

Results for announcement to the market

Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2011

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Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2011

\$000	% change 2011 vs 2010	2011 Total	2010 Total
Revenue and share of net profits of associates	2.0%	1,322,296	1,296,818
EBITDA		327,951	331,022
Depreciation		60,968	55,016
EBITA		266,983	276,006
Interest expense		87,875	67,835
Amortisation of borrowing costs		9,210	10,006
Non-recurring items		34,700	-
Amortisation of intangibles		21,228	17,901
Income tax expense		34,207	46,111
Profit for the year after tax	(40.5%)	79,763	134,153
Attributable to non-controlling interest		1,478	2,156
Profit attributable to members of the parent entity	(40.7%)	78,285	131,997
Cents per share		2011 Total	2010 Total
Basic earnings per share – total ¹		15.8	27.8
Basic earnings per share – excluding non-recurring items		20.7	27.8
Final dividend ^{2,3}		5.0	10.0
Interim dividend ²		3.0	15.0
		8.0	25.0

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 (2011: 30%; 2010: 30%)

³ The record date for determining entitlement to the final dividend is 23 September 2011 and is payable on 10 October 2011.

Commentary on results

For the year ended 30 June 2011

Summary

The Directors of Primary Health Care Limited (Primary) announce the results for the year ended 30 June 2011. Key points of the results are:

- EBITDA: \$328.0m (2010: \$331.0m)
- Profit after tax, before non-recurring items: \$102.6m (2010 \$132.0m)
- Net profit after tax: \$78.3m (2010: \$132.0m)
- EPS before non-recurring items: 20.7cps (2010: 27.8cps)
- Final dividend: 5.0cps (100% franked) (2010: 10.0cps 100% franked)

Operating overview

The past two years have featured significant Federal Government funding reductions as well as periods of below normal patient demand for both general practice and diagnostic services. The major costs of medical practice service provision continue to increase (rents, rates, electricity, wages). Primary, in order to maintain affordability for patients, continues to bulk bill the vast majority of its patient services.

During the financial year Primary has taken appropriate steps to restructure its cost base to reflect these funding and cost pressures. Primary is now positioned as a low cost provider of high quality medical services in each of the three main areas of health delivery in which it operates (general practice, pathology and diagnostic imaging). This will be of benefit as our Industry sectors return to more normal patterns of patient demand and as funding constraints continue.

The recent five-year Pathology Funding Agreement, effective 1 July 2011 between the pathology industry and pathology providers, brings certainty to the industry. Volume growth trends in pathology have returned to be closer to historical trends of 5-6%pa. GP attendances are continuing to show improvement.

The six months ended 30 June 2011 has seen both EBITDA and margin growth in all four divisions compared to the six months to 31 December 2010. This reflects both the return to more normal patient attendance growth patterns, as well as the cost reduction program put in place during this financial year. The improvement in performance was achieved despite the adverse effects of the Queensland floods and Cyclone Yasi on the business in the quarter ended 31 March 2011.

Segment analysis

\$m	Year ended 30 June 2011 Total	Year ended 30 June 2010 Total	Six months to 31 December 2010 Total
Revenue			
Medical Centres	274.6	259.0	137.5
Pathology	740.1	720.7	364.0
Imaging	285.0	289.1	145.1
Health Technology	48.9	46.4	24.5
Corporate	12.4	9.8	3.0
Intersegment	(38.7)	(28.2)	(18.4)
Total	1,322.3	1,296.8	655.7
EBITDA			
Medical Centres	150.3	142.4	74.5
Pathology	118.7	135.3	55.3
Imaging	43.4	42.6	21.1
Health Technology	19.5	20.0	9.7
Corporate	(3.9)	(9.3)	(8.2)
Total	328.0	331.0	152.4
Margin			
Medical Centres	54.7%	55.0%	54.2%
Pathology	16.0%	18.8%	15.2%
Imaging	15.2%	14.7%	14.5%
Health Technology	39.9%	43.1%	39.6%
Total	24.8%	25.5%	23.2%

Commentary on results

For the year ended 30 June 2011

Medical Centres

EBITDA for the medical centre division was \$150.3m, compared with \$142.4m for the prior year. The EBITDA margin for FY2011 was 54.7%, compared with 55.0% for the prior year.

Three new medical centres have been opened since 30 June 2010. A total of 82 medical centres, including 56 large-scale Primary centres, are now in operation. One new centre is planned to be opened in FY2012.

Industry GP patient attendances have shown an improving trend in May and June 2011 as reflected by Medicare data. This trend has continued in the early part of FY2012.

EBITDA contribution from the large-scale medical centres improved by 8% from \$127.4m to \$138.0m. EBITDA contribution from the smaller ex Symbion centres and clinical trials business reduced from \$15.0m to \$12.4m.

Pathology

EBITDA for the pathology division was \$118.7m, compared with \$135.3m for the prior year. The EBITDA margin for FY2011 was 16.0%, compared with 18.8% for the prior year and 15.2% for the six months to 31 December 2010. The pathology division's revenue and EBITDA improved in the second half of the financial year reflecting both the impact of a restructuring of Primary's cost base as well as a return to more normal patterns of revenue growth across the industry.

The last two years has seen a significant change in pathology industry dynamics following funding cuts and regulatory change. The May 2009 Federal Budget pathology funding changes took effect on 1 November 2009. It is estimated that over a full twelve month period Primary's pathology division was adversely impacted by up to \$45m in both revenue and EBITDA. FY2011 included a full twelve months of these funding cuts for the first time, and hence this year's results account for an incremental \$15m in revenue and EBITDA cuts over FY2010.

In April 2011 the Federal Government and the pathology industry entered into a new Memorandum of Understanding (effective 1 July 2011). This provides stability of funding for a five-year period.

From 1 July 2010 the Federal Government deregulated the collection centre licence scheme that historically provided a cap on collection centre numbers. Following flat volume growth across the industry in FY2010, volumes since deregulation have reverted towards historical growth levels and Primary's pathology volumes for FY2011 grew 4.5% over the prior year. Volumes were adversely affected in Queensland and Northern NSW by the flood and cyclone events of January/February 2011, but volumes in these regions have now returned to normal expectations.

Imaging

EBITDA for the Imaging division was \$43.4m compared with \$42.6m for the prior year. The EBITDA margin for FY2011 was 15.2%, compared with 14.7% for the prior year. The results continue the improvement in EBITDA and margin which occurred in 1HFY2011, when EBITDA increased from \$19.6m to \$21.1m and margin from 13.8% to 14.5% over the six months ended 30 June 2010.

The conversion of radiologists to a fee-for-service model continues. Actual exam volumes for FY2011 grew 5%. This 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.

Health Technology

EBITDA for the Health Technology division was \$19.5m, compared with \$20.0m for the prior year. The EBITDA margin for FY2011 was 39.9% compared with 43.1% for the prior year.

Subscription renewal rates remain high for all general practitioner and specialist software products. The good performance of the software products has been offset by a reduction in government funding of \$1.2m to the Medicare transition support program, and the reduction of advertising revenues from Medical Director as a result of changes in Medicine Australia's Code of Conduct on sponsorship.

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 can play a major role.

Commentary on results

For the year ended 30 June 2011

Potential sale of Health Communication Network ('HCN')

In May 2011 Primary confirmed that it was considering a draft proposal for the potential sale of HCN. Following further negotiations Primary now confirms that a sale of HCN will not occur as the proposals received did not meet Primary's requirements.

Non Recurring One-Off Costs

In November 2010 Primary announced it was implementing a cost reduction program to offset funding cuts that occurred across the healthcare industry in Australia. As a consequence of the cost reduction program \$34.7m in non-recurring one-off costs have been charged to the profit and loss account for the current financial year to 30 June 2011.

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

The cost reduction program enabled Primary to assist in offsetting the Federal Government funding cuts. The current regulatory environment requires healthcare providers to make increasing efficiency gains if they are to maintain service levels to patients and practitioners.

As a result of the cost reduction program:

A reduction of approximately 290 full-time equivalent positions occurred across the group;

23 sites in total have been closed. The majority of these sites are single modality diagnostic imaging practices predominantly in Queensland and sites associated with the clinical trial business in New South Wales and Victoria. In addition a further provision has been made for significant lease obligations on several ex-Symbion medical centre practices which have been closed;

Revenue loss from closed practices is estimated to be approximately \$9m per annum, the majority being from the Imaging division; and

Annual cost savings of approximately \$27m will occur across the Primary group.

Debt and interest expense

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

Primary is currently considering the opportunity to refinance well before maturity of debt in December 2012, so as to take advantage of margins that are more favourable than the current syndicated facility. Primary has received strong interest from its existing syndicate to support this opportunity.

Interest expense increased in line with the increase in market interest rates. Primary has recently taken advantage of market conditions to hedge its syndicated debt to December 2012 at an average rate of 4.25%, excluding bank margin. In addition, the Retail Bond is hedged to its maturity in September 2015 at an all-in rate including margin to bond holders of approximately 8.75%.

Corporate Costs

Revenues comprise interest earned, profit on disposal of share investments, and dividends from the liquidator of Pan Pharmaceuticals Ltd ('Pan'). In addition, an amount of \$9.38m for net litigation proceeds is 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 30%.

Dividend

With the non-recurring one-off costs being incurred in the first half of the financial half year to 31 December 2010, the interim dividend was reduced to 3.0 cents per share fully franked. The final dividend will be 5.0 cents per share fully franked, payable 10 October 2011.

Commentary on results

For the year ended 30 June 2011

Outlook

For the Medical Centre division the next twelve months will see a major focus on the backfilling of GP and other services into the 56 current large-scale centres. Combined with a reduced capital expenditure program on new centre roll-out, the benefits of the large-scale model will be highlighted in FY2012.

In the Pathology division the roll-out of an expanded collection centre footprint combined with the scale and efficiency of Primary's large scale laboratories, has placed Primary in a strong position to grow pathology revenues organically. The roll-out of collection centres has imposed additional costs, but Primary has undertaken the task of resetting its cost base and to return to incremental pathology margin gains going forward.

For the Imaging division further incremental EBITDA and margin improvements are anticipated to occur as a result of the capital investment and operational improvements made over the past periods.

The Health Technology division will implement its three year strategic plan to capitalise on, and be a beneficiary of, the upcoming eHealth change in Australia. HCN's software which connects multiple participants in the health care system gives the company a unique position to drive outcomes in eHealth. In addition an extension of current products functionality and enhanced products will help drive continued growth from FY2013 onwards.

Primary is now well positioned to be able to leverage off its extensive footprint and low cost structure base to achieve EBITDA and margin growth in each of its divisions in FY2012, as well as provide payers with better outcomes for their expenditure.

Income statement

As at 30 June 2011

	Note	Consolidated	
		2011 \$000	2010 \$000
Revenue	3	1,322,094	1,296,658
Share of net profits of associates accounted for using the equity method	17	202	160
Employee benefits expense		572,149	575,942
Property expenses		158,430	144,297
Consumables		133,517	127,127
Other expenses		130,249	118,430
EBITDA		327,951	331,022
Depreciation		60,968	55,016
Amortisation		21,228	17,901
EBIT		245,755	258,105
Interest expense		87,875	67,835
Amortisation of borrowing costs		9,210	10,006
Profit before tax and non-recurring items		148,670	180,264
Non-recurring items	4	34,700	-
Profit before tax		113,970	180,264
Income tax expense	5	34,207	46,111
Profit for the year		79,763	134,153
Attributable to:			
Equity holders of Primary Health Care Limited		78,285	131,997
Non-controlling interest		1,478	2,156
Profit for the year		79,763	134,153
Earnings per share (Consolidated)	Note	2011 Cents per share	2010 Cents per share
Basic earnings per share from continuing operations	14	15.8	27.8
Diluted earnings per share from continuing operations	14	15.8	27.7

Notes to the Appendix 4E are included on pages 12 to 31

Balance sheet

As at 30 June 2011

	Note	Consolidated	
		2011 \$000	2010 \$000
Current assets			
Cash	18(a)	43,252	25,812
Receivables	6	156,701	149,727
Consumables		25,611	24,304
Other financial assets		798	1,500
Income tax receivable		-	5,218
Total current assets		226,362	206,561
Non-current assets			
Receivables	6	1,957	2,194
Property, plant and equipment	7	397,880	367,726
Goodwill	8	3,081,598	2,999,778
Other intangible assets	9	82,372	75,633
Investments in associates	17	-	1,999
Other financial assets		1,168	1,168
Deferred tax asset		34,317	41,194
Total non-current assets		3,599,292	3,489,692
Total assets		3,825,654	3,696,253
Current liabilities			
Payables		122,503	127,927
Tax liabilities		2,220	-
Provisions	10(a)	49,501	42,692
Interest bearing liabilities	11(a)	3,754	4,142
Total current liabilities		177,978	174,761
Non-current liabilities			
Payables		4,258	11,430
Provisions	10(b)	25,198	39,152
Interest bearing liabilities	11(b)	1,113,831	1,000,673
Total non-current liabilities		1,143,287	1,051,255
Total liabilities		1,321,265	1,226,016
Net assets		2,504,389	2,470,237
Equity			
Issued capital	13	2,337,758	2,318,578
Reserves	15	7,380	8,370
Retained earnings	16	154,251	138,867
Equity attributable to equity holders		2,499,389	2,465,815
Non-controlling interest		5,000	4,422
Total equity		2,504,389	2,470,237

Notes to the Appendix 4E are included on pages 12 to 31

Statement of changes in equity

For the year ended 30 June 2011

	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 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 13)	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
Balance at 1 July 2009	1,995,264	204	1,148	(388)	7,797	109,087	2,113,112	3,592	2,116,704
Profit for the year	-	-	-	-	-	131,997	131,997	2,156	134,153
Exchange differences arising on translation of foreign operations	-	-	-	727	-	-	727	-	727
Gain/(loss) on investments	-	96	-	-	-	-	96	-	96
Cash flow hedge matured	-	-	(1,639)	-	-	-	(1,639)	-	(1,639)
Income tax relating to components of other comprehensive income	-	(29)	491	-	-	-	462	-	462
Total comprehensive income	-	67	(1,148)	727	-	131,997	131,643	2,156	133,799
Payment of dividends	-	-	-	-	-	(102,217)	(102,217)	(1,326)	(103,543)
Share based payment	-	-	-	-	1,628	-	1,628	-	1,628
Movement in share capital (Note 13)	323,314	-	-	-	(1,664)	-	321,649	-	321,649
Balance at 30 June 2010	2,318,578	271	-	339	7,760	138,867	2,465,815	4,422	2,470,237

Notes to the Appendix 4E are included on pages 12 to 31

Statement of changes in equity

For the year ended 30 June 2011

Dividends (Consolidated)	2011 Cents per share	2010 Cents per share	2011 \$000	2010 \$000
Recognised amounts				
Final dividend – previous financial year	10.0	7.0	48,376	31,202
Interim dividend – this financial year	3.0	15.0	14,850	71,665
Dividend forgone under the Bonus Share Plan	-	-	(325)	(650)
	13.0	22.0	62,901	102,217
Unrecognised amounts				
Final dividend - this year	5.0	10.0		

All dividends paid were 100% franked at the corporate income tax rate (2011: 30%; 2010: 30%). The record date for determining entitlement for the final dividend is 23 September 2011. The final dividend is payable on 10 October 2011. 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 23 September 2011.

The Directors have determined that the DRP and BSP will operate at a 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.

Notes to the Appendix 4E are included on pages 12 to 31

Cash flow statement

For the year ended 30 June 2011

		Consolidated	
		2011	2010
	Note	\$000	\$000
Cash flows from operating activities			
Receipts from customers		1,356,098	1,329,076
Payments to suppliers and employees		(1,071,489)	(1,004,460)
Payments against non employee provisions	10(c)	(21,747)	(15,994)
Net Income tax paid		(24,727)	(28,414)
Interest received		1,275	2,840
Dividends received		1,715	4,121
Interest and other costs of finance paid		(80,713)	(62,126)
Net cash provided by operating activities	18(b)	160,412	225,043
Cash flows from investing activities			
Payment for property plant and equipment		(99,099)	(104,303)
Payment for businesses purchased	18(e)	(84,912)	(78,482)
Payments for subsidiaries		(1,538)	(30)
Payment for other intangibles		(20,370)	(12,069)
Payment for investments		(2,439)	(14,860)
Proceeds from the sale of property plant and equipment		10,485	10,772
Proceeds from the sale of investments		1,223	23,145
Net cash (used in) investing activities		(196,650)	(175,827)
Cash flows from financing activities			
Proceeds from issues of shares		411	273,631
Payments for share issue costs		(312)	(5,546)
Proceeds from borrowings		266,273	997,154
Repayment of borrowings and finance lease liabilities		(159,821)	(1,438,809)
Payment for debt issue costs		(7,545)	(20,944)
Dividends paid		(45,248)	(52,311)
Net cash provided by (used in) financing activities		53,758	(246,825)
Net increase (decrease) increase in cash held		17,520	(197,609)
Cash at the beginning of the year		25,812	223,397
Effect of exchange rate movements on cash held in foreign currencies		(80)	24
Cash at the end of the year	18(a)	43,252	25,812

Notes to the Appendix 4E are included on pages 12 to 31

Notes to the Appendix 4E

For the year ended 30 June 2011

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 operations – This division provides pathology services.

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

Intersegment sales

All intersegment sales are eliminated on consolidation.

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

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

Notes to the Appendix 4E

For the year ended 30 June 2011

2. Segment information (Consolidated) (continued)

	Medical Centres	Pathology	Imaging	Health Technology	Other	Total
2011	\$000	\$000	\$000	\$000	\$000	\$000
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	101,911	743,480
Consolidated assets	1,358,072	1,725,451	533,543	106,101	101,911	3,825,078
Consolidated liabilities	18,766	94,256	30,012	4,359	1,173,872	1,321,265
Capital expenditure	35,561	23,735	33,603	2,424	3,776	99,099

Notes to the Appendix 4E

For the year ended 30 June 2011

2. Segment information (Consolidated) (continued)

	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
2010						
Revenue	259,008	720,650	289,131	46,405	9,836	1,325,030
Intersegment sales	(19,299)	-	-	(8,913)	-	(28,212)
Revenue including share of associates	239,709	720,650	289,131	37,492	9,836	1,296,818
EBITDA	142,417	135,253	42,639	20,049	(9,336)	331,022
Depreciation	14,328	15,475	24,355	626	232	55,016
Amortisation	3,703	2,860	3,257	6,135	1,946	17,901
EBIT	124,386	116,918	15,027	13,288	(11,514)	258,105
Interest expense						67,835
Amortisation of borrowing costs						10,006
Profit before tax						180,264
Segment assets excl. goodwill	220,386	157,033	163,278	25,305	79,394	645,396
Goodwill	1,053,958	1,545,813	334,916	65,091	-	2,999,778
Investments accounted for using the equity method	-	-	1,999	-	-	1,999
Other investments	1,168	-	-	-	1,500	2,668
Tax balances	-	-	-	-	46,412	46,412
Consolidated assets	1,275,512	1,702,846	500,193	90,396	127,306	3,696,253
Consolidated liabilities	19,863	91,319	42,944	15,976	1,055,914	1,226,016
Capital expenditure	46,744	16,855	36,031	4,673	-	104,303

Notes to the Appendix 4E
For the year ended 30 June 2011

	2011	Consolidated
	\$000	2010
3. Revenue		\$000
Trading revenue	1,308,980	1,286,822
Other revenue		
Dividends:		
Liquidation distribution received	1,715	3,372
Other entities	10	749
Interest:		
Other entities	1,275	2,840
Net proceeds from litigation	9,376	-
Profit on sale of available-for-sale financial assets	738	2,875
	1,322,094	1,296,658

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 all relate to one off restructuring costs.

Notes to the Appendix 4E

For the year ended 30 June 2011

	Consolidated	
	2011	2010
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	113,970	180,264
Income tax calculated at 30% (2010 – 30%)	34,191	54,079
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Acquisition-related costs	1,097	538
Share-based payments expense	387	488
Research and development allowance	(627)	(887)
Minority share of trust income	-	(585)
Investment allowance	-	(528)
Fully franked dividend income	-	(203)
Other	98	(449)
	35,146	52,453
Over provision in prior years	(939)	(6,342)
Income tax expense	34,207	46,111
Comprising:		
Current tax	28,035	35,674
Deferred tax	7,111	16,779
(Over) provision in prior years	(939)	(6,342)
	34,207	46,111
Attributable to:		
Continuing operations	34,207	46,111
Discontinued operations	-	-
	34,207	46,111

Notes to the Appendix 4E

For the year ended 30 June 2011

	Consolidated	
	2011	2010
	\$000	\$000
6. Receivables		
Measured at amortised cost		
(a) Current		
Trade receivables	93,841	95,220
Allowance for doubtful debts	(4,400)	(6,125)
	89,441	89,095
Other receivables and prepayments	67,260	60,632
	156,701	149,727
(b) Non-current		
Other	1,957	2,194
	1,957	2,194
(c) Ageing of trade receivables		
Current	51,472	53,275
30-60 days	12,751	14,244
60-90 days	5,202	6,351
90 days +	24,416	21,350
	93,841	95,220
(d) Movement in allowance for doubtful debts		
Balance at beginning of year	6,125	5,823
Provision for the year	2,968	7,399
Doubtful debts (recovered/written off) during the year	(4,693)	(7,097)
	4,400	6,125

The ageing of trade receivables is as follows: current \$51.5m (30 June 2010: \$53.3m); past due \$42.3m (30 June 2010: \$41.9m) of which \$38m has not been impaired (30 June 2010: \$35.8m). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date.

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 \$93.8m of receivables as security over this liability (30 June 2010: \$95.2m). The amount pledged has decreased from 2010 as it is a floating charge over the Group's receivables.

Notes to the Appendix 4E
For the year ended 30 June 2011

7. Property, plant and equipment (Consolidated)

	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

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 8.0% (30 June 2010: 7.0%).

	Freehold land and buildings \$000	Construction in progress \$000	Leasehold improvements \$000	Plant and equipment \$000	Total \$000
2010					
Net book value					
Opening balance	6,070	28,192	132,516	167,121	333,899
Additions	3,149	23,069	25,549	44,086	95,853
Capitalised borrowing costs	-	-	1,654	-	1,654
Transfers (note 9)	2,892	(30,297)	15,813	9,513	(2,079)
Impairment provision utilised	-	-	686	2,844	3,530
Disposals	(4,562)	-	(827)	(4,750)	(10,139)
Depreciation expense	(244)	-	(12,067)	(42,705)	(55,016)
Foreign exchange differences	-	-	-	24	24
Closing balance	7,305	20,964	163,324	176,133	367,726
Cost	7,992	20,964	219,229	378,591	626,776
Accumulated depreciation	(687)	-	(55,905)	(202,297)	(258,889)
Impairment provision	-	-	-	(161)	(161)
Closing balance	7,305	20,964	163,324	176,133	367,726

Notes to the Appendix 4E

For the year ended 30 June 2011

	Consolidated	
	2011	2010
8. Goodwill	\$000	\$000
(a) Carrying value		
Opening balance	2,999,778	2,892,701
Acquisition of subsidiaries	4,181	30
Acquisition of businesses	77,639	107,047
Closing balance	3,081,598	2,999,778

(b) Impairment tests

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

Medical Centres	1,115,987	1,053,958
Pathology	1,545,813	1,545,813
Imaging	354,707	334,916
Health Technology	65,091	65,091
	3,081,598	2,999,778

The carrying amount of goodwill of each CGU is tested for impairment each statutory 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 2012 financial year budget. The key assumptions used in determining value in use for 30 June 2011 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 2010: 4.0%). • Pathology – 4.4% (30 June 2010: 4.0%). • Imaging – 4.0% (30 June 2010: 4.0%). • Health Technology – 5.0% (30 June 2010: 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 2011, 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.
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 – 13.67% (30 June 2010: 13.6%). • Pathology – 13.31% (30 June 2010: 13.2%). • Imaging – 13.31% (30 June 2010: 13.2%). • Health Technology – 16.66% (30 June 2010: 16.5%).

Notes to the Appendix 4E

For the year ended 30 June 2011

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 Groups CGUs as at 30 June 2011.

Notes to the Appendix 4E

For the year ended 30 June 2011

9. Other intangibles (Consolidated)

The following estimated useful lives used in the calculation of amortisation:

Copyright in computer software programs	9.5 years
Capitalised development costs	9 years
Operating rights and licences	3-15 years
Computer software	3-10 years

Details of the Group's other intangible assets are shown in the tables below.

2011	Copyright in computer software programs \$000	Capitalised development cost \$000	Operating rights and licences \$000	Computer software \$000	Total \$000
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

2010	Copyright in computer software programs \$000	Capitalised development cost \$000	Operating rights and licences \$000	Computer software \$000	Total \$000
Net book value					
Opening balance	26,185	6,350	33,098	9,673	75,306
Disposals and write offs	-	-	(12)	(46)	(58)
Additions	-	6,401	3,622	6,184	16,207
Transfer from construction in progress (note 7)	-	-	-	2,079	2,079
Amortisation expense	(4,896)	(1,275)	(6,734)	(4,996)	(17,901)
Closing balance	21,289	11,476	29,974	12,894	75,633
Cost	46,500	13,770	47,828	42,668	150,766
Accumulated amortisation	(25,211)	(2,294)	(17,854)	(29,774)	(75,133)
Closing Balance	21,289	11,476	29,974	12,894	75,633

Notes to the Appendix 4E
For the year ended 30 June 2011

	Consolidated	
	2011	2010
10. Provisions	\$000	\$000
(a) Current		
Provision for employee benefits	37,259	36,155
Self-insurance provision	4,630	4,228
Restructuring and onerous contract provision	7,612	2,309
	49,501	42,692
(b) Non-current		
Provision for employee benefits	22,812	34,530
Self-insurance provision	2,386	4,622
	25,198	39,152
(c) Movements in provisions		
Self-insurance provision		
Opening balance	8,850	12,585
Provisions raised during the year	3,109	1,522
Payments	(4,943)	(5,257)
Closing balance	7,016	8,850
Restructuring and onerous contract provision		
Opening balance	2,309	16,322
Increase through acquisitions	-	794
Unwinding present value interest cost	28	70
Provisions raised / (written back) during the year	22,079	(4,140)
Payments	(16,804)	(10,737)
Closing balance	7,612	2,309

Notes to the Appendix 4E

For the year ended 30 June 2011

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 annual independent actuarial assessment of claims liabilities and "incurred but not reported" (IBNR) factors.

(iii) Restructuring and onerous contract provision

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

	Consolidated	
	2011	2010
	\$000	\$000
11. Interest bearing liabilities		
Measured at amortised cost		
(a) Current		
Gross bank loan	2,141	1,962
Finance lease liabilities	1,613	2,180
	3,754	4,142
(b) Non-current		
Gross bank loan	973,327	1,012,742
Retail bonds	152,274	-
Finance lease liabilities	4,115	5,481
	1,129,716	1,018,223
Unamortised borrowing costs	(15,885)	(17,550)
	1,113,831	1,000,673

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. A Deed of Cross Guarantee is in place.

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

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

Notes to the Appendix 4E
For the year ended 30 June 2011

	30 June	30 June
12. Net tangible asset backing	2011	2010
Net tangible asset backing per share	(\$1.33)	(\$1.24)

13. Issued capital (Company & Consolidated)	2011 No. of shares 000's	2010 No. of shares 000's	2011 \$000	2010 \$000
Opening balance	491,366	430,748	2,338,443	2,015,129
Exercise of share options	313	1,780	411	3,877
Transfer from share-based payments reserve	-	-	236	1,664
Shares issued via Dividend Reinvestment Plan	5,416	11,565	18,554	51,881
Shares issued via Bonus Share Plan	325	152	-	-
Share placement	-	39,605	-	230,000
Other share issues	-	7,516	-	39,753
Capital raising/share issue costs, net of tax	-	-	(21)	(3,861)
Closing balance – Company	497,420	491,366	2,357,623	2,338,443
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,337,758	2,318,578

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

14. Earnings per share

	Consolidated	
Earnings	2011	2010
	\$000	\$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	78,285	131,997
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Weighted average number of shares	2011	2010
	000's	000's

The weighted average number of shares used in the calculation of basic earnings per share	494,991	475,116
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Potential ordinary shares	244	714
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The weighted average number of shares used in the calculation of diluted earnings per share	495,235	475,830
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Notes to the Appendix 4E

For the year ended 30 June 2011

15. Reserves	Note	Consolidated	
		2011 \$000	2010 \$000
Foreign currency translation reserve	15(a)	(360)	339
Available-for-sale investments revaluation reserve	15(b)	(1,072)	271
Share-based payments reserve	15(c)	8,812	7,760
		7,380	8,370

(a) 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.

(b) 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 revalued 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 revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

(c) 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. Further information about share-based payments to employees is made in note 8 to the financial statements.

16. Retained earnings	Consolidated	
	2011 \$000	2010 \$000
Opening balance	138,867	109,087
Profit attributable to equity holders	78,285	131,997
Dividends paid	(62,901)	(102,217)
Closing balance	154,251	138,867

Notes to the Appendix 4E

For the year ended 30 June 2011

17. Investments in associates (Consolidated)

Name of associated Entity	Country of Incorporation	Principal Activity	Ownership Interest	
			2011 %	2010 %
Campsie Nuclear Medicine Pty Ltd	Australia	Imaging services	-	50
North Coast Nuclear Medicine (QLD) Pty Ltd	Australia	Imaging services	77	40

Campsie Nuclear Medicine Pty Ltd was deregistered during the financial year

During the financial year the Group obtained control of North Coast Nuclear Medicine (QLD) Pty Ltd by acquiring an additional 37% of the shares and voting interests in the company. Further information in regards to this acquisition is disclosed in note 18(e).

Reconciliation of movements in investments in associates during the financial year is as follows (share of profits of associates only include the Group's equity accounted share of the results of North Coast Nuclear Medicine (QLD) Pty Ltd up until the date control was obtained. This entity is consolidated by the Group from the date control was obtained):

	2011 \$000	2010 \$000
Opening balance	1,999	2,073
Share of profit of associates	202	160
	2,201	2,233
Dividends	(128)	(179)
Write-down during the year	-	(55)
Loss of significant influence	(2,073)	-
	-	1,999

The Group's share of profits and losses, assets and liabilities of associates is:

	2011 \$000	2010 \$000
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Income statement

Revenues of associates	3,081	4,601
Profit of associates	335	663
Share of profit as disclosed for associates	202	160

Balance sheet

Assets	-	6,475
Liabilities	-	(1,767)
Net assets	-	4,708
Investments in associates accounted for using the equity method	-	1,999

Notes to the Appendix 4E
For the year ended 30 June 2011

	Consolidated	
	2011	2010
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	43,252	25,812
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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	78,285	131,997
Depreciation of plant and equipment	60,968	55,016
Amortisation of intangibles	21,228	17,901
Net (profit) loss on sale of property plant and equipment	(4,249)	295
Loss on sale of intangibles	-	51
Share of net profit of associates	(202)	(160)
(Profit) on sale of investments	(785)	(2,875)
Non-controlling interest	1,478	2,156
Increase (decrease) in:		
Trade payables and accruals	(1,912)	7,692
Provisions	(3,538)	(23,407)
Deferred revenue	(4,474)	4,169
Tax balances	11,864	16,777
Share option reserve	1,288	1,628
Decrease (increase) in:		
Consumables	(1,307)	(2,588)
Receivables and prepayments	(7,442)	5,827
Deferred borrowing costs	9,210	10,564
Net cash provided by operating activities	160,412	225,043

(c) Non cash investing and financing

During the financial year 5,415,730 (2010: 11,564,922) and 325,116 (2010: 151,803) 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 2011

18. Notes to the cash flow statement (continued)

(d) Financing facilities	2011	Consolidated
	\$000	2010 \$000
Current		
Secured Bilateral multi-option facility		
Amount used	-	-
Amount unused	-	25,000
Secured Loan facility		
Amount used	2,141	1,962
Amount unused	-	-
	2,141	26,962
Non Current		
Secured Syndicated debt facility		
Amount used	885,726	998,000
Amount unused	38,137	2,000
Secured Bilateral multi-option facility		
Amount used	75,000	-
Amount unused	-	50,000
Secured Loan facility		
Amount used	12,601	14,742
Amount unused	5,350	3,296
	1,016,814	1,068,038
	1,018,955	1,095,000

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 2011

18. Notes to the cash flow statement (continued)

(d) Financing facilities (continued)

(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 (2008)), as it is impractical to allocate the costs associated with the Group's multi-disciplinary medical centres to the individual medical practices acquired.

(ii) Businesses and subsidiaries acquired

On 16 May 2011 the Group obtained control of North Coast Nuclear Medicine (QLD) Pty Ltd by acquiring an additional 37% of the equity in North Coast Nuclear Medicine (QLD) Pty Ltd. Prior to obtaining control, the previous interest held by the Group of 40% was recorded as equity accounted investment.

The total purchase consideration for this investment is made up of the following:

	\$000
Cash paid	1,538
Fair Value of investment as at acquisition date (of previously held equity interest)	1,800
	3,338

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	\$000
Cash	1,538
Contingent Consideration	600
	2,138

Identifiable assets acquired and liabilities assumed	\$000
Cash and cash equivalents	143
Receivables	181
Property, plant and equipment	2,050
Goodwill	4,181
Payables	(115)
Interest bearing liabilities	(1,919)
Total net identifiable assets acquired	4,521
Less: non-controlling interest	(1,040)
Less: discount an acquisition	(143)
	3,338

At 30 June 2011, the net identifiable assets remain provisional, as permitted by Australian Accounting Standards, whilst the integration of North Coast Nuclear Medicine Pty Limited into the Group is finalised.

Notes to the Appendix 4E

For the year ended 30 June 2011

18. Notes to the cash flow statement (continued)

(e) Businesses and subsidiaries acquired (continued)

(iii) Summary

	Consolidated	
	2011	2010
The net outflow of cash to acquire businesses (excluding North Coast Nuclear Medicine Pty Limited) is reconciled as follows:	\$000	\$000
Fair value of identifiable net assets (liabilities) acquired		
Health-related practices	-	-
Pathology businesses	-	(1,116)
Imaging practices	792	(750)
	792	(1,866)
Goodwill		
Health-related practices	62,029	59,232
Pathology businesses	-	37,863
Imaging practices	15,610	9,953
	77,639	107,077
Consideration		
Health-related practices	62,029	59,232
Pathology businesses	-	38,978
Imaging practices	16,402	10,703
	78,431	108,943
Payables and accruals relating to acquisitions		
Opening balance	(27,903)	(1,661)
(Increase)/decrease during the year	6,481	(26,242)
Closing balance	(21,422)	(27,903)
Cash paid for acquisitions	84,912	78,512
Less cash acquired	-	-
Net payments for the purchase of businesses	84,912	78,512

Notes to the Appendix 4E

For the year ended 30 June 2011

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.

20. Contingent assets

There were no contingent assets as at 30 June 2011.

	Consolidated	
	2011	2010
21. Contingent liabilities	\$000	\$000
Treasury bank guarantees		
Statutory requirement	17,897	29,438
Other	5,011	3,084
	22,908	32,522

Compliance statement

For the year ended 30 June 2011

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:



(Company Secretary)

Date: 22 August 2011

Print name: Andrew Duff