

Results for announcement to the market

Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2012

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Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2012

\$000	% change 2012 vs 2011	2012 Total	2011 Total
Revenue	5.3%	1,392,067	1,322,296
EBITDA		351,059	327,951
Depreciation		62,191	60,968
EBITA		288,868	266,983
Interest expense		82,049	87,875
Amortisation of borrowing costs		14,709	9,210
Amortisation of intangibles		23,675	21,228
Income tax expense		49,493	34,207
Non-recurring items		-	34,700
Profit for the year after tax	49.1%	118,942	79,763
Attributable to non-controlling interest		2,327	1,478
Profit attributable to members of the parent entity	49.0%	116,615	78,285
Cents per share		2012 Total	2011 Total
Basic earnings per share – total ¹		23.3	15.8
Basic earnings per share – excluding non-recurring items		23.3	20.7
Final dividend ^{2,3}		6.0	5.0
Interim dividend ²		5.0	3.0
		11.0	8.0

¹ Diluted earnings per share is materially consistent with basic earnings per share.

² All dividends paid were 100% franked at the corporate income tax rate (2012: 30%; 2011: 30%)

³ The record date for determining entitlement to the final dividend is 21 September 2012 and is payable on 8 October 2012.

Commentary on results

For the year ended 30 June 2012

The Directors of Primary Health Care Limited ("Primary") announce the results for the financial year ended 30 June 2012 ("FY2012"). Key points of the results are:

- Operating EBITDA up 10% to \$351.1m (2011: \$318.6m)
- Net profit after tax up 49% to \$116.6m (2011: \$78.3m)
- Improvements in operating margins for all divisions
- Basic EPS up 47% to 23.3 cents per share (2011: 15.8 cps)
- Final dividend up 20% to 6.0 cps (100% franked) (2011: 5.0 cps)

Operating overview

Primary has delivered a strong trading result for FY2012 with 10% operating EBITDA growth and 47% basic EPS growth.

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

- Medical Centres EBITDA growth of 15% in the 57 large-scale centres
- Medical Centres margin up 50 bps to 55.2%
- Pathology EBITDA growth of 11.6% to \$132.4m and organic revenue growth of 6.1%
- Pathology EBITDA margin for 2H FY2012 17.7%, up from 16.0% for 1H FY2012
- Imaging EBITDA growth of 37% to \$59.4m
- Imaging EBITDA margin up 410 bps to 19.3%

Complementing this strong trading result, free cash-flow has improved significantly in the second six months of FY2012. Net cash provided by operating activities improved by \$68m in FY2012 compared to FY2011.

During the year Primary decided to refinance its debt facility well ahead of its December 2012 maturity. Bank debt of \$1.02bn was refinanced in October 2011 with \$870m now maturing in February 2015 and \$150m now maturing in October 2016. Margins were reduced, and further margin reductions are available on future Debt/EBITDA ratio reductions. Interest rate hedging in place for FY2013, FY2014 and FY2015 will assure decreasing interest expense and consolidate EPS growth.

Outlook

Revenue growth trends continue to be favourable across the business. Primary's model of strong organic revenue growth, supported by incremental margin gains as a result of economies of scale and operating efficiencies, is delivering in accordance with its strategy. All of Primary's divisions are in strong operational shape with well regarded management teams.

Primary is able to look forward to strong growth as a result of the underlying strength of the business, positive industry dynamics, and long term increasing demand for health care services. Primary has a substantial infrastructure footprint in place with significant growth capacity. Primary continues to focus upon its strategy of providing low cost, high quality health care services to more Australians.

Primary expects consolidation to continue within the healthcare industry and small bolt-on acquisitions, appropriately priced, may be available.

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

Commentary on results

For the year ended 30 June 2012

Division analysis

\$m	Year ended 30 June 2012	Year ended 30 June 2011	Six months to 31 December 2011
Operating Revenue			
Medical Centres	290.0	274.6	144.7
Pathology	785.4	740.1	384.3
Imaging	307.9	285.0	153.1
Health Technology	48.7	48.9	24.6
Corporate ¹	1.2	3.0	0.8
Intersegment	(41.1)	(38.7)	(21.3)
Total	1,392.1	1,312.9	686.2
Operating EBITDA			
Medical Centres	160.0	150.4	79.0
Pathology	132.4	118.6	61.3
Imaging	59.4	43.4	26.9
Health Technology	19.9	19.5	9.5
Corporate ²	(20.6)	(13.3)	(9.9)
Total	351.1	318.6	166.8
Margin			
Medical Centres	55.2%	54.7%	54.6%
Pathology	16.9%	16.0%	16.0%
Imaging	19.3%	15.2%	17.6%
Health Technology	40.9%	39.9%	38.6%
Total	25.2%	24.3%	24.3%

Medical Centres

EBITDA for the Medical Centres division was \$160.0m, compared with \$150.4m for the prior year. The EBITDA margin for FY2012 was 55.2%, compared with 54.7% for the prior year. EBITDA contribution from the large-scale centres increased by 15% from \$140m to \$161m. GP patient attendances grew 7% overall and 12% in Primary's large-scale centres.

One new medical centre was opened in FY2012. A total of 76 medical centres, including 57 large-scale Primary centres, are now in operation. One new medical centre is planned to be opened in FY2013. Industry GP patient attendances have shown an improving trend in FY2012 as reflected by Medicare data. This trend has continued in the early part of FY2013.

Pathology

EBITDA for the Pathology division was \$132.4m, compared with \$118.6m for the prior year. The EBITDA margin for FY2012 was 16.9%, compared with 16.0% for the prior year. The Pathology division's revenue and EBITDA improvement in the financial year reflect strong organic revenue growth, combined with a return to more normal patterns of volume growth across the industry.

The five-year Pathology Funding Agreement, signed in April 2011 between the pathology industry and pathology providers, brings increased certainty to the industry. The last two years has seen a significant change in pathology industry dynamics and Primary has been re-positioning its Pathology division to competitively align itself in light of these changes.

Imaging

EBITDA for the Imaging division was \$59.4m, compared with \$43.4m for the prior year. The EBITDA margin for FY2012 was 19.3%, compared with 15.2% for the prior year. The strong results continue the improvement in EBITDA and margin which commenced in 2H FY2011.

Actual exam volumes for FY2012 grew 10.4%. Recruitment and conversion of radiologists to a percentage fee-for-service model, combined with upgraded technology, closing of uneconomical sites, and cost control, are the basis of the Imaging division's improvement.

¹ FY2011 Corporate revenue excludes \$9.4m re net litigation proceeds from operating revenue

² FY2011 Corporate EBITDA excludes \$9.4m re net litigation proceeds from operating EBITDA

Commentary on results

For the year ended 30 June 2012

Health Technology

EBITDA for the Health Technology division was \$19.9m, compared with \$19.5m for the prior year. The EBITDA margin for FY2012 was 40.9% compared with 39.9% for the prior year.

Subscription renewal rates remain high for all general practitioner and specialist software products. HCN is the largest provider of its kind in healthcare IT services in Australia, with leading positions in each of its core markets. The market is undergoing a structural change to a more interconnected eHealth model in which HCN will also play a major role.

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

Margins payable by Primary have been reduced.

During FY2012 Primary has taken advantage of falling interest rates to hedge the majority of its syndicated debt to July 2015 at the following average rates, excluding bank margin:

Financial period	Average fixed rate payable on gross bank loans (excluding margin)
1H FY2013	4.25%
2H FY2013	3.80%
FY2014	3.65%
FY2015	3.30%

In addition, the rate on Primary's Retail Bonds is hedged to its maturity in September 2015 at an all-in rate including margin to bond holders of approximately 8.75%.

Amortisation of borrowing costs

Unamortised borrowing costs on the expiring syndicated bank facility of \$8.5m (\$5.9m after tax) were charged to the income statement and are included in amortisation of borrowing costs of \$14.7m in the period, upon the early refinance of Primary's syndicated bank debt. Amortisation of borrowing costs expense is expected to be approximately \$4.5m for FY2013.

Corporate costs

Revenues comprise interest earned and dividends from the liquidator of Pan Pharmaceuticals Ltd ("Pan"). In FY2011 an amount of \$9.4m for net litigation proceeds was also included in corporate revenue representing net proceeds from the Pan Class Action and other legacy litigation.

Taxation

The effective tax rate on operating earnings for the year was 29.4%.

Dividend

The final dividend will be 6.0 cents per share fully franked, payable on 8 October 2012. The record date for determining entitlement for the final dividend is 21 September 2012.

Income statement

For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Note	\$000	\$000
Revenue	3	1,392,067	1,322,094
Share of net profits of associates accounted for using the equity method		-	202
Employee benefits expense		588,035	572,149
Property expenses		166,863	158,430
Consumables		135,614	133,517
Other expenses		150,496	130,249
EBITDA		351,059	327,951
Depreciation		62,191	60,968
Amortisation		23,675	21,228
EBIT		265,193	245,755
Interest expense		82,049	87,875
Amortisation of borrowing costs		14,709	9,210
Profit before tax and non-recurring items		168,435	148,670
Non-recurring items	4	-	34,700
Profit before tax		168,435	113,970
Income tax expense	5	49,493	34,207
Profit for the year		118,942	79,763
Attributable to:			
Equity holders of Primary Health Care Limited		116,615	78,285
Non-controlling interest		2,327	1,478
Profit for the year		118,942	79,763

		Consolidated	
		2012	2011
Earnings per share (Consolidated)	Note	Cents per share	Cents per share
Basic earnings per share¹	15	23.3	15.8

¹ Diluted earnings per share is materially consistent with basic earnings per share.

Balance sheet

As at 30 June 2012

		Consolidated	
		2012	2011
	Note	\$000	\$000
Current assets			
Cash	18(a)	10,432	43,252
Receivables	6(a)	158,645	156,701
Consumables		26,075	25,611
Other financial assets		4,574	798
Income tax receivable		1,301	-
Total current assets		201,027	226,362
Non-current assets			
Receivables	6(b)	2,853	1,957
Property, plant and equipment	7	405,136	397,880
Goodwill	8	3,138,713	3,081,598
Other intangible assets	9	94,023	82,372
Other financial assets		1,346	1,168
Deferred tax asset		18,849	34,317
Total non-current assets		3,660,920	3,599,292
Total assets		3,861,947	3,825,654
Current liabilities			
Payables		119,807	122,503
Tax liabilities		-	2,220
Provisions	10(a)	61,642	66,828
Interest bearing liabilities	11(a)	3,804	3,754
Other financial liabilities	12	10,966	-
Total current liabilities		196,219	195,305
Non-current liabilities			
Payables		4,873	4,258
Provisions	10(b)	5,618	7,871
Interest bearing liabilities	11(b)	1,071,828	1,113,831
Other financial liabilities	12	10,296	-
Total non-current liabilities		1,092,615	1,125,960
Total liabilities		1,288,834	1,321,265
Net assets		2,573,113	2,504,389
Equity			
Issued capital	14	2,349,364	2,337,758
Reserves	16	(3,529)	7,380
Retained earnings	17	221,951	154,251
Equity attributable to equity holders		2,567,786	2,499,389
Non-controlling interest		5,327	5,000
Total equity		2,573,113	2,504,389

Notes to the Appendix 4E are included on pages 11 to 28

Statement of changes in equity

For the year ended 30 June 2012

	Issued capital	Investment revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Attributable to owners of the parent	Non controlling interest	Total
Consolidated	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$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 year	-	-	-	-	-	116,615	116,615	2,327	118,942
Exchange differences arising on translation of foreign operations	-	-	-	1,406	-	-	1,406	-	1,406
Fair value gain on available for sale investments	-	2,403	-	-	-	-	2,403	-	2,403
Fair value (loss) on cash flow hedges	-	-	(21,099)	-	-	-	(21,099)	-	(21,099)
Income tax relating to components of other comprehensive income	-	(721)	6,330	-	-	-	5,609	-	5,609
Total comprehensive (expense) / income	-	1,682	(14,769)	1,406	-	116,615	104,934	2,327	107,261
Payment of dividends	-	-	-	-	-	(48,915)	(48,915)	(2,000)	(50,915)
Share-based payment	-	-	-	-	884	-	884	-	884
Movement in share capital (Note 14)	11,606	-	-	-	(112)	-	11,494	-	11,494
Balance at 30 June 2012	2,349,364	610	(14,769)	1,046	9,584	221,951	2,567,786	5,327	2,573,113
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 year	-	-	-	-	-	78,285	78,285	1,478	79,763
Exchange differences arising on translation of foreign operations	-	-	-	(699)	-	-	(699)	-	(699)
Gain/(loss) on investments	-	(1,919)	-	-	-	-	(1,919)	-	(1,919)
Income tax relating to components of other comprehensive income	-	576	-	-	-	-	576	-	576
Total comprehensive income	-	(1,343)	-	(699)	-	78,285	76,243	1,478	77,721
Payment of dividends	-	-	-	-	-	(62,901)	(62,901)	(900)	(63,801)
Share based payment	-	-	-	-	1,288	-	1,288	-	1,288
Movement in share capital (Note 14)	19,180	-	-	-	(236)	-	18,944	-	18,944
Balance at 30 June 2011	2,337,758	(1,072)	-	(360)	8,812	154,251	2,499,389	5,000	2,504,389

Notes to the Appendix 4E are included on pages 11 to 28

Statement of changes in equity

For the year ended 30 June 2012

Dividends (Consolidated)	2012 Cents per share	2011 Cents per share	2012 \$000	2011 \$000
Recognised amounts				
Final dividend – previous financial year	5.0	10.0	24,873	48,376
Interim dividend – this financial year	5.0	3.0	25,020	14,850
Dividend forgone under the Bonus Share Plan	-	-	(978)	(325)
	10.0	13.0	48,915	62,901
Unrecognised amounts				
Final dividend - this year	6.0	5.0		

All dividends paid were 100% franked at the corporate income tax rate (2012: 30%; 2011: 30%). The record date for determining entitlement for the final dividend is 21 September 2012. The final dividend is payable on 8 October 2012. 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 21 September 2012.

The Directors have determined that the DRP and BSP will operate at a nil discount (30 June 2011: 1% 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.

Cash flow statement

For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		1,439,905	1,356,098
Payments to suppliers and employees		(1,087,464)	(1,076,432)
Interest and other costs of finance paid		(91,480)	(80,713)
Net income tax paid		(26,096)	(24,727)
Payments against restructuring provision		(7,347)	(16,804)
Interest received		726	1,275
Dividends received		461	1,715
Net cash provided by operating activities	18(b)	228,705	160,412
Cash flows from investing activities			
Payment for property plant and equipment		(79,315)	(99,099)
Payment for businesses purchased	18(e)	(66,014)	(84,912)
Payments for subsidiaries	18(e)	(1,000)	(1,538)
Payment for other intangibles		(26,186)	(20,370)
Payment for investments		(2,270)	(2,439)
Proceeds from the sale of property plant and equipment		1,801	10,485
Proceeds from the sale of investments		176	1,223
Net cash (used in) investing activities		(172,808)	(196,650)
Cash flows from financing activities			
Proceeds from issues of shares		230	411
Payments for share issue costs		(23)	(312)
Proceeds from borrowings		136,000	266,273
Repayment of borrowings and finance lease liabilities		(176,726)	(159,821)
Payment for debt issue costs		(10,600)	(7,545)
Dividends paid		(37,628)	(45,248)
Net cash provided by (used in) financing activities		(88,747)	53,758
Net (decrease) increase in cash held		(32,850)	17,520
Cash at the beginning of the year		43,252	25,812
Effect of exchange rate movements on cash held in foreign currencies		30	(80)
Cash at the end of the year	18(a)	10,432	43,252

Notes to the Appendix 4E are included on pages 11 to 28

Notes to the Appendix 4E

For the year ended 30 June 2012

1. Statement of compliance

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report does not include all of the notes normally included within the annual financial report.

2. Segment information (Consolidated)

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 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 – 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.

Notes to the Appendix 4E

For the year ended 30 June 2012

2. Segment information (Consolidated) (continued)

	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
2012						
Revenue	289,969	785,413	307,926	48,672	1,159	1,433,139
Intersegment sales	(28,283)	-	-	(12,789)	-	(41,072)
Total revenue	261,686	785,413	307,926	35,883	1,159	1,392,067
EBITDA	160,020	132,427	59,354	19,870	(20,612)	351,059
Depreciation	16,328	14,904	29,074	1,215	670	62,191
Amortisation	6,589	5,563	3,034	7,905	584	23,675
EBIT	137,103	111,960	27,246	10,750	(21,866)	265,193
Interest expense						82,049
Amortisation of borrowing costs						14,709
Profit before tax						168,435
Goodwill	1,165,699	1,545,813	362,110	65,091	-	3,138,713
Segment assets excl. goodwill	246,196	197,664	174,646	42,474	62,254	723,234
Consolidated assets	1,411,895	1,744,477	536,756	107,565	62,254	3,861,947
Consolidated liabilities	25,585	107,072	46,253	24,065	1,085,877	1,288,834

Notes to the Appendix 4E

For the year ended 30 June 2012

2. Segment information (Consolidated) (continued)

	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
2011						
Revenue	274,643	740,052	285,026	48,896	12,406	1,361,023
Intersegment sales	(25,770)	-	-	(12,957)	-	(38,727)
Revenue including share of associates	248,873	740,052	285,026	35,939	12,406	1,322,296
EBITDA	150,353	118,639	43,387	19,526	(3,954)	327,951
Depreciation	16,234	15,221	26,822	531	2,160	60,968
Amortisation	6,296	4,210	3,052	6,660	1,010	21,228
EBIT	127,823	99,208	13,513	12,335	(7,124)	245,755
Interest expense						87,875
Amortisation of borrowing costs						9,210
Profit before tax and non recurring items						148,670
Non recurring items	12,331	7,093	9,608	88	5,580	34,700
Profit before tax						113,970
Goodwill	1,115,987	1,545,813	354,707	65,091	-	3,081,598
Segment assets excl. goodwill	242,085	179,638	178,836	41,010	102,487	744,056
Consolidated assets	1,358,072	1,725,451	533,543	106,101	102,487	3,825,654
Consolidated liabilities	18,766	94,256	30,012	4,359	1,173,872	1,321,265

Notes to the Appendix 4E

For the year ended 30 June 2012

		Consolidated
	2012	2011
3. Revenue	\$000	\$000
Trading revenue	1,390,880	1,308,980
Other revenue		
Interest:		
Other entities	726	1,275
Dividends:		
Liquidation distribution received	461	1,715
Other entities	-	10
Net proceeds from litigation	-	9,376
Profit on sale of available-for-sale financial assets	-	738
	1,392,067	1,322,094

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

Non-recurring items in the prior year all relate to one off restructuring costs.

Notes to the Appendix 4E

For the year ended 30 June 2012

	Consolidated	
	2012	2011
5. Income tax expense	\$000	\$000
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	168,435	113,970
Income tax calculated at 30% (2011 – 30%)	50,531	34,191
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Acquisition-related costs	1,231	1,097
Share-based payments expense	265	387
Research and development allowance	(105)	(627)
Other	(64)	98
	51,858	35,146
(Over) provision in prior years	(2,365)	(939)
Income tax expense	49,493	34,207
Comprising:		
Current tax	39,609	28,035
Deferred tax	12,249	6,657
(Over) provision in prior years	(2,365)	(939)
	49,493	34,207

Notes to the Appendix 4E

For the year ended 30 June 2012

		Consolidated	
		2012	2011
		\$000	\$000
6. Receivables			
Measured at amortised cost			
(a) Current			
Trade receivables		90,055	93,841
Allowance for doubtful debts		(3,909)	(4,400)
		86,146	89,441
Other receivables and prepayments		72,499	67,260
		158,645	156,701
(b) Non-current			
Other		2,853	1,957
		2,853	1,957
(c) Ageing of trade receivables			
Current		56,237	51,472
30-60 days		14,986	12,751
60-90 days		5,495	5,202
90 days +		13,337	24,416
		90,055	93,841
(d) Movement in allowance for doubtful debts			
Balance at beginning of year		4,400	6,125
Provision for the year		3,070	2,968
Doubtful debts (recovered/written off) during the year		(3,561)	(4,693)
		3,909	4,400

No interest is charged on trade receivables. The Group's policy requires customers to pay the Group in accordance with agreed payment terms. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet. Trade receivables have been aged according to their original due date in the above ageing analysis.

The Group has used the following basis to assess the allowance for doubtful debts:

- a collective impairment based on historical bad debt experience;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

In the event of default on the Group's Syndicated Debt Facility, the Group has pledged \$90.1m of receivables as security over this liability (30 June 2011: \$93.8m). The amount pledged has decreased from 2011 as it is a floating charge over the Group's receivables.

Notes to the Appendix 4E

For the year ended 30 June 2012

7. Property, plant and equipment (Consolidated)

	Freehold land and buildings \$000	Construction in progress \$000	Leasehold improvements \$000	Plant and equipment \$000	Total \$000
2012					
Net book value					
Opening balance	3,273	24,699	183,534	186,374	397,880
Additions	846	37,923	1,808	38,737	79,315
Capitalised borrowing costs	-	-	2,176	-	2,176
Transfers (note 9)	-	(33,397)	13,750	9,949	(9,698)
Disposals	-	-	(2,296)	(49)	(2,345)
Depreciation expense	(40)	-	(17,169)	(44,982)	(62,191)
Closing balance	4,079	29,225	181,803	190,029	405,136
 Cost	 4,897	 29,225	 269,859	 483,351	 787,332
Accumulated depreciation	(818)	-	(88,056)	(293,176)	(382,050)
Impairment provision	-	-	-	(146)	(146)
Closing balance	4,079	29,225	181,803	190,029	405,136

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 6.5% (30 June 2011: 8.0%).

	Freehold land and buildings \$000	Construction in progress \$000	Leasehold improvements \$000	Plant and equipment \$000	Total \$000
2011					
Net book value					
Opening balance	7,305	20,964	163,324	176,133	367,726
Additions	-	58,027	2,827	43,761	104,615
Capitalised borrowing costs	-	-	2,219	-	2,219
Transfers (note 9)	-	(54,292)	30,999	15,707	(7,586)
Impairment provision utilised	-	-	-	15	15
Disposals	(3,941)	-	(853)	(3,347)	(8,141)
Depreciation expense	(91)	-	(14,982)	(45,895)	(60,968)
Closing balance	3,273	24,699	183,534	186,374	397,880
 Cost	 4,051	 24,699	 254,421	 434,712	 717,883
Accumulated depreciation	(778)	-	(70,887)	(248,192)	(319,857)
Impairment provision	-	-	-	(146)	(146)
Closing balance	3,273	24,699	183,534	186,374	397,880

Notes to the Appendix 4E

For the year ended 30 June 2012

		Consolidated
		2012
		2011
8. Goodwill	\$000	\$000

(a) Carrying value

Opening balance	3,081,598	2,999,778
Acquisition of subsidiaries	-	4,181
Acquisition of businesses	57,115	77,639
Closing balance	3,138,713	3,081,598

(b) Impairment tests

Goodwill is allocated to the Group's cash-generating units (CGUs) by individual Operating Segment as follows:

Medical Centres	1,165,699	1,115,987
Pathology	1,545,813	1,545,813
Imaging	362,110	354,707
Health Technology	65,091	65,091
	3,138,713	3,081,598

The carrying amount of goodwill of each CGU is tested for impairment each reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the 2013 financial year budget. The key assumptions used in determining value in use for 30 June 2012 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses has been calculated assuming long term growth rates as follows: <ul style="list-style-type: none"> • Medical Centres – 4.0% (30 June 2011: 4.0%). • Pathology – 4.4% (30 June 2011: 4.4%). • Imaging – 4.0% (30 June 2011: 4.0%). • Health Technology – 5.0% (30 June 2011: 5.0%).
Long term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2012, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Ten Year Government Bond Rate	The Ten Year Commonwealth Government Bond Rate as at 30 June 2012 was 3.09% (30 June 2011: 5.21%). The Group has used 4.50% for 30 June 2012 impairment testing purposes (30 June 2011: 5.21%).
Weighted Average Cost of Capital (WACC)	The Group's WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest bearing liabilities over the measurement period, split by CGU as follows: <ul style="list-style-type: none"> • Medical Centres – 12.91% (30 June 2011: 13.67%). • Pathology – 12.55% (30 June 2011: 13.31%). • Imaging – 12.55% (30 June 2011: 13.31%). • Health Technology – 15.70% (30 June 2011: 16.66%).

Notes to the Appendix 4E

For the year ended 30 June 2012

8. Goodwill (Consolidated) (continued)

Other key assumptions used

Based on a five year cash flow projection model, terminal growth rates for each of the CGUs are consistent with long-term growth rates assumed.

Sensitivity analysis

The Group has conducted sensitivity analysis on the assumptions above to assess the effect on recoverable amount of changes in the key assumptions.

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2012.

Notes to the Appendix 4E

For the year ended 30 June 2012

9. Other intangible assets (Consolidated)

	Copyright in computer software programs \$000	Capitalised development cost \$000	Operating rights and licences \$000	Computer software \$000	Total \$000
2012					
Net book value					
Opening balance	16,393	18,864	30,267	16,848	82,372
Additions	-	13,758	9,590	2,838	26,186
Transfer from construction in progress (note 7)	-	156	-	9,542	9,698
Disposals	-	-	-	(558)	(558)
Amortisation expense	(4,896)	(4,068)	(5,232)	(9,479)	(23,675)
Closing balance	11,497	28,710	34,625	19,191	94,023
 Cost	 46,500	 36,891	 68,160	 62,508	 214,059
Accumulated amortisation	(35,003)	(8,181)	(33,535)	(43,317)	(120,036)
Closing Balance	11,497	28,710	34,625	19,191	94,023

	Copyright in computer software programs \$000	Capitalised development cost \$000	Operating rights and licences \$000	Computer software \$000	Total \$000
2011					
Net book value					
Opening balance	21,289	11,476	29,974	12,894	75,633
Additions	-	9,207	10,742	432	20,381
Transfer from construction in progress (note 7)	-	-	-	7,586	7,586
Amortisation expense	(4,896)	(1,819)	(10,449)	(4,064)	(21,228)
Closing balance	16,393	18,864	30,267	16,848	82,372
 Cost	 46,500	 22,977	 58,570	 50,686	 178,733
Accumulated amortisation	(30,107)	(4,113)	(28,303)	(33,838)	(96,361)
Closing Balance	16,393	18,864	30,267	16,848	82,372

Notes to the Appendix 4E

For the year ended 30 June 2012

		Consolidated	
		2012	2011
10. Provisions		\$000	\$000
(a) Current			
Provision for employee benefits		58,295	54,586
Self-insurance provision		3,082	4,630
Restructuring and onerous contract provision		265	7,612
		61,642	66,828
(b) Non-current			
Provision for employee benefits		3,115	5,485
Self-insurance provision		2,503	2,386
		5,618	7,871
During the year the Group has reclassified all long service leave provisions for employees with greater than ten years service from non current to current liabilities, including comparatives.			
(c) Movements in provisions			
Self-insurance provision			
Opening balance		7,016	8,850
Provisions raised during the year		3,778	3,109
Payments		(5,209)	(4,943)
Closing balance		5,585	7,016
Restructuring and onerous contract provision			
Opening balance		7,612	2,309
Unwinding present value interest cost		-	28
Provisions raised / (written back) during the year		-	22,079
Payments		(7,347)	(16,804)
Closing balance		265	7,612

Notes to the Appendix 4E

For the year ended 30 June 2012

10. Provisions (continued)

(d) 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 estimate of future claims liabilities.

(iii) Restructuring and onerous contract provision

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

	Consolidated	
	2012	2011
11. Interest bearing liabilities	\$000	\$000
Measured at amortised cost		
(a) Current		
Gross bank loans	2,337	2,141
Finance lease liabilities	1,467	1,613
	3,804	3,754
(b) Non-current		
Gross bank loans	930,274	973,327
Retail bonds	152,274	152,274
Finance lease liabilities	1,372	4,115
	1,084,920	1,129,716
Unamortised borrowing costs	(12,092)	(15,885)
	1,071,828	1,113,831

All interest bearing liabilities are secured by mortgages over the Group's freehold land and buildings, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets.

	Consolidated	
	2012	2011
12. Other financial liabilities	\$000	\$000
Current	10,966	-
Non-current	10,296	-
	21,262	-

Other financial liabilities represent the hypothetical cost to the Group as at 30 June 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 individual cash flow hedges.

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

Notes to the Appendix 4E

For the year ended 30 June 2012

	30 June 2012	30 June 2011
13. Net tangible asset backing		
Net tangible asset backing per share	(\$1.32)	(\$1.33)

	2012 No. of shares 000's	2011 No. of shares 000's	2012 \$000	2011 \$000
14. Issued capital (Company & Consolidated)				
Opening balance	497,420	491,366	2,357,623	2,338,443
Exercise of share options	120	313	230	411
Transfer from share-based payments reserve	-	-	112	236
Shares issued via Dividend Reinvestment Plan	3,840	5,416	11,287	18,554
Shares issued via Bonus Share Plan	337	325	-	-
Capital raising/share issue costs, net of tax	-	-	(23)	(21)
Closing balance – Company	501,717	497,420	2,369,229	2,357,623
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,349,364	2,337,758

Issued capital consists of fully-paid ordinary shares carrying one vote per share and the right to dividends.

15. Earnings per share

	Consolidated 2012 \$000	2011 \$000
Earnings		

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	116,615	78,285
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	2012 000's	2011 000's
Weighted average number of shares		

The weighted average number of shares used in the calculation of basic earnings per share	499,759	494,991
Potential ordinary shares	21	244
The weighted average number of shares used in the calculation of diluted earnings per share	499,780	495,235

Notes to the Appendix 4E

For the year ended 30 June 2012

		Consolidated	
		2012	2011
16.	Reserves	Note	
		\$000	\$000
Cash flow hedge reserve	16(a)	(14,769)	-
Share-based payments reserve	16(b)	9,584	8,812
Available-for-sale investments revaluation reserve	16(c)	610	(1,072)
Foreign currency translation reserve	16(d)	1,046	(360)
		(3,529)	7,380

(a) Cash flow hedge reserve

The effective portion of any gains or losses on the Group's cash flow hedges is recognised in the cash flow hedge reserve.

(b) Share-based payments reserve

The share-based payments reserve arises on the grant of share options to senior employees under the employee share option plan and independent contractors. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

(c) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a re-valued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a re-valued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

(d) Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated	
	2012	2011
17.	Retained earnings	
	\$000	\$000
Opening balance	154,251	138,867
Profit attributable to equity holders	116,615	78,285
Dividends paid	(48,915)	(62,901)
Closing balance	221,951	154,251

Notes to the Appendix 4E

For the year ended 30 June 2012

	Consolidated	
	2012	2011
18. Notes to the cash flow statement	\$000	\$000

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash	10,432	43,252
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(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

Profit attributable to equity holders	116,615	78,285
Depreciation of plant and equipment	62,191	60,968
Amortisation of intangibles	23,675	21,228
Net (profit) loss on sale of property plant and equipment	333	(4,249)
Share of net profit of associates	-	(202)
(Profit) on sale of investments	-	(785)
Non-controlling interest	2,327	1,478
Increase (decrease) in:		
Trade payables and accruals	4,270	(1,912)
Provisions	(7,439)	(3,538)
Deferred revenue	2,497	(4,474)
Tax balances	11,947	11,864
Share option reserve	884	1,288
Decrease (increase) in:		
Consumables	(464)	(1,307)
Receivables and prepayments	(2,840)	(7,442)
Deferred borrowing costs	14,709	9,210
Net cash provided by operating activities	228,705	160,412

(c) Non cash investing and financing

During the financial year 3,840,301 (2011: 5,415,730) and 337,210 (2011: 325,116) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

Notes to the Appendix 4E

For the year ended 30 June 2012

18. Notes to the cash flow statement (continued)

		Consolidated	
		2012	2011
(d)	Financing facilities	\$000	\$000
Current			
Secured Loan facility			
	Amount used	2,337	2,141
	Amount unused	-	-
Non Current			
Secured Syndicated Debt facilities			
	Amount used	920,000	885,726
	Amount unused	-	38,137
Secured Bilateral multi-option facility			
	Amount used	-	75,000
	Amount unused	100,000	-
Secured Loan facility			
	Amount used	10,274	12,601
	Amount unused	7,482	5,350

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.

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

Notes to the Appendix 4E

For the year ended 30 June 2012

18. Notes to the cash flow statement (continued)

(e) Businesses and subsidiaries 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), 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

	Consolidated	
	2012	2011
	\$000	\$000
The net outflow of cash to acquire businesses is reconciled as follows:		
Fair value of identifiable net assets acquired		
Health related practices	-	792
	-	792
Goodwill		
Health related practices	57,115	77,639
	57,115	77,639
Consideration – cash paid to acquire businesses		
Health related practices	57,115	78,431
Controlled entities	1,000	1,538
Decrease in payables relating to acquisitions	8,899	6,481
	67,014	86,550
Cash paid for acquisitions	67,014	86,550
Less cash acquired	-	-
Net payments for the purchase of businesses	67,014	86,550

Notes to the Appendix 4E

For the year ended 30 June 2012

19. Subsequent events

There has not been any other matter or circumstance that has arisen since the end of the financial year 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 years.

	Consolidated	
	2012	2011
20. Contingent liabilities	\$000	\$000
Treasury bank guarantees		
Statutory requirement	17,897	17,897
Other	6,548	5,011
	24,445	22,908

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NIL

This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

This report does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

This report is based on ⁺accounts to which one of the following applies.
(*Tick one*)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

If the audit report or review by the auditor is not attached, details of any qualifications ~~are attached~~/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)

The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:



(Finance Director)

Date: 15 August 2012

Print name: Andrew Duff