 2010 $000	30 June 2010 $000	31 December 2009 $000
Opening balance	**2,999,778**	2,892,701	2,892,701
Acquisition of subsidiaries	**-**	30	-
Acquisition of businesses	**37,534**	107,047	31,589
	3,037,312	2,999,778	2,924,290

7. Investments in associates

Name of associated entity	Country of incorporation	Principal activity	Ownership interest 31 December 2010 %	Ownership interest 31 December 2009 %
Campsie Nuclear Medicine Pty Ltd	Australia	Imaging services	**50**	50
North Coast Nuclear Medicine (Qld) Pty Ltd	Australia	Imaging services	**40**	40
Southport Diagnostic Imaging	Australia	Imaging services	**-**	50

The Group's share of profits and losses, assets and liabilities of associates is:	31 December 2010 $000	31 December 2009 $000
Income Statement		
Gross revenue of associates	**2,250**	767
Gross profit of associates	**196**	338
Primary's share of net profits of associates accounted for using the equity method	**97**	131

	31 December 2010 $000	30 June 2010 $000
Balance Sheet		
Gross assets of associates	**6,262**	6,475
Gross liabilities of associates	**(1,580)**	(1,767)
Net assets of associates	**4,682**	4,708
Investments in associates accounted for using the equity method	**2,016**	1,999

8. Provisions	**31 December 2010 $000**	30 June 2010 $000
(a) Current		
Provision for employee benefits	**36,091**	36,155
Self insurance provision	**3,494**	4,228
Restructuring and onerous contract provision	**18,893**	2,309
	58,478	42,692
(b) Non-current		
Provision for employee benefits	**28,473**	34,530
Self insurance provision	**4,007**	4,622
	32,480	39,152

(c) Nature and purpose of provisions

(i) Employee benefit provisions

Employee benefit provisions include annual leave and long service leave liabilities. The annual leave provision is measured on an undiscounted basis. The long service leave provision is recognised using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

(ii) Self insurance provision

The provision relates primarily to self-insured workers' compensation liabilities under the licensing conditions of the respective state authorities of Victoria, New South Wales, South Australia and Western Australia. The provision for workers' compensation is based upon an annual independent actuarial assessment of claims liabilities and "incurred but not reported" (IBNR) factors.

(iii) Restructuring and onerous contract provision

The provision relates to expenditure connected to restructuring the entity's operations.

9. Interest bearing liabilities	31 December 2010 $000	30 June 2010 $000
(a) Current		
Bank loan	**2,050**	1,962
Unamortised borrowing costs	**-**	-
Bank Loan at amortised cost	**2,050**	1,962
Finance lease liabilities	**1,802**	2,180
	3,852	4,142
(b) Non-current		
Bank loan	**934,421**	1,012,742
Unamortised borrowing costs	**(19,977)**	(17,550)
Bank Loan at amortised cost	**914,444**	995,192
Retail bonds	**152,274**	-
Finance lease liabilities	**4,285**	5,481
	1,071,003	1,000,673

On 28 September 2010 Primary issued 1,522,740 Primary Bonds Series A with an issue price of $100 per bond. Primary Bond Series A feature a floating interest rate, based on a Market Rate, as determined on the first business day of each quarterly interest period, plus a fixed margin of 4.00%. The maturity date of the Primary Bond Series A is 28 September 2015 and the securities rank behind Primary's secured bank debt.

Primary Bonds Series A trade on the ASX under the ASX Code PRYHA.

10. Net tangible asset backing	31 December 2010	30 June 2010
Net tangible asset backing per share	**($1.33)**	($ 1.23)

11. Issued Capital	**No. of Shares December 2010 000's**	No. of Shares June 2010 000's	**31 December 2010 $000**	30 June 2010 $000
Opening balance	**491,366**	430,748	**2,338,443**	2,015,129
Exercise of share options	**183**	1,780	**297**	3,877
Transfer from share based payments reserve	**-**	-	**135**	1,664
Shares issued via Dividend Reinvestment Plan	**4,184**	11,565	**14,609**	51,881
Shares issued via Bonus Share Plan	**310**	152	**-**	-
Share Placement	**-**	39,605	**-**	230,000
Other share issues	**-**	7,516	**-**	39,753
Capital raising/share issue costs, net of tax	**-**	-	**(252)**	(3,861)
Closing balance	**496,043**	491,366	**2,353,232**	2,338,443
Reverse acquisition adjustment (1994)			**(19,865)**	(19,865)
Closing balance – Consolidated			**2,333,367**	2,318,578

12. Earnings per share

Earnings	**31 December 2010 $000**	31 December 2009 $000
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the income statement as follows;		
Profit attributable to equity holders of Primary Health Care Limited	**20,265**	76,560

Weighted average number of shares	**31 December 2010 000's**	31 December 2009 000's
The weighted average number of shares used in the calculation of basic earnings per share	**493,372**	463,858
Potential ordinary shares [1]	**162**	246
The weighted average number of shares used in the calculation of diluted earnings per share	**493,534**	464,104

[1] Potential ordinary shares represent share options, but only to the extent that they are considered dilutive.

13. Notes to the cash flow statement	**31 December 2010 $000**	31 December 2009 $000
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash	**36,102**	30,786

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

Profit attributable to equity holders	**20,265**	76,560
Depreciation of plant and equipment	**29,708**	26,889
Amortisation of intangibles	**10,568**	8,278
Share based payments expense	**800**	879
Non-controlling Interest	**1,001**	1,101
Profit on sale of other investments	**(785)**	(298)
Loss on sale of property plant and equipment	**-**	295
Increase (decrease) in liabilities;		
Trade payables and accruals	**(7,158)**	(28,872)
Provisions	**15,597**	(15,741)
Tax balances	**5,505**	17,501
Decrease (increase) in assets;		
Investments in associates	**(17)**	(76)
Consumables	**(2,320)**	(2,813)
Deferred borrowing costs	**3,610**	7,170
Receivables and prepayments	**12,324**	11,206
Net cash provided by operating activities	**89,098**	102,079

(c) Non cash investing and financing

During the period 4,183,730 (2009: 2,150,300) and 310,116 (2009: 11,914) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

These transactions are not reflected in the statement of cash flows.

13. Notes to the cash flow statement (continued)

(d) Financing facilities (Consolidated)	**31 December 2010 $000**	30 June 2010 $000
Current		
Secured Bilateral multi-option facility		
Amount used	**-**	-
Amount unused	**-**	25,000
Secured Loan facility		
Amount used	**2,050**	1,962
Amount unused	**-**	-
	2,050	26,962
Non Current		
Secured Syndicated Debt facilities		
Amount used	**870,726**	998,000
Amount unused	**53,137**	2,000
Secured Bilateral multi-option facility		
Amount used	**50,000**	-
Amount unused	**25,000**	50,000
Secured Loan facility		
Amount used	**13,695**	14,742
Amount unused	**4,256**	3,296
	1,016,814	1,068,038

13. Notes to the cash flow statement (continued)

(e) Businesses acquired

(i) Health related practices

Members of the Group continued to acquire health related practices to expand their existing businesses.

It is not practical to show the impact of the individual medical practices acquired during the year on the Group's results for the year (as required by AASB 3 *Business Combinations*), as it is impractical to allocate the costs associated with the Group's multi-disciplinary medical centres to the individual medical practices acquired.

(ii) Summary

The net outflow of cash to acquire businesses is reconciled as follows:	**31 December 2010 $000**	31 December 2009 $000
Fair value of identifiable net assets acquired		
Health related practices	**-**	-
Controlled entities	**-**	-
	-	-
Goodwill		
Health related practices	**37,534**	31,589
Controlled entities	**-**	-
	37,534	31,589
Consideration – cash paid to acquire businesses		
Health related practices	**37,534**	31,589
Controlled entities	**-**	-
Decrease in payables relating to acquisitions	**4,582**	547
	42,116	32,136
Cash paid for acquisitions	**42,116**	32,136
Less cash acquired	**-**	-
Net payments for the purchase of businesses	**42,116**	32,136

14. Contingent assets

(a) Class action against TGA

Prior to April 2003, a former subsidiary of what was then called Symbion Health Limited (now called Idameneo (No. 789) Ltd) ("Symbion"), FH Faulding & Co Limited ("Faulding") was a party to a supply agreement with Pan Pharmaceuticals Ltd ("Pan") pursuant to which it sourced approximately 30% of Symbion's Consumer Division's nutriceutical products. On 28 April 2003 the Australian Therapeutic Goods Administration ("TGA") required a recall of all products manufactured by Pan since 1 May 2002 ("the Pan recall"). Pan was subsequently placed in liquidation, and Faulding lodged a proof of debt in the liquidation.

Pursuant to arrangements entered into upon the demerger of Mayne Pharma Limited from Symbion in November 2005, any amount recovered by Faulding in connection with the Pan recall and Pan's alleged contractual breaches, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion. Symbion settled its proof of debt claim with Pan's liquidators in May 2007. The liquidators admitted the debt in an agreed amount.

Pan's liquidators subsequently issued in FY2007, FY2009, FY2010 and FY2011 interim dividends to Symbion totalling approximately $14.8m.

In 2004 Jim Selim, the Chief Executive Officer of and major shareholder in Pan, sued the TGA in the Federal Court of Australia in relation to the TGA's conduct concerning the Pan recall. After the Court had part-heard the matter for 19 days in July 2008, the TGA settled in August 2008 on the basis of payment to Jim Selim of $50.0m (plus $5.0m for his costs).

In December 2008 litigation-funder IMF (Australia) Ltd ("IMF") initiated a class action in the Federal Court of Australia against the Commonwealth of Australia (and 5 TGA officers) in relation to the TGA's and its officers' conduct concerning the Pan recall ("the Class Action"). The claimants in the class comprise well over 100 "sponsors" (entities that sell products registered with the TGA) and other customers of Pan, and retailers of products of Pan.

Pursuant to arrangements entered into in connection with the demerger from Symbion of each of Mayne Pharma Ltd in 2005, Symbion Consumer in August 2008, and Symbion Pharmacy in October 2008, any amount recovered by former subsidiaries of Symbion in connection with the Pan recall, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion.

Symbion, through its relevant former subsidiaries, is part of the IMF-funded Class Action. IMF, as funder, takes responsibility for all legal fees (including any adverse order for costs). If as a result of the Class Action, there is a recovery of money from the Commonwealth of Australia, then IMF is reimbursed its legal expenditure and IMF also receives an agreed percentage of the gross sum recovered from the Commonwealth of Australia in respect of the former subsidiaries of Symbion.

On 22 November 2010 a conditional settlement of the Class Action was reached. The terms of the settlement are confidential to the parties. The settlement is conditional on the approval of the Federal Court of Australia. The Court will consider such approval on 3 March 2011. If the Court gives its approval either on that date or on some later date, then a process for the assessment of the quantum of each class member's claim must be undertaken so that the net amount available for distribution to class members may then be made.

(b) Other

There were no other contingent assets as at 31 December 2010.

15. Contingent liabilities	**31 December 2010 $000**	30 June 2010 $000	31 December 2009 $000
Treasury bank guarantees			
Statutory requirement	**16,961**	29,438	29,438
Other	**4,423**	3,084	3,084
	21,384	32,522	32,522

16. Subsequent events

There has not been any other matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.