Results for announcement to the market
Primary Health Care Limited
Appendix 4D – Half Year Report
For the Half Year ended 31 December 2011

SECTION	**PAGE**

Primary Health Care Limited
Appendix 4D – Half Year Report
For the Half Year ended 31 December 2011

$000	% Change	2011 Total	2010 Total
Revenue and share of net profits of associates	**4.7%**	**686,182**	655,674
EBITDA		**166,831**	152,366
Depreciation		**32,049**	29,708
EBITA		**134,782**	122,658
Interest expense		**43,611**	43,464
Amortisation of borrowing costs		**12,486**	4,149
Non-recurring items		**-**	34,700
Amortisation of intangibles		**11,604**	10,568
Income tax expense		**19,783**	8,511
Profit for the period after tax	**122.4%**	**47,298**	21,266
Attributable to non-controlling interest		**987**	1,001
Profit for the period after tax attributable to equity holders	**128.6%**	**46,311**	20,265

Cents per share	2011 Total	2010 Total
Basic earnings per share	**9.3**	4.1
Final dividend	**N/A**	N/A
Interim dividend [1, 2]	**5.0**	3.0
	5.0	3.0

[1] All dividends are fully franked at the corporate income tax rate (2011: 30%, 2010: 30%).
[2] The record date for determining entitlement to the interim dividend is 30 March 2012 and is payable on 16 April 2012. The DRP and BSP will operate with no discount (31 December 2010: 1% discount). The last date for the receipt of an election notice for participation in these plans is 30 March 2012.

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2011

Summary

The Directors of Primary Health Care Limited ("Primary") announce the results for the six months ended 31 December 2011. Key points of the half year results are:

- EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) growth of 9.5% to $166.8m (2010: $152.4m);
- Net Profit After Tax $46.3m (2010: $20.3m);
- EBITDA growth of Medical Centres 6%, Pathology 11% and Imaging 27% over the prior corresponding period;
- Margin growth of Medical Centres 40bps, Pathology 80bps and Imaging 310bps over the prior corresponding period;
- Successful early refinance of $1.02bn syndicated bank debt; and
- 5 cents per share interim dividend fully franked (2010: 3 cents).

Segment analysis

$m	Six months 31 December 2011	Six months 31 December 2010
Revenue		
Medical Centres	**144.7**	137.5
Pathology	**384.3**	364.0
Imaging	**153.1**	145.1
Health Technology	**24.6**	24.5
Corporate	**0.8**	3.0
Intersegment	**(21.3)**	(18.4)
Total	**686.2**	**655.7**
EBITDA		
Medical Centres	**79.0**	74.5
Pathology	**61.3**	55.3
Imaging	**26.9**	21.1
Health Technology	**9.5**	9.7
Corporate	**(9.9)**	(8.2)
Total	**166.8**	**152.4**
Margin		
Medical Centres	**54.6%**	54.2%
Pathology	**16.0%**	15.2%
Imaging	**17.6%**	14.5%
Health Technology	**38.6%**	39.6%
Total	**24.3%**	**23.2%**

Medical Centres

EBITDA generated for the six months to 31 December 2011 has grown 6% over the prior corresponding period (up from $74.5m to $79.0m). EBITDA/Revenue margins have improved 40bps over the prior corresponding period (up from 54.2% to 54.6%). Revenue has grown by 5.2% over the prior corresponding period.

Patient numbers at the 56 large-scale medical centres increased 13% on the prior corresponding period and increased 8% in total when the smaller ex-Symbion medical centres are included. GP service fee income increased by 6% on the prior corresponding period, reflecting a slightly reduced average fee per patient. The Productivity Commission Report, issued January 2012, indicates that the number of patients deferring visits to a GP, due to affordability, has risen from 6.4% to 8.7%. Primary is currently rolling back the remaining co-payments in its large scale centres to improve access for patients.

57 GPs commenced practising at medical centres in the six months. One further new medical centre is planned to be opened by 30 June 2012.

Pathology

EBITDA generated for the six months to 31 December 2011 has grown 11% over the prior corresponding period (up from $55.3m to $61.3m). EBITDA/Revenue margins have improved 80bps over the prior corresponding period (up from 15.2% to 16.0%). Organic revenue has grown by 5.6% over the prior corresponding period, and 5.6% for the past cumulative twelve months.

The Pathology division is showing revenue and earnings gains as it moves into a period of more certainty following the Memorandum of Understanding announced by the Government effective 1 July 2011, and post deregulation of the licensed collection centre scheme.

Imaging

EBITDA generated for the six months to 31 December 2011 has grown 27% over the prior corresponding period (up from $21.1m to $26.9m). EBITDA/Revenue margins have improved 310bps over the prior corresponding period (up from 14.5% to 17.6%). Revenue has grown by 5.5% over the prior corresponding period.

The Imaging division is starting to realise the benefits of its equipment and information technology investment program, together with the recruitment and retention of leading radiology expertise on a fee-for-service model. The division has been awarded/retained a number of hospital contracts over the period and the outlook is one of further improvement.

Health Technology

Health Technology reported revenue growth of 0.5% in the period to $24.6m. EBITDA was $9.5m compared to $9.7m for the prior corresponding period. Subscription renewal rates remain high for all software products.

Debt and interest expense

On 21 October 2011 Primary completed financial close on the refinancing of Primary's syndicated bank debt facility, which was due to mature in December 2012.

The $1.02bn refinancing provides an extended bank debt maturity profile for Primary as follows:

- $770m three year four month non-amortising facility, maturing February 2015;
- $100m three year four month revolving working capital facility, maturing February 2015;
- $150m five year non-amortising facility, maturing October 2016.

Margins payable by Primary have been reduced. Interest expense is anticipated to reduce in 2HFY2012 to $39m from $43.6m in the six months to 31 December 2011.

Amortisation of Borrowing Costs

Unamortised borrowing costs on the expiring syndicated bank facility of $8.5m ($5.9m after tax) were charged to the profit and loss account and included in amortisation of borrowing costs of $12.5m in the period, upon the early refinance of Primary's syndicated bank debt. Amortisation of borrowing costs expense is expected to be approximately $2.25m for the six months to 30 June 2012.

Taxation

The effective tax rate on operating earnings for the period was 29.6%.

Dividend

The interim dividend will be 5.0 cents per share fully franked. Primary offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) with nil discount (31 December 2010 – 1% discount).

Outlook

Primary is operating in line with its trading expectations for the Group for FY2012. The successful early refinancing of Primary's bank debt and a stable regulatory environment will ensure that Primary's focus is on delivering organic revenue and earnings growth across the Group.

Primary confirms its earlier earnings guidance for FY2012 of $120-$125m Net Profit After Tax (excluding $5.9m after tax charge for unamortised borrowing costs regarding early re-finance of bank debt). Underlying this guidance is an EBITDA range of $345 - $355m, with Primary historically having a minimum EBITDA split of 47.5%/52.5% between the first and second six months of each financial year.

Attachment A – Interim Financial Report
For the Half Year ended 31 December 2011

CONTENTS	**PAGE**

Directors' Report
For the Half Year ended 31 December 2011

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 2011.

Directors

The Directors of Primary Health Care Limited during the half year ended 31 December 2011 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. Errol Katz
- Dr. Paul Jones
- Mr. Andrew Kenneth Duff (appointed 7 October 2011)
- Mr. James Bateman (appointed 7 October 2011)
- Mr. Henry Bateman (appointed 7 October 2011)

Results

Key features of the Half Year are:

- EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) growth of 9.5% to $166.8m (2010: $152.4m);
- Net Profit After Tax $46.3m (2010: $20.3m);
- EBITDA growth of Medical Centres 6%, Pathology 11% and Imaging 27% over prior corresponding period;
- Margin growth of Medical Centres 40bps, Pathology 80bps and Imaging 310bps over prior corresponding period;
- Successful early refinance of $1.02bn syndicated bank debt;
- 5 cents per share interim dividend fully franked (2010: 3 cents).

The Directors have included the additional line item EBITDA in the Income Statement as such presentation is necessary, in the Directors' view, to be relevant to a full understanding of the entity's financial performance.

Dividend

In respect of the Half Year ended 31 December 2011, an interim dividend of 5.0 cents per share has been declared, fully franked (31 December 2010: 3.0 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 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX: 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 2011, 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 2012

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX: 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

Independent Auditor's 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 2011, the income statement, statement of comprehensive income, the statement of cash flows 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 5 to 22.

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 Primary Health Care Limited's financial position as at 31 December 2011 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Primary Health Care Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 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 2011 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 2012

Directors' declaration
For the Half Year ended 31 December 2011

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 2012

Income statement

For the Half Year ended 31 December 2011

	Note	2011 $000	2010 $000
Revenue	3	**686,182**	655,674
Employee benefits expense		**289,843**	287,704
Property expenses		**82,743**	71,358
Consumables		**67,899**	67,256
Other expenses		**78,866**	76,990
EBITDA		**166,831**	152,366
Depreciation		**32,049**	29,708
Amortisation of intangibles		**11,604**	10,568
EBIT		**123,178**	112,090
Interest expense		**43,611**	43,464
Amortisation of borrowing costs	4	**12,486**	4,149
Non-recurring items	5	**-**	34,700
Profit before tax		**67,081**	29,777
Income tax expense	6	**19,783**	8,511
Profit for the period		**47,298**	21,266
Attributable to:			
Equity holders of Primary Health Care Limited		**46,311**	20,265
Non-controlling interest		**987**	1,001
Profit for the period		**47,298**	21,266

Earnings per share (Consolidated)	Note	2011 Cents per share	2010 Cents per share
Basic earnings per share	12	**9.3**	4.1
Diluted earnings per share	12	**9.3**	4.1

Notes to the financial statements are included on pages 12 to 22

Statement of comprehensive income
For the Half Year ended 31 December 2011

	2011 $000	2010 $000
Profit for the period	**47,298**	21,266
Other comprehensive income		
Exchange gain (loss) on translating foreign operations	**214**	(489)
Fair value (loss) on available for sale financial assets	**(543)**	(475)
Fair value (loss) on cash flow hedges	**(9,080)**	-
Income tax on other comprehensive income	**2,887**	142
Other comprehensive income for the period	**(6,522)**	(822)
Total comprehensive income for the period	**40,776**	20,444
Attributable to:		
Equity holders of Primary Health Care Limited	**39,789**	19,443
Non-controlling interest	**987**	1,001
	40,776	20,444

Notes to the financial statements are included on pages 12 to 22

Balance sheet

As at	Note	31 December 2011 $000	30 June 2011 $000
Current assets			
Cash		**44,480**	43,252
Income tax receivable		**2,634**	-
Receivables		**162,576**	156,701
Other financial assets		**1,009**	798
Consumables		**26,552**	25,611
Total current assets		**237,251**	226,362
Non-current assets			
Receivables		**1,905**	1,957
Property, plant and equipment		**403,405**	397,880
Goodwill	7	**3,113,560**	3,081,598
Other intangible assets		**78,321**	82,372
Other financial assets		**1,268**	1,168
Deferred tax asset		**37,705**	34,317
Total non-current assets		**3,636,164**	3,599,292
Total assets		**3,873,415**	3,825,654
Current liabilities			
Payables		**121,646**	122,503
Tax liabilities		**3,306**	2,220
Provisions	8	**46,442**	49,501
Interest bearing liabilities	9	**3,545**	3,754
Other financial liabilities		**4,717**	-
Total current liabilities		**179,656**	177,978
Non-current liabilities			
Payables		**651**	4,258
Provisions	8	**23,953**	25,198
Interest bearing liabilities	9	**1,135,878**	1,113,831
Other financial liabilities		**4,363**	-
Total non-current liabilities		**1,164,845**	1,143,287
Total liabilities		**1,344,501**	1,321,265
Net assets		**2,528,914**	2,504,389
Equity			
Issued capital	11	**2,346,009**	2,337,758
Reserves		**1,358**	7,380
Retained profits		**176,215**	154,251
Equity attributable to equity holders of the parent		**2,523,582**	2,499,389
Non-controlling interest		**5,332**	5,000
Total equity		**2,528,914**	2,504,389

Notes to the financial statements are included on pages 12 to 22

Cash flow statement

For the Half Year ended 31 December 2011

	Note	**31 December 2011 $000**	31 December 2010 $000
Cash flows from operating activities			
Receipts from customers		**701,122**	690,541
Payments to suppliers and employees		**(541,165)**	(547,623)
Payments against non employee provisions		**(9,697)**	(10,561)
Net income tax paid		**(11,100)**	(3,779)
Interest received		**360**	522
Interest paid		**(50,663)**	(41,797)
Dividend received		**461**	1,795
Net cash provided by operating activities	13(b)	**89,318**	89,098
Cash flows from investing activities			
Payments for property plant and equipment		**(39,133)**	(54,016)
Payments for businesses purchased	13(e)	**(37,962)**	(42,116)
Payments for subsidiaries		**(1,000)**	-
Payments for other intangibles		**(5,000)**	(9,241)
Payments for investments		**(115)**	(2,439)
Proceeds from the sale of investments		**-**	1,223
Net cash (used in) investing activities		**(83,210)**	(106,589)
Cash flows from financing activities			
Proceeds from issues of shares		**200**	297
Payments for share issue costs		**(24)**	(312)
Proceeds from borrowings		**80,000**	242,086
Payments for debt issue costs		**(10,600)**	(6,037)
Repayment of interest bearing liabilities		**(57,457)**	(173,848)
Dividends paid		**(16,926)**	(34,325)
Net cash (used in) provided by financing activities		**(4,807)**	27,861
Net increase in cash held		**1,301**	10,370
Cash at the beginning of the period		**43,252**	25,812
Effect of exchange rate movements on cash held in foreign currencies		**(73)**	(80)
Cash at the end of the period	13(a)	**44,480**	36,102

Notes to the financial statements are included on pages 12 to 22

Statement of changes in equity
For the Half Year ended 31 December 2011

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 2011	**2,337,758**	**(1,072)**	**-**	**(360)**	**8,812**	**154,251**	**2,499,389**	**5,000**	**2,504,389**
Profit for the period	-	-	-	-	-	46,311	**46,311**	987	**47,298**
Exchange differences arising on translation of foreign operations	-	-	-	214	-	-	**214**	-	**214**
Fair value/(loss) on available for sale investments	-	(543)	-	-	-	-	**(543)**	-	**(543)**
Fair value (loss) on cash flow hedges	-	-	(9,080)	-	-	-	**(9,080)**	-	**(9,080)**
Income tax relating to components of other comprehensive income	-	163	2,724	-	-	-	**2,887**	-	**2,887**
Total comprehensive income	**-**	**(380)**	**(6,356)**	**214**	**-**	**46,311**	**39,789**	**987**	**40,776**
Payment of dividends	-	-	-	-	-	(24,347)	**(24,347)**	(655)	**(25,002)**
Share based payment	-	-	-	-	500	-	**500**	-	**500**
Movement in share capital (Note 11)	8,251	-	-	-	-	-	**8,251**		**8,251**
Balance at 31 December 2011	**2,346,009**	**(1,452)**	**(6,356)**	**(146)**	**9,312**	**176,215**	**2,523,582**	**5,332**	**2,528,914**
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
Exchange differences arising on translation of foreign operations	-	-	-	(489)	-	-	(489)	-	(489)
Fair value/(loss) on available for sale investments	-	(476)	-	-	-	-	(476)	-	(476)
Income tax relating to components of other comprehensive income	-	143	-	-	-	-	143	-	143
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

Notes to the financial statements are included on pages 12 to 22

Statement of changes in equity

For the Half Year ended 31 December 2011

Dividends	**Cents per share 2011**	Cents per share 2010	**31 December 2011 $000**	31 December 2010 $000
Recognised amounts				
Final dividend – previous financial year	**5.0**	10.0	**24,873**	48,120
Dividend forgone under the Bonus Share Plan	**-**	-	**(526)**	(1,083)
Total dividends paid	**5.0**	10.0	**24,347**	47,037
Unrecognised amounts				
Interim dividend - current financial period	**5.0**	3.0		

All dividends are fully franked at the corporate income tax rate (2011: 30%, 2010: 30%). It is proposed to pay a fully franked interim dividend of 5.0 cents. The dividend record date is 30 March 2012 and payment date is proposed as 16 April 2012. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP), operating with no discount (31 December 2010: 1.0% discount). The last date for the receipt of an election notice for participation in these plans is 30 March 2012.

Notes to the financial statements are included on pages 12 to 22

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 2011 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 2011 annual financial report for the financial year ended 30 June 2011. These accounting policies are consistent with Australian 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.

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 consolidated entity's medical centres.

Pathology operations – This division provides pathology services.

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

Other – This division provides corporate support to all other operating segments.

Inter-segment sales

All inter-segment 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 2011	Medical Centres $000	Pathology $000	Imaging $000	Health Technology $000	Other $000	Total $000
Revenue	**144,766**	**384,274**	**153,073**	**24,597**	**820**	**707,530**
Intersegment sales	(13,987)	-	-	(7,361)	-	(21,348)
Revenue including share of net profits of associates	**130,779**	**384,274**	**153,073**	**17,236**	**820**	**686,182**
EBITDA	**78,979**	**61,322**	**26,946**	**9,547**	**(9,963)**	**166,831**
Depreciation	8,243	7,527	15,290	616	373	32,049
Amortisation	3,256	2,700	1,539	3,805	304	11,604
EBIT	**67,480**	**51,095**	**10,117**	**5,126**	**(10,640)**	**123,178**
Interest expense	-	-	-	-	43,611	43,611
Amortisation of borrowing costs	-	-	-	-	12,486	12,486
Profit before tax	**67,480**	**51,095**	**10,117**	**5,126**	**(66,737)**	**67,081**

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
Interest expense	-	-	-	-	43,464	43,464
Amortisation of borrowing costs	-	-	-	-	4,149	4,149
Non recurring items	12,331	7,093	9,608	88	5,580	34,700
Profit before tax	50,714	38,304	(2,939)	6,159	(62,461)	29,777

3. Revenue	31 December 2011 $000	31 December 2010 $000
Trading revenue	**685,361**	652,555
Share of net profits of associates accounted for using the equity method	**-**	97
Other revenue		
Dividend received from Pan Pharmaceutical Liquidator	**461**	1,715
Interest revenue	**360**	522
Profit on sale of investments	**-**	785
	686,182	655,674

4. Amortisation of borrowing costs

Amortisation of:		
Syndicated debt borrowing costs	**3,417**	3,841
Retail bond borrowing costs	**615**	308
Costs written off re expiring facilities	**8,454**	-
	12,486	4,149

5. 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

6. 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	**67,081**	29,777
Income tax calculated at 30% (2010: 30%)	**20,124**	8,933
Tax effect of amounts which are not (taxable) deductible in calculating taxable income:		
Research and development allowance	**(877)**	(360)
Share-based payments expense	**150**	240
Acquisition-related costs	**584**	638
Amortisation	**622**	-
Other	**247**	-
	20,850	9,451
Over provision in prior years	**(1,067)**	(940)
	19,783	8,511

7. Goodwill	**31 December 2011 $000**	30 June 2011 $000	31 December 2010 $000
Opening balance	**3,081,598**	2,999,778	2,999,778
Acquisition of subsidiaries	**-**	4,181	-
Acquisition of businesses	**31,962**	77,639	37,534
	3,113,560	3,081,598	3,037,312

8. Provisions	**31 December 2011 $000**	30 June 2011 $000
(a) Current		
Provision for employee benefits	**38,897**	37,259
Self insurance provision	**4,500**	4,630
Restructuring and onerous contract provision	**3,045**	7,612
	46,442	49,501
(b) Non-current		
Provision for employee benefits	**22,337**	22,812
Self insurance provision	**1,616**	2,386
	23,953	25,198

(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.

(iii) Restructuring and onerous contract provision

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

9. Interest bearing liabilities	31 December 2011 $000	30 June 2011 $000
(a) Current		
Gross bank loan	**2,236**	2,141
Finance lease liabilities	**1,309**	1,613
	3,545	3,754
(b) Non-current		
Gross bank loan	**995,331**	973,327
Unamortised borrowing costs	**(13,999)**	(15,885)
Bank Loan at amortised cost	**981,332**	957,442
Retail bonds	**152,274**	152,274
Finance lease liabilities	**2,272**	4,115
	1,135,878	1,113,831

On 21 October 2011 Primary completed financial close on the refinancing of the Group's syndicated bank debt facility, which was due to mature in December 2012.

The $1.02bn refinancing provides an extended bank debt maturity profile for Primary as follows:

- A $770m three year four month non-amortising facility, maturing February 2015;
- A $100m three year four month revolving working capital facility, maturing February 2015;
- A $150m five year non-amortising facility, maturing October 2016.

10. Net tangible asset backing	31 December 2011	30 June 2011
Net tangible asset backing per share	**($1.33)**	($1.33)

11. Issued Capital	**No. of Shares December 2011 000's**	No. of Shares June 2011 000's	**31 December 2011 $000**	30 June 2011 $000
Opening balance	**497,420**	491,366	**2,357,623**	2,338,443
Exercise of share options	**50**	313	**200**	411
Transfer from share based payments reserve	**-**	-	**-**	236
Shares issued via Dividend Reinvestment Plan	**2,691**	5,416	**8,075**	18,554
Shares issued via Bonus Share Plan	**175**	325	**-**	-
Capital raising/share issue costs, net of tax	**-**	-	**(24)**	(21)
Closing balance	**500,336**	497,420	**2,365,874**	2,357,623
Reverse acquisition adjustment (1994)			**(19,865)**	(19,865)
Closing balance – Consolidated			**2,346,009**	2,337,758

12. Earnings per share

Earnings	**31 December 2011 $000**	31 December 2010 $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	**46,311**	20,265

Weighted average number of shares	**31 December 2011 000's**	31 December 2010 000's
The weighted average number of shares used in the calculation of basic earnings per share	**498,647**	493,372
Potential ordinary shares [1]	**54**	162
The weighted average number of shares used in the calculation of diluted earnings per share	**498,701**	493,534

[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 2011 $000**	31 December 2010 $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 period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash	**44,480**	36,102

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

Profit attributable to equity holders	**46,311**	20,265
Depreciation of plant and equipment	**32,049**	29,708
Amortisation of intangibles	**11,604**	10,568
Amortisation of borrowing costs	**12,486**	3,610
Share based payments expense	**500**	800
Non-controlling Interest	**987**	1,001
Profit on sale of other investments	**-**	(785)
Increase (decrease) in liabilities;		
Trade payables and accruals	**(3,929)**	(7,158)
Provisions	**(4,011)**	15,597
Tax balances	**2,866**	5,505
Decrease (increase) in assets;		
Investments in associates	**-**	(17)
Consumables	**(941)**	(2,320)
Receivables and prepayments	**(8,604)**	12,324
Net cash provided by operating activities	**89,318**	89,098

(c) Non cash investing and financing

During the period 2,691,498 (2010: 4,183,730) and 175,378 (2010: 310,116) 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 2011 $000**	30 June 2011 $000
Current		
Secured Loan facility		
Amount used	**2,237**	2,141
Amount unused	**-**	-
Non Current		
Secured Syndicated Debt facilities		
Amount used	**983,863**	885,726
Amount unused	**36,137**	38,137
Secured Bilateral multi-option facility		
Amount used	**-**	75,000
Amount unused	**-**	-
Secured Loan facility		
Amount used	**11,458**	12,601
Amount unused	**6,305**	5,350

Amounts unused on non current facilities are able to be drawn during the course of the ordinary working capital cycle of the Group.

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 2011 $000**	31 December 2010 $000
Fair value of identifiable net assets acquired		
Health related practices	**-**	-
Controlled entities	**-**	-
	-	-
Goodwill		
Health related practices	**31,962**	37,534
Controlled entities	**-**	-
	31,962	37,534
Consideration – cash paid to acquire businesses		
Health related practices	**31,962**	37,534
Controlled entities	**1,000**	-
Decrease in payables relating to acquisitions	**5,000**	4,582
	37,962	42,116
Cash paid for acquisitions	**37,962**	42,116
Less cash acquired	**-**	-
Net payments for the purchase of businesses	**37,962**	42,116

14. Contingent assets

There were no contingent assets as at 31 December 2011.

15. Contingent liabilities	31 December 2011 $000	30 June 2011 $000	31 December 2010 $000
Treasury bank guarantees			
Statutory requirement	**17,897**	17,897	16,961
Other	**7,042**	5,011	4,423
	24,939	22,908	21,384

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.