Results for announcement to the market
Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2012

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2012

$000	% Change	31 December 2012 Total	31 December 2011 Total
Revenue	**5%**	**720,743**	686,182
EBITDA		**186,112**	166,831
Depreciation		**30,505**	32,049
EBITA		**155,607**	134,782
Interest expense		**37,677**	43,611
Amortisation of borrowing costs		**2,100**	12,486
Amortisation of intangibles		**13,960**	11,604
Income tax expense		**31,146**	19,783
Profit for the period after tax	**50%**	**70,724**	47,298
Attributable to non-controlling interest		**1,191**	987
Profit for the period after tax attributable to equity holders	**50%**	**69,533**	46,311

Cents per share	2012 Total	2011 Total
Basic and diluted earnings per share	**13.8**	9.3
Final dividend	**N/A**	N/A
Interim dividend [1, 2]	**6.5**	5.0
	6.5	5.0

[1] All dividends are fully franked at the corporate income tax rate (2012: 30%, 2011: 30%).
[2] The record date for determining entitlement to the interim dividend is 22 March 2013 and is payable on 8 April 2013. The Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) will operate with nil discount (31 December 2011: nil discount). The last date for the receipt of an election notice for participation in these plans is 22 March 2013.

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2012

Summary

The Directors of Primary Health Care Limited ("Primary") announce the results for the six months ended 31 December 2012. Key points of the half year results are:

- EBITDA up 11.6% to $186.1m (2011: $166.8m);
- Net Profit After Tax up 50% to $69.5m (2011: $46.3m);
- EPS up 48% to 13.8 cent per share (2011: 9.3cps);
- Margins up - Medical Centres 80 bps, Pathology 100 bps and Imaging 500 bps over prior corresponding period;
- 46% improvement in group cash flows from operating activities to $130.3m; and
- Interim dividend up 30% to 6.5 cents per share fully franked (2012: 5.0 cents).

Operating overview

Primary has delivered a strong trading result for 1H FY2013 with 11.6% EBITDA growth, 50% Net Profit after Tax growth and 48% EPS growth.

This organic growth has been driven by both revenue and margin gains. The strength of the trading result is reflected by the following key indicators:

- Medical Centres EBITDA growth of 9% in the 58 large-scale centres;
- Medical Centres margin up 80 bps to 55.4%;
- Pathology EBITDA growth of 13% to $69.5m and organic revenue growth of 6.6%;
- Pathology EBITDA margin 17.0% up from 16.0% for 1H FY2012;
- Imaging EBITDA growth of 30% to $35.0m; and
- Imaging EBITDA margin up 500 bps to 22.6%.

Complementing this strong trading result, free cash-flow has improved significantly. Net cash provided by operating activities improved by 46% to $130m in 1H FY2013 compared to 1H FY2012. During the period there was a 97.5% conversion of EBITDA into cash.

Interest rate hedging in place for FY2013, FY2014 and FY2015 which combined with an improving debt/EBITDA ratio will continue to decrease interest expense and consolidate EPS growth.

Outlook

Primary will continue to focus on its core business model over 2H FY2013, namely:

- organic revenue growth gains in an industry with strong underlying demand;
- margin gains as a result of revenue gains, economies of scale and operating efficiencies;
- maintain high quality extensive infrastructure footprint with significant growth capacity;
- provide low cost, high quality health care services to more Australians; and
- consider small bolt-on acquisitions, appropriately priced.

EBITDA for FY2013 is expected to be in the range of $370m-$380m resulting in EPS growth of 20%-25%.

Segment analysis

$m	Six months 31 December 2012	Six months 31 December 2011
Revenue		
Medical Centres	**151.6**	144.7
Pathology	**409.5**	384.3
Imaging	**154.9**	153.1
Health Technology	**18.8**	17.2
Corporate	**0.5**	0.8
Intersegment	**(14.6)**	(13.9)
Total	**720.7**	**686.2**
EBITDA		
Medical Centres	**84.0**	79.0
Pathology	**69.5**	61.3
Imaging	**35.0**	26.9
Health Technology	**9.7**	9.5
Corporate	**(12.1)**	(9.9)
Total	**186.1**	**166.8**
Margin		
Medical Centres	**55.4%**	54.6%
Pathology	**17.0%**	16.0%
Imaging	**22.6%**	17.6%
Health Technology	**51.6%**	55.2%
Total	**25.8%**	**24.3%**

Medical Centres

EBITDA generated for the six months to 31 December 2012 has grown 6.3% over the prior corresponding period (up from $79.0m to $84.0m). EBITDA/Revenue margins have improved 80 bps over the prior corresponding period (up from 54.6% to 55.4%).

Revenue has grown by 4.8% over the prior corresponding period. Revenue and EBITDA in the 58 large-scale centres grew by 9%. GP Patient numbers continue to be somewhat subdued consistent with the cautious economic mood. Non-GP services grew strongly, reflecting the maturing profile of the Primary large-scale medical centres.

One new medical centre opened in the period and no further new centres are planned to open by 30 June 2013.

Pathology

EBITDA generated for the six months to 31 December 2012 has grown 13% over the prior corresponding period (up from $61.3m to $69.5m). EBITDA/Revenue margins have improved 100 bps over the prior corresponding period (up from 16.0% to 17.0%). Organic revenue has grown by 6.6% over the prior corresponding period.

Collection centre rental increases occurred on the de-regulation of collection centre licences in July 2010, but have moderated significantly over time. The announced review of collection centre regulation may provide upside to providers.

The funding adjustment of approximately 1.3% under the Memorandum of Understanding with the Federal Government took effect on 1 January 2013, and was in line with Primary's expectations.

Imaging

EBITDA generated for the six months to 31 December 2012 has grown 30% over the prior corresponding period (up from $26.9m to $35.0m). EBITDA/Revenue margins have improved 500 bps over the prior corresponding period (up from 17.6% to 22.6%). Gross billings grew by 5% over the prior corresponding period.

The Imaging division is now realising 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. Primary's site-by - site focus on costs is also an important part of the division's continued improvement.

Health Technology

Health Technology revenue grew by 9% in the period to $18.8m. EBITDA was $9.7m compared to $9.5m for the prior corresponding period.

Primary is committed to retain and invest in this business.

Debt and interest expense

Primary has the following bank debt facility in place:
- $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, excluding amortisation of borrowing costs, is anticipated to reduce in 2H FY2013 to $34.5m from $37.7m in the six months to 31 December 2012.

Amortisation of borrowing costs

Amortisation of borrowing costs expense was $2.1m for the six months to 31 December 2012. In the prior corresponding period 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.

Taxation

The effective tax rate on operating earnings for the period was 30.6%. Acquisitions costs (legal costs, stamp duty and commissions) associated with the purchase of practices are expensed in the period for accounting purposes but not deductible for tax purposes.

Dividend

The interim dividend will be 6.5 cents per share fully franked (31 December 2011: 5.0 cents) payable on 8 April 2013. Primary offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) with nil discount (31 December 2011: nil discount).

Attachment A – Interim Financial Report
For the Half Year ended 31 December 2012

Directors' Report
For the Half Year ended 31 December 2012

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 2012.

Directors

The Directors of Primary Health Care Limited during the half year ended 31 December 2012 and up to the date of this report were:

- Mr. Robert Ferguson
- Dr. Edmund Bateman
- Mr. Brian Ball
- Dr. Errol Katz
- Dr. Paul Jones
- Mr. Andrew Duff
- Mr. James Bateman
- Mr. Henry Bateman
- Ms. Arlene Tansey (from 31 August 2012)
- Mr. John Crawford (until 30 November 2012)

Results

Key features of the Half Year results are:

- EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) growth of 11.6% to $186.1m (2011: $166.8m);
- Net Profit After Tax $69.5m (2011: $46.3m);
- EBITDA growth of Medical Centres 6%, Pathology 13% and Imaging 30% over prior corresponding period;
- Margin growth of Medical Centres 80 bps, Pathology 100 bps and Imaging 500 bps over prior corresponding period;
- 6.5 cents per share interim dividend fully franked (2011: 5 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 2012, an interim dividend of 6.5 cents per share has been declared, fully franked (31 December 2011: 5.0 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 6 February 2013

Auditor's Independence Declaration
For the half year ended 31 December 2012

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 2012, 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

Stephen Gustafson
Partner
Chartered Accountants
Sydney, 6 February 2013

Deloitte.

Deloitte Touche Tohmatsu
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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 2012, 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 2012 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 2012 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

Stephen Gustafson
Partner
Chartered Accountants
Sydney, 6 February 2013

Directors' declaration
For the Half Year ended 31 December 2012

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, 6 February 2013

Income statement
For the Half Year ended 31 December 2012

	Note	**31 December 2012 $000**	31 December 2011 $000
Revenue	3	**720,743**	686,182
Employee benefits expense		**293,313**	289,843
Property expenses		**88,136**	82,743
Consumables		**71,567**	67,899
Other expenses		**81,615**	78,866
EBITDA		**186,112**	166,831
Depreciation		**30,505**	32,049
Amortisation of intangibles		**13,960**	11,604
EBIT		**141,647**	123,178
Interest expense		**37,677**	43,611
Amortisation of borrowing costs	4	**2,100**	12,486
Profit before tax		**101,870**	67,081
Income tax expense	5	**31,146**	19,783
Profit for the period		**70,724**	47,298
Attributable to:			
Equity holders of Primary Health Care Limited		**69,533**	46,311
Non-controlling interest		**1,191**	987
Profit for the period		**70,724**	47,298

Earnings per share (Consolidated)	Note	**2012 Cents per share**	2011 Cents per share
Basic and diluted earnings per share	12	**13.8**	9.3

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

Statement of comprehensive income
For the Half Year ended 31 December 2012

	31 December 2012 $000	31 December 2011 $000
Profit for the period	**70,724**	47,298
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange gain (loss) on translating foreign subsidiaries	**17**	214
Fair value gain (loss) on available for sale financial assets	**2,226**	(543)
Fair value (loss) on cash flow hedges	**(774)**	(9,080)
Income tax on other comprehensive income	**(436)**	2,887
Other comprehensive income (loss) for the period	**1,033**	(6,522)
Total comprehensive income for the period	**71,757**	40,776
Attributable to:		
Equity holders of Primary Health Care Limited	**70,566**	39,789
Non-controlling interest	**1,191**	987
	71,757	40,776

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

Balance sheet

As at	Note	**31 December 2012 $000**	30 June 2012 $000
Current assets			
Cash		**18,060**	10,432
Income tax receivable		**2,260**	1,301
Receivables		**153,266**	158,645
Consumables		**26,443**	26,075
Total current assets		**200,029**	196,453
Non-current assets			
Receivables		**4,774**	2,853
Property, plant and equipment		**413,560**	405,136
Goodwill	6	**3,181,362**	3,138,713
Other intangible assets		**92,976**	94,023
Other financial assets		**9,795**	5,920
Deferred tax asset		**17,223**	18,849
Total non-current assets		**3,719,690**	3,665,494
Total assets		**3,919,719**	3,861,947
Current liabilities			
Payables		**114,245**	107,657
Tax liabilities		**17,823**	12,150
Provisions	7	**62,238**	61,642
Interest bearing liabilities	8	**2,851**	3,804
Other financial liabilities	9	**10,224**	10,966
Total current liabilities		**207,381**	196,219
Non-current liabilities			
Payables		**3,830**	4,873
Provisions	7	**5,722**	5,618
Interest bearing liabilities	8	**1,072,786**	1,071,828
Other financial liabilities	9	**11,700**	10,296
Total non-current liabilities		**1,094,038**	1,092,615
Total liabilities		**1,301,419**	1,288,834
Net assets		**2,618,300**	2,573,113
Equity			
Issued capital	11	**2,353,617**	2,349,364
Reserves		**(2,329)**	(3,529)
Retained profits		**261,694**	221,951
Equity attributable to equity holders of the parent		**2,612,982**	2,567,786
Non-controlling interest		**5,318**	5,327
Total equity		**2,618,300**	2,573,113

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

Cash flow statement
For the Half Year ended 31 December 2012

	Note	**31 December 2012 $000**	31 December 2011 $000
Cash flows from operating activities			
Receipts from customers		**742,304**	701,122
Payments to suppliers and employees		**(561,126)**	(541,165)
Interest and other cost of finance paid		**(35,630)**	(50,663)
Net income tax paid		**(15,200)**	(11,100)
Payments against restructuring provision		**(265)**	(9,697)
Interest received		**226**	360
Dividend received		**-**	461
Net cash provided by operating activities	13(b)	**130,309**	89,318
Cash flows from investing activities			
Payments for businesses purchased	13(e)	**(42,649)**	(37,962)
Payments for property plant and equipment		**(37,293)**	(39,133)
Payments for other intangibles		**(14,880)**	(5,000)
Payments for investments		**(1,251)**	(115)
Payments for subsidiaries		**-**	(1,000)
Proceeds from sale of property plant and equipment		**597**	-
Net cash (used in) investing activities		**(95,476)**	(83,210)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(106,668)**	(57,457)
Proceeds from borrowings		**105,000**	80,000
Dividends paid		**(25,512)**	(16,926)
Payments for debt issue costs		**-**	(10,600)
Proceeds from issues of shares		**-**	200
Payments for share issue costs		**(25)**	(24)
Net cash (used in) provided by financing activities		**(27,205)**	(4,807)
Net increase in cash held		**7,628**	1,301
Cash at the beginning of the period		**10,432**	43,252
Effect of exchange rate movements on cash held in foreign currencies		**-**	(73)
Cash at the end of the period	13(a)	**18,060**	44,480

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

Statement of changes in equity

For the Half Year ended 31 December 2012

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 2012	**2,349,364**	**610**	**(14,769)**	**1,046**	**9,584**	**221,951**	**2,567,786**	**5,327**	**2,573,113**
Profit for the period	-	-	-	-	-	69,533	**69,533**	1,191	**70,724**
Exchange differences arising on translation of foreign operations	-	-	-	17	-	-	**17**	-	**17**
Fair value gain on available for sale investments	-	2,226	-	-	-	-	**2,226**	-	**2,226**
Fair value (loss) on cash flow hedges	-	-	(5,411)	-	-	-	**(5,411)**	-	**(5,411)**
Loss on cash flow hedges transferred to profit and loss	-	-	4,637	-	-	-	**4,637**	-	**4,637**
Income tax relating to components of other comprehensive income	-	(668)	232	-	-	-	**(436)**	-	**(436)**
Total comprehensive income for the period	**-**	**1,558**	**(542)**	**17**	**-**	**69,533**	**70,566**	**1,191**	**71,757**
Payment of dividends	-	-	-	-	-	(29,790)	**(29,790)**	(1,200)	**(30,990)**
Share based payments	-	-	-	-	167	-	**167**	-	**167**
Movement in share capital (Note 11)	4,253	-	-	-	-	-	**4,253**	-	**4,253**
Balance at 31 December 2012	**2,353,617**	**2,168**	**(15,311)**	**1,063**	**9,751**	**261,694**	**2,612,982**	**5,318**	**2,618,300**
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	-	-	-	2887	-	2887
Total comprehensive income for the period	-	(380)	(6,356)	214	-	46,311	39,789	987	40,776
Payment of dividends	-	-	-	-	-	(24,347)	(24,347)	(655)	(25,002)
Share based payments	-	-	-	-	500	-	500	-	500
Movement in share capital	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

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

Statement of changes in equity
For the Half Year ended 31 December 2012

Dividends	**Cents per share 2012**	Cents per share 2011	**31 December 2012 $000**	31 December 2011 $000
Recognised amounts				
Final dividend – previous financial year	**6.0**	5.0	**30,102**	24,873
Dividend forgone under the Bonus Share Plan	**-**	-	**(312)**	(526)
Total dividends paid	**6.0**	5.0	**29,790**	24,347
Unrecognised amounts				
Interim dividend - current financial period	**6.5**	5.0		

All dividends are fully franked at the corporate income tax rate (2012: 30%, 2011: 30%). The record date for determining entitlement to the interim dividend is 22 March 2013. The dividend is payable on 8 April 2013. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). The last date for an election notice for participation in these plans is 22 March 2013.

The Directors have determined that the DRP and BSP will operate at a nil discount (31 December 2011: nil discount) based on the volume weighted average price ("VWAP") for Primary's fully paid ordinary shares on the eight day trading period commencing one clear trading day after the record date.

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 2012 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 2012 annual financial report for the financial year ended 30 June 2012, with one exception described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Early adoption of AASB119 *Employee Benefits* (September 2011)

The Directors have elected under s.334(5) of the *Corporations Act 2001* to apply Accounting Standard AASB 119 *Employee Benefits* (September 2011) for this financial period, even though the Standard is not required to be applied until annual reporting periods beginning 1 July 2013. The financial impact in the current period is a $0.2m credit to the Income Statement (31 December 2011: $0.1m credit).

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.

2. Segment information (continued)

31 December 2012	Medical Centres $000	Pathology $000	Imaging $000	Health Technology $000	Other $000	Total $000
Revenue	**151,634**	**409,463**	**154,953**	**18,780**	**490**	**735,320**
Intersegment sales	(14,577)	-	-	-	-	(14,577)
Total Revenue	**137,057**	**409,463**	**154,953**	**18,780**	**490**	**720,743**
EBITDA	**84,001**	**69,490**	**35,025**	**9,738**	**(12,142)**	**186,112**
Depreciation	8,352	7,643	13,865	242	402	30,505
Amortisation	3,638	2,885	2,640	3,814	984	13,960
EBIT	**72,011**	**58,962**	**18,520**	**5,682**	**(13,528)**	**141,647**
Interest expense					**37,677**	**37,677**
Amortisation of borrowing costs					**2,100**	**2,100**
Profit before tax	**72,011**	**58,962**	**18,520**	**5,682**	**(53,305)**	**101,870**

31 December 2011	Medical Centres $000	Pathology $000	Imaging $000	Health Technology $000	Other $000	Total $000
Revenue	144,766	384,274	153,073	17,171	885	700,169
Intersegment sales	(13,987)	-	-	-	-	(13,987)
Total Revenue	130,779	384,274	153,073	17,171	885	686,182
EBITDA	78,979	61,322	26,946	9,592	(10,008)	166,831
Depreciation	8,243	7,527	15,290	265	724	32,049
Amortisation	3,256	2,700	1,539	3,446	643	11,604
EBIT	67,480	51,095	10,117	5,881	(11,395)	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	5,881	(67,492)	67,081

Due to an internal restructure, Health Technology no longer charges all other Operating Segments a fee for IT research, development or support. As of 1 July 2012, these costs are borne by the individual Operating Segments. As a result of this restructure, prior period information has been restated to be consistent with the results for the current period.

Notes to the financial statements
For the Half Year ended 31 December 2012

3. Revenue	**31 December 2012 $000**	31 December 2011 $000
Trading revenue	**720,071**	685,228
Other revenue		
Interest	**226**	360
Other	**446**	133
Liquidation distribution received	**-**	461
	720,743	686,182

4. Amortisation of borrowing costs

Amortisation of:		
Syndicated debt borrowing costs	**1,485**	3,417
Retail bond borrowing costs	**615**	615
Costs written off re expiring facilities	**-**	8,454
	2,100	12,486

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	**101,870**	67,081
Income tax calculated at 30% (2011: 30%)	**30,561**	20,124
Tax effect of amounts which are not (taxable) deductible in calculating taxable income:		
Research and development allowance	**(90)**	(877)
Share-based payments	**50**	150
Acquisition-related costs	**947**	584
Other	**45**	869
	31,513	20,850
Over provision in prior years	**(367)**	(1,067)
	31,146	19,783

6. Goodwill	31 December 2012 $000	30 June 2012 $000
Opening balance	**3,138,713**	3,081,598
Acquisition of subsidiaries	**-**	-
Acquisition of businesses	**42,649**	57,115
	3,181,362	3,138,713

7. Provisions

(a) Current		
Provision for employee benefits	**59,493**	58,295
Self insurance provision	**2,128**	3,082
Other	**617**	265
	62,238	61,642

(b) Non-current		
Provision for employee benefits	**2,956**	3,115
Self insurance provision	**2,766**	2,503
	5,722	5,618

(c) Nature and purpose of provisions

(i) Employee benefit provisions

Employee benefit provisions include annual leave and long service leave liabilities. Following the early adoption of AASB119 *Employee Benefits* the annual leave provision and long service leave provision are 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.

8. Interest bearing liabilities	**31 December 2012 $000**	30 June 2012 $000
(a) Current		
Gross bank loan	**2,441**	2,337
Finance lease liabilities	**410**	1,467
	2,851	3,804
(b) Non-current		
Gross bank loans	**929,028**	930,274
Retail bonds	**152,274**	152,274
Finance lease liabilities	**1,476**	1,372
	1,082,778	1,084,920
Unamortised borrowing costs	**(9,992)**	(12,092)
	1,072,786	1,071,828

9. Other financial liabilities		
Current	**10,224**	10,966
Non-current	**11,700**	10,296
	21,924	21,262

Other financial liabilities represent the hypothetical cost to the Group as at 31 December 2012 to close out all of the Group's cash flow hedges. The current/non-current classification of the other financial liability is determined by the maturity dates of the Group's individual cash flow hedges.

The group does not enter or hold derivative financial instruments for trading purposes.

10. Net tangible asset backing		
Net tangible asset backing per share	**($1.31)**	($1.33)

11. Issued Capital	No. of Shares December 2012 000's	No. of Shares June 2012 000's	31 December 2012 $000	30 June 2012 $000
Opening balance	**501,717**	497,420	**2,369,229**	**2,357,623**
Exercise of share options	**-**	120	**-**	**230**
Transfer from share based payments reserve	**-**	-	**-**	**112**
Shares issued via Dividend Reinvestment Plan	**1,180**	3,840	**4,278**	**11,287**
Shares issued via Bonus Share Plan	**86**	337	**-**	**-**
Capital raising/share issue costs, net of tax	**-**	-	**(25)**	**(23)**
Closing balance	**502,983**	501,717	**2,373,482**	**2,369,229**
Reverse acquisition adjustment (1994)			**(19,865)**	**(19,865)**
Closing balance – Consolidated			**2,353,617**	**2,349,364**

12. Earnings per share

Earnings	31 December 2012 $000	31 December 2011 $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	**69,533**	46,311

Weighted average number of shares	31 December 2012 000's	31 December 2011 000's
The weighted average number of shares used in the calculation of basic earnings per share	**502,254**	498,647
Potential ordinary shares [1]	**-**	54
The weighted average number of shares used in the calculation of diluted earnings per share	**502,254**	498,701

[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 2012 $000**	31 December 2011 $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	**18,060**	44,480

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

Profit attributable to equity holders	**69,533**	46,311
Depreciation of plant and equipment	**30,505**	32,049
Amortisation of intangibles	**13,960**	11,604
Amortisation of borrowing costs	**2,100**	12,486
Share based payments expense	**167**	500
Non-controlling Interest	**1,191**	987
Profit on sale of other investments	**129**	-
Increase (decrease) in liabilities;		
Trade payables and accruals	**2,594**	(3,929)
Provisions	**700**	(4,011)
Tax balances	**6,340**	2,866
Decrease (increase) in assets;		
Consumables	**(368)**	(941)
Receivables and prepayments	**3,458**	(8,604)
Net cash provided by operating activities	**130,309**	89,318

(c) Non cash investing and financing

During the period 1,180,093 (2011: 2,691,498) and 86,147 (2011: 175,378) 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 2012 $000**	30 June 2012 $000
Current		
Secured Loan facility		
Amount used	**2,441**	2,337
Amount unused	**-**	-
Non Current		
Secured Syndicated Debt facilities		
Amount used	**920,000**	920,000
Amount unused	**-**	-
Secured Bilateral multi-option facility		
Amount used	**-**	-
Amount unused	**100,000**	100,000
Secured Loan facility		
Amount used	**9,028**	10,274
Amount unused	**8,624**	7,482

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 2012 $000**	31 December 2011 $000
Fair value of identifiable net assets acquired		
Health related practices	**-**	-
Controlled entities	**-**	-
	-	-
Goodwill		
Health related practices	**42,649**	31,962
Controlled entities	**-**	-
	42,649	31,962
Consideration – cash paid to acquire businesses		
Health related practices	**42,649**	31,962
Controlled entities	**-**	1,000
Decrease in payables relating to acquisitions	**-**	5,000
	42,649	37,962
Cash paid for acquisitions	**42,649**	37,962
Less cash acquired	**-**	-
Net payments for the purchase of businesses	**42,649**	37,962

14. Contingent liabilities	31 December 2012 $000	30 June 2012 $000
Treasury bank guarantees		
Statutory requirement	**18,397**	17,897
Other	**7,151**	6,548
	25,548	24,445

15. 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.