

Results for announcement to the market

Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2013

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Primary Health Care Limited

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2013

\$000	% change 2013 vs 2012	2013 Total	2012 Total
Revenue	4.6%	1,456,279	1,392,067
EBITDA		385,121	351,059
Depreciation		61,879	60,928
EBITA		323,242	290,131
Interest expense		72,029	82,049
Amortisation of borrowing costs		4,529	14,709
Amortisation of intangibles		28,818	24,938
Income tax expense		65,858	49,493
Profit for the year after tax	27.8%	152,008	118,942
Attributable to non-controlling interest		1,897	2,327
Profit attributable to members of the parent entity	28.7%	150,111	116,615
Cents per share		2013 Total	2012 Total
Basic earnings per share – total ¹		29.9	23.3
Final dividend ^{2,3}		11.0	6.0
Interim dividend ²		6.5	5.0
		17.5	11.0

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 (2013: 30%; 2012: 30%).

³ The record date for determining entitlement to the final dividend is 20 September 2013 and is payable on 8 October 2013.

Commentary on results

For the year ended 30 June 2013

The Directors of Primary Health Care Limited (“Primary”) announce the results for the financial year ended 30 June 2013 (“FY2013”).

Key points of the results are:

- EBITDA up 9.7% to \$385.1m (2012: \$351.1m)
- EBITA up 11.4% to \$323.2m (2012: \$290.1m)
- Net profit after tax up 28.7% to \$150.1m (2012: \$116.6m)
- Significant margin gains in Medical Centres (80bps), Pathology (80bps) and Imaging (400bps)
- 18% improvement in cash flows from operating activities from \$229m to \$269m
- EPS up 28% to 29.9 cps (2012: 23.3 cps)
- Final dividend up 83% to 11.0 cps (2012: 6.0 cps)

Operating overview

Primary has delivered a strong trading result for FY2013 with 9.7% EBITDA growth and 28% EPS growth.

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

- Medical Centres EBITDA growth of 8.5% in the 58 large-scale centres
- Medical Centres EBITDA margin up 80 bps to 56.0%
- Pathology EBITDA growth of 11.6% to \$147.8m and revenue growth of 6.5%
- Pathology EBITDA margin up 80bps to 17.7%
- Imaging EBITDA growth of 21.4% to \$72.0m
- Imaging EBITDA margin up 400bps to 23.3%

Complementing this strong trading result, free cash flow has improved in FY2013 with net cash provided by operating activities improving by \$40m to \$269m in FY2013 compared to \$229m in FY2012.

Primary’s operating model of achieving organic revenue growth supported by incremental margin gains, as a result of economies of scale and operating efficiencies, has delivered continually improving financial results for both FY2013 and the previous financial year.

Primary continues to adapt its model so as to deliver upon its goals of high quality care to patients at a cost effective price.

All of Primary’s divisions are in sound operational shape. Primary is looking forward to continued organic growth as a result of the underlying strength of the operating divisions, positive healthcare industry dynamics, and long-term increasing demand for healthcare services.

Primary has a substantial infrastructure footprint in place in Australia with significant growth capacity.

Primary will continue to consider bolt-on acquisitions that can be integrated into its model and provide immediate benefits. The last two financial years have seen minimal activity in this regard. However, current experience is that acquisitions may be more attractive in the current financial year as vendor price expectations are moderating.

Outlook

EBITDA for FY2014 is expected to be in the range of \$395m to \$410m resulting in EPS growth of 7% to 13%.

This earnings guidance for FY2014 includes an adjustment for the adoption of the Joint Ventures Accounting Standard on 1 July 2013, which will reduce reported EBITDA by approximately \$4m, with no effect on reported EPS.

Commentary on results

For the year ended 30 June 2013

Division analysis

\$m	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
Operating Revenue			
Medical Centres	300.8	290.0	274.6
Pathology	836.3	785.4	740.1
Imaging	309.6	307.9	285.0
Health Technology	37.0	35.9	36.0
Corporate	1.6	1.2	3.0
Intersegment	(29.0)	(28.3)	(25.8)
Total	1,456.3	1,392.1	1,312.9
Operating EBITDA			
Medical Centres	168.4	160.0	150.4
Pathology	147.8	132.4	118.6
Imaging	72.0	59.4	43.4
Health Technology	20.2	19.9	19.5
Corporate	(23.3)	(20.6)	(13.3)
Total	385.1	351.1	318.6
Margin			
Medical Centres	56.0%	55.2%	54.7%
Pathology	17.7%	16.9%	16.0%
Imaging	23.3%	19.3%	15.2%
Health Technology	54.6%	55.4%	54.2%
Total	26.4%	25.2%	24.3%

Medical Centres

EBITDA for the Medical Centres division was \$168.4m, compared with \$160.0m for the prior year. The EBITDA margin for FY2013 was 56.0%, compared with 55.2% for the prior year. EBITDA contribution from the large-scale centres increased by 8.5% from \$161.1m to \$174.8m.

One new medical centre was opened in FY2013. A total of 72 medical centres, including 58 large-scale Primary centres, are now in operation. Currently it is not anticipated that Primary will add to its 58 large-scale centres in FY2014 but Primary will continue to add services to its current centres which have significant existing capacity to grow into the future.

GPs and other professionals continue to join the Group on a consistent basis. 2HFY2013 has seen a decrease in the average acquisition cost of practices to Primary.

Pathology

EBITDA for the Pathology division was \$147.8m, compared with \$132.4m for the prior year. The EBITDA margin for FY2013 was 17.7%, compared with 16.9% for the prior year. The Pathology division's revenue and EBITDA improvement in the financial year reflect both organic revenue growth and operating cost efficiencies.

The five-year Pathology Funding Agreement ("MOU"), signed in April 2011 between the Australian Government and and pathology industry associations, has brought increased certainty to the industry. Volume growth has remained strong for all Primary pathology operations across Australia and revenue growth for FY2013 was 6.5%. This growth was pleasing, incorporating as it does, a negative 1.3% funding adjustment effective 1 January 2013 under the MOU.

The improvement in the operating performance of the Pathology division over the past two financial years has been strong and sustained, delivering a Compound Annual Growth Rate (CAGR) of 11.6% EBITDA and a 170bps margin gain.

Imaging

EBITDA for the Imaging division was \$72.0m, compared with \$59.4m for the prior year. The EBITDA margin for FY2013 was 23.3%, compared with 19.3% for the prior year.

Actual exam volumes for FY2013 grew 5%. The continued recruitment and conversion of radiologists to a percentage fee-for-service model, combined with upgraded technology and cost control, are the basis of the Imaging division's continued improvement. The improvement has been across all of the division's operations including community, hospital and medical centre sites.

Commentary on results

For the year ended 30 June 2013

The improvement in the operating performance of the Imaging division over the past two financial years has been strong and sustained, delivering a CAGR rate of 28.8% EBITDA and a 810bps margin gain.

Health Technology

EBITDA for the Health Technology division was \$20.2m, compared with \$19.9m for the prior year. The EBITDA margin for FY2013 was 54.6% compared with 55.4% for the prior year. Subscription renewal rates remain sound for all general practitioner and specialist software products. Primary is currently focused on improving the products and services for both external and internal users.

Depreciation and Amortisation

Depreciation expense was up 2% at \$61.9m for the year compared with \$60.9m for the prior year. This is consistent with the Group's strategy of utilising its current infrastructure footprint to grow revenues organically.

Amortisation of intangibles was \$28.8m compared with \$24.9m for the prior year. This increase reflects the Group's continued investment in its information technology software platforms to both aid organic revenue growth and obtain operating efficiencies across the Group.

Finance costs

The Group's \$1.02bn banking debt facility has a maturity profile 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

A majority of Primary's bank debt has been hedged for FY2014 and FY2015. The average fixed rates payable on hedged bank debt (excluding margin payable to bank) are 3.65% and 3.27% respectively for FY2014 and FY2015.

The interest rate payable on Primary's retail bonds of \$152m is hedged to maturity in September 2015 at an all-in rate, including margin payable to bond holders, of 8.75%.

Amortisation of borrowing costs

During FY2012, unamortised borrowing costs on the previous expiring syndicated bank facility of \$8.5m (\$5.9m after tax) were charged to the income statement and included in amortisation of borrowing costs of \$14.7m, upon the early refinance of Primary's syndicated bank debt.

Taxation

The effective tax rate on operating earnings for the year was 30.2%.

Balance sheet - financial position

The Group's net assets increased by 4.2%, compared with the previous year which is largely attributable to the current year's profit after tax.

As at 30 June 2013, Primary has two bank facility covenants, being a gearing ratio and an interest cover ratio. As at 30 June 2013, the gearing ratio, as calculated by bank facility definitions, was 2.35 times and well within the bank covenant requirement to be below 3.25 times. As at 30 June 2013 interest cover, as calculated by bank facility definitions, was 5.32 times and well within bank covenant requirement to be above 3.0 times. As at 30 June 2013, the Group has an unutilised bank facility of \$100m.

Dividend

The final dividend will be 11.0 cents per share fully franked, payable on 8 October 2013. The record date for determining entitlement for the final dividend is 20 September 2013. A Dividend Reinvestment Plan and Bonus Share Plan will continue to be in place with nil discount.

This increases the dividend pay-out ratio from 47.2% in FY2012 to 58.7% in FY2013 and reflects both the improving financial results of Primary, increases in free cash flow, and the confidence of the Board in the future operations.

Income statement

For the year ended 30 June 2013

	Note	Consolidated	
		2013 \$000	2012 \$000
Revenue	3	1,456,279	1,392,067
Employee benefits expense		600,596	588,035
Property expenses		179,373	167,863
Consumables		140,520	135,614
Other expenses		150,669	149,496
EBITDA		385,121	351,059
Depreciation		61,879	60,928
Amortisation		28,818	24,938
EBIT		294,424	265,193
Interest expense		72,029	82,049
Amortisation of borrowing costs		4,529	14,709
Profit before tax		217,866	168,435
Income tax expense	4	65,858	49,493
Profit for the year		152,008	118,942
Attributable to:			
Equity holders of Primary Health Care Limited		150,111	116,615
Non-controlling interest		1,897	2,327
Profit for the year		152,008	118,942

	Note	Consolidated	
		2013 Cents per share	2012 Cents per share
Earnings per share (Consolidated)			
Basic earnings per share¹	14	29.9	23.3

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

Statement of comprehensive income

For the year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000
Profit for the year	152,008	118,942
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value (losses) arising during the year	(4,489)	(19,977)
Reclassification adjustment for amounts recognised in profit and loss	9,157	(1,122)
Available for sale financial assets		
Net fair value gain on available-for-sale financial assets during the year	13,424	2,403
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	(434)	-
Exchange differences arising on translation of foreign operations	114	1,406
Income tax relating to items that may be reclassified subsequently to profit or loss	(5,297)	5,609
Other comprehensive gain (loss) for the year, net of income tax	12,475	(11,681)
Total comprehensive income for the year	164,483	107,261
Attributable to:		
Equity holders of Primary Health Care Limited	162,586	104,934
Non-controlling interest	1,897	2,327
	164,483	107,261

Notes to the Appendix 4E are included on pages 12 to 25

Balance sheet

As at 30 June 2013

		Consolidated	
	Note	2013	2012
		\$000	\$000
Current assets			
Cash	17(a)	38,246	10,432
Receivables	5(a)	152,480	158,645
Consumables		26,013	26,075
Income tax receivable		-	1,301
Total current assets		216,739	196,453
Non-current assets			
Receivables	5(b)	3,617	2,853
Goodwill	6	3,213,162	3,138,713
Property, plant and equipment	7	416,606	407,312
Other intangible assets	8	108,677	91,847
Other financial assets	9	25,197	5,920
Deferred tax asset		9,639	18,849
Total non-current assets		3,776,899	3,665,494
Total assets		3,993,638	3,861,947
Current liabilities			
Payables		128,010	119,807
Tax liabilities		18,193	-
Provisions	10(a)	60,072	61,642
Interest bearing liabilities	11(a)	3,346	3,804
Other financial liabilities		12,068	10,966
Total current liabilities		221,689	196,219
Non-current liabilities			
Payables		6,746	4,873
Provisions	10(b)	2,463	5,618
Interest bearing liabilities	11(b)	1,075,922	1,071,828
Other financial liabilities		4,721	10,296
Total non-current liabilities		1,089,852	1,092,615
Total liabilities		1,311,540	1,288,834
Net assets		2,682,097	2,573,113
Equity			
Issued capital	13	2,358,183	2,349,364
Reserves	15	9,263	(3,529)
Retained earnings	16	309,659	221,951
Equity attributable to equity holders		2,677,105	2,567,786
Non-controlling interest		4,992	5,327
Total equity		2,682,097	2,573,113

Notes to the Appendix 4E are included on pages 12 to 25

Statement of changes in equity

For the year ended 30 June 2013

	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 2012	2,349,364	610	(14,769)	1,046	9,584	221,951	2,567,786	5,327	2,573,113
Profit for the year	-	-	-	-	-	150,111	150,111	1,897	152,008
Exchange differences arising on translation of foreign operations	-	-	-	114	-	-	114	-	114
Fair value gain on available-for-sale investments	-	13,424	-	-	-	-	13,424	-	13,424
Fair value (loss) on cash flow hedges	-	-	(4,489)	-	-	-	(4,489)	-	(4,489)
(Gain) loss transferred to profit and loss	-	(434)	9,157	-	-	-	8,723	-	8,723
Income tax relating to components of other comprehensive income	-	(3,897)	(1,400)	-	-	-	(5,297)	-	(5,297)
Total comprehensive income	-	9,093	3,268	114	-	150,111	162,586	1,897	164,483
Payment of dividends	-	-	-	-	-	(62,403)	(62,403)	(2,232)	(64,635)
Share-based payment	-	-	-	-	317	-	317	-	317
Movement in capital (Note 13)	8,819	-	-	-	-	-	8,819	-	8,819
Balance at 30 June 2013	2,358,183	9,703	(11,501)	1,160	9,901	309,659	2,677,105	4,992	2,682,097
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	-	-	(19,977)	-	-	-	(19,977)	-	(19,977)
(Loss) transferred to profit and loss	-	-	(1,122)	-	-	-	(1,122)	-	(1,122)
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 capital (Note 13)	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

Notes to the Appendix 4E are included on pages 12 to 25

Statement of changes in equity

For the year ended 30 June 2013

Dividends (Consolidated)	2013 Cents per share	2012 Cents per share	2013 \$000	2012 \$000
Recognised amounts				
Final dividend – previous financial year	6.0	5.0	30,103	24,873
Interim dividend – this financial year	6.5	5.0	32,694	25,020
Dividend forgone under the Bonus Share Plan	-	-	(394)	(978)
	12.5	10.0	62,403	48,915
Unrecognised amounts				
Final dividend - this year	11.0	6.0		

All dividends paid were 100% franked at the corporate income tax rate (2013: 30%; 2012: 30%). The record date for determining entitlement for the final dividend is 20 September 2013. The final dividend is payable on 8 October 2013. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). The last date for an election notice for participation in these plans is 20 September 2013.

The Directors have determined that the DRP and BSP will operate at a nil discount (30 June 2012: nil discount) based on the volume weighted average price (VWAP) for Primary's fully paid ordinary shares on the eight day trading period commencing one clear trading day after the record date.

Cash flow statement

For the year ended 30 June 2013

	Note	Consolidated	
		2013 \$000	2012 \$000
Cash flows from operating activities			
Receipts from customers		1,504,898	1,439,905
Payments to suppliers and employees		(1,118,064)	(1,087,464)
Interest and other costs of finance paid		(71,879)	(91,480)
Net income tax paid		(45,823)	(26,096)
Payments against restructuring provision		(265)	(7,347)
Interest received		507	726
Dividends received		-	461
Net cash provided by operating activities	17(b)	269,374	228,705
Cash flows from investing activities			
Payment for property plant and equipment		(74,923)	(79,315)
Payment for businesses purchased	17(e)	(69,833)	(66,014)
Payment for other intangibles		(36,706)	(26,186)
Payment for investments		(6,844)	(2,270)
Payments for subsidiaries	17(e)	-	(1,000)
Proceeds from the sale of property plant and equipment		815	1,801
Proceeds from the sale of investments		1,807	176
Net cash (used in) investing activities		(185,684)	(172,808)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(197,336)	(176,726)
Proceeds from borrowings		195,000	136,000
Dividends paid		(53,559)	(37,628)
Payments for share issue costs		(25)	(23)
Payment for debt issue costs		-	(10,600)
Proceeds from issues of shares		-	230
Net cash (used in) financing activities		(55,920)	(88,747)
Net increase (decrease) in cash held		27,770	(32,850)
Cash at the beginning of the year		10,432	43,252
Effect of exchange rate movements on cash held in foreign currencies		44	30
Cash at the end of the year	17(a)	38,246	10,432

Notes to the Appendix 4E are included on pages 12 to 25

Notes to the Appendix 4E

For the year ended 30 June 2013

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.

Notes to the Appendix 4E

For the year ended 30 June 2013

2. Segment information (Consolidated) (continued)

	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
2013						
Revenue	300,784	836,272	309,593	37,029	1,594	1,485,272
Intersegment sales	(28,993)	-	-	-	-	(28,993)
Total revenue	271,791	836,272	309,593	37,029	1,594	1,456,279
EBITDA	168,373	147,761	72,033	20,205	(23,251)	385,121
Depreciation	16,747	15,189	28,556	478	909	61,879
EBITA	151,626	132,572	43,477	19,727	(24,160)	323,242
Amortisation of intangibles	7,403	5,892	5,081	7,791	2,651	28,818
Interest expense and amortisation of borrowing costs	-	-	-	-	76,558	76,558
Profit before tax	144,223	126,680	38,396	11,936	(103,369)	217,866

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

	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
2012						
Revenue	289,969	785,413	307,926	35,892	1,150	1,420,350
Intersegment sales	(28,283)	-	-	-	-	(28,283)
Total revenue	261,686	785,413	307,926	35,892	1,150	1,392,067
EBITDA	160,020	132,427	59,354	19,870	(20,612)	351,059
Depreciation	16,324	14,904	27,773	517	1,410	60,928
EBITA	143,696	117,523	31,581	19,353	(22,022)	290,131
Amortisation of intangibles	6,593	5,563	4,335	7,103	1,344	24,928
Interest expense and amortisation of borrowing costs	-	-	-	-	96,758	96,758
Profit before tax	137,103	111,960	27,246	12,250	(120,124)	168,435

Notes to the Appendix 4E

For the year ended 30 June 2013

	2013	Consolidated 2012
	\$000	\$000
3. Revenue		
Trading revenue	1,454,003	1,390,880
Interest revenue	507	726
Other revenue	1,769	461
	1,456,279	1,392,067

4. Income tax expense

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	217,866	168,435
Income tax calculated at 30% (2012: 30%)	65,360	50,531
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	901	1,327
	66,261	51,858
(Over) provision in prior years	(403)	(2,365)
Income tax expense	65,858	49,493
Comprising:		
Current tax	65,644	39,609
Deferred tax	617	12,249
(Over) provision in prior years	(403)	(2,365)
	65,858	49,493

Notes to the Appendix 4E

For the year ended 30 June 2013

	Consolidated	
	2013	2012
5. Receivables	\$000	\$000
Measured at amortised cost		
(a) Current		
Trade receivables	89,719	90,055
Allowance for doubtful debts	(4,302)	(3,909)
	85,417	86,146
<hr/>		
Other receivables and prepayments	67,063	72,499
	152,480	158,645
<hr/>		
(b) Non-current		
Other receivables and prepayments	3,617	2,853
	3,617	2,853
<hr/>		
(c) Ageing of trade receivables		
Current	60,791	56,237
30-60 days	10,033	14,986
60-90 days	4,694	5,495
90 days +	14,201	13,337
	89,719	90,055
<hr/>		
(d) Movement in allowance for doubtful debts		
Balance at beginning of year	3,909	4,400
Provision for the year	4,678	3,070
Doubtful debts (recovered/written off) during the year	(4,285)	(3,561)
	4,302	3,909

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 \$89.7m of receivables as security over this liability (30 June 2012: \$90.1m). The amount pledged has decreased from 2012 as it is a floating charge over the Group's receivables.

Notes to the Appendix 4E

For the year ended 30 June 2013

		Consolidated	
		2013	2012
6. Goodwill		\$000	\$000

(a) Carrying value

Opening balance	3,138,713	3,081,598
Acquisition of businesses (note 17(e))	74,449	57,115
Closing balance	3,213,162	3,138,713

(b) Impairment tests

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

Medical Centres	1,230,427	1,165,699
Pathology	1,547,898	1,545,813
Imaging	369,746	362,110
Health Technology	65,091	65,091
	3,213,162	3,138,713

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 2014 financial year budget. The key assumptions used in determining value in use for 30 June 2013 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 2012: 4.0%). • Pathology – 4.4% (30 June 2012: 4.4%). • Imaging – 4.0% (30 June 2012: 4.0%). • Health Technology – 5.0% (30 June 2012: 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 2013, 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 2013 was 3.76% (30 June 2012: 3.09%). The Group has used 4.50% for 30 June 2013 impairment testing purposes (30 June 2012: 4.50%).
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 2012: 12.91%). • Pathology – 12.55% (30 June 2012: 12.55%). • Imaging – 12.55% (30 June 2012: 12.55%). • Health Technology – 15.70% (30 June 2012: 15.70%).

Notes to the Appendix 4E

For the year ended 30 June 2013

7. Property, plant and equipment (Consolidated)

	Freehold land and buildings \$000	Assets Under Construction \$000	Leasehold improvements \$000	Plant and equipment \$000	Total \$000
2013					
Net book value					
Opening balance	4,079	24,103	183,979	190,029	402,190
Additions	289	29,294	4,334	43,655	77,572
Capitalised borrowing costs	-	-	562	-	562
Capitalisation of Assets Under Construction	-	(24,170)	19,982	4,188	-
Disposals	(701)	-	(37)	(1,101)	(1,839)
Depreciation expense	(329)	-	(17,475)	(44,075)	(61,879)
Closing balance	3,338	29,227	191,345	192,696	416,606
Cost	3,701	29,227	295,897	502,446	831,271
Accumulated depreciation	(362)	-	(104,553)	(309,604)	(414,519)
Impairment provision	-	-	-	(146)	(146)
Closing balance	3,338	29,227	191,344	192,696	416,606

During the year the Group has reclassified \$5.1m of Opening Assets Under Construction to Intangibles under construction (refer note 8).

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 4.9% (30 June 2012: 6.5%).

	Freehold land and buildings \$000	Assets Under Construction \$000	Leasehold improvements \$000	Plant and equipment \$000	Total \$000
2012					
Net book value					
Opening balance	3,273	24,699	187,876	186,905	400,969
Additions	846	37,923	1,808	36,847	79,315
Capitalised borrowing costs	-	-	19	-	19
Capitalisation of Assets Under Construction (note 8)	-	(33,397)	13,750	9,949	(9,698)
Disposals	-	-	(2,296)	(49)	(2,345)
Depreciation expense	(40)	-	(17,169)	(43,719)	(60,928)
Closing balance	4,079	29,225	183,979	190,029	407,312
Cost	4,897	29,225	272,035	483,351	761,155
Accumulated depreciation	(818)	-	(88,056)	(293,176)	(358,965)
Impairment provision	-	-	-	(146)	(146)
Closing balance	4,079	29,225	183,979	190,029	407,312

Notes to the Appendix 4E

For the year ended 30 June 2013

8. Other intangible assets (Consolidated)

2013	Copyright in computer software programs \$000	Capitalised development cost \$000	Computer software \$000	Operating rights and licences \$000	Intangible Assets Under Construction \$000	Total \$000
Net book value						
Opening balance	11,497	32,073	23,077	25,200	5,122	96,969
Additions	-	6,434	9,170	10,849	14,265	40,718
Capitalisation of Intangible Assets Under Construction	-	7,121	1,908	-	(9,029)	-
Disposals	-	-	(191)	-	-	(191)
Amortisation expense	(4,896)	(5,474)	(7,472)	(10,976)	-	(28,818)
Closing balance	6,601	40,154	26,491	25,073	10,358	108,677
Cost	46,500	54,797	69,933	68,979	10,358	250,567
Accumulated amortisation	(39,899)	(14,643)	(43,442)	(43,906)	-	(141,891)
Closing Balance	6,601	40,154	26,491	25,073	10,358	108,677

During the year the Group has reclassified \$5.1m of Opening Assets Under Construction to Intangibles under construction (refer note 7).

2012	Copyright in computer software programs \$000	Capitalised development cost \$000	Computer software \$000	Operating rights and licences \$000	Total \$000
Net book value					
Opening balance	16,393	18,864	16,848	29,354	81,459
Additions	-	13,758	2,838	9,590	26,186
Capitalisation of Intangible Assets Under Construction (note 7)	-	156	9,542	-	9,698
Internal transfers	-	3,363	3,886	(7,249)	-
Disposals	-	-	(558)	-	(558)
Amortisation expense	(4,896)	(4,068)	(9,479)	(6,495)	(24,938)
Closing balance	11,497	32,073	23,077	25,200	91,847
Cost	46,500	40,254	66,394	58,735	211,883
Accumulated amortisation	(35,003)	(8,181)	(43,317)	(33,535)	(120,036)
Closing Balance	11,497	32,073	23,077	25,200	91,847

Notes to the Appendix 4E

For the year ended 30 June 2013

	Consolidated	
	2013	2012
9. Other financial assets	\$000	\$000
Measured at fair value		
Shares quoted on Australian Securities Exchange ("ASX")	23,780	4,574
Other investments	1,278	1,278
Other	139	68
	25,197	5,920

Certain shares held by the Group that are traded in an active market are classified as Available for sale and are stated at fair value. Gains and losses arising from changes in the fair value of these investments are recognised in the investments revaluation reserve.

	Consolidated	
	2013	2012
10. Provisions	\$000	\$000
(a) Current		
Provision for employee benefits	58,048	58,295
Self-insurance provision		
Workers compensation	1,914	2,560
Other	110	522
Restructuring and onerous contract provision	-	265
	60,072	61,642
(b) Non-current		
Provision for employee benefits	1,187	3,115
Self-insurance provision	1,276	2,503
	2,463	5,618

11. Interest bearing liabilities

Measured at amortised cost

(a) Current		
Gross bank loans	2,550	2,337
Finance lease liabilities	796	1,467
	3,346	3,804
(b) Non-current		
Gross bank loans	927,725	930,274
Retail bonds	152,274	152,274
Finance lease liabilities	4,008	1,372
	1,084,007	1,084,920
Unamortised borrowing costs	(8,085)	(12,092)
	1,075,922	1,071,828

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.

Notes to the Appendix 4E

For the year ended 30 June 2013

	30 June 2013	30 June 2012
12. Net tangible asset backing		
Net tangible asset backing per share	(\$1.32)	(\$1.32)

	2013 No. of shares 000's	2012 No. of shares 000's	2013 \$000	2012 \$000
13. Issued capital (Company & Consolidated)				
Opening balance	501,717	497,420	2,369,229	2,357,623
Exercise of share options	-	120	-	230
Transfer from share-based payments reserve	-	-	-	112
Shares issued via Dividend Reinvestment Plan	2,102	3,840	8,844	11,287
Shares issued via Bonus Share Plan	103	337	-	-
Capital raising/share issue costs, net of tax	-	-	(25)	(23)
Closing balance – Company	503,922	501,717	2,378,048	2,369,229
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,358,183	2,349,364

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

	Consolidated	
	2013 \$000	2012 \$000
14. Earnings per share		

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	150,111	116,615
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	2013 000's	2012 000's
Weighted average number of shares		

The weighted average number of shares used in the calculation of basic earnings per share	502,814	499,759
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Potential ordinary shares	-	21
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The weighted average number of shares used in the calculation of diluted earnings per share	502,814	499,780
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Potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

Notes to the Appendix 4E

For the year ended 30 June 2013

15. Reserves	Note	Consolidated	
		2013 \$000	2012 \$000
Cash flow hedge reserve	15(a)	(11,501)	(14,769)
Share-based payments reserve	15(b)	9,901	9,584
Investments revaluation reserve	15(c)	9,703	610
Foreign currency translation reserve	15(d)	1,160	1,046
		9,263	(3,529)

(a) Cash flow hedge reserve

The effective portion of any gains or losses on the Group's cash flow hedges and Foreign exchange forwards 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 in prior years to both independent contractors and employees (no grants were made in the current financial year). Amounts are transferred out of the reserve and into issued capital when options are exercised.

(c) Investments revaluation reserve

The 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 the income statement. Where a re-valued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in the income statement.

(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.

16. Retained earnings	Consolidated	
	2013 \$000	2012 \$000
Opening balance	221,951	154,251
Profit attributable to equity holders	150,111	116,615
Dividends paid	(62,403)	(48,915)
Closing balance	309,659	221,951

Notes to the Appendix 4E

For the year ended 30 June 2013

	Consolidated	
	2013	2012
17. 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	38,246	10,432
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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	150,111	116,615
Depreciation of plant and equipment	61,879	60,928
Amortisation of intangibles	28,818	24,938
Net (profit) loss on sale of property plant and equipment	(793)	333
Profit on sale of investments	(612)	-
Non-controlling interest	1,897	2,327
Increase (decrease) in:		
Trade payables and accruals	(4,163)	4,270
Provisions	(4,725)	(7,439)
Deferred revenue	(1,528)	2,497
Tax balances	28,703	11,947
Share option reserve	317	884
Decrease (increase) in:		
Consumables	62	(464)
Receivables and prepayments	5,401	(2,840)
Deferred borrowing costs	4,007	14,709
Net cash provided by operating activities	269,374	228,705

(c) Non cash investing and financing

During the financial year, 2,101,907 (2012: 3,840,301) and 102,720 (2012: 337,210) 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 2013

		Consolidated	
		2013	2012
17.	Notes to the cash flow statement (continued)	\$000	\$000
(d) Financing facilities			
Current			
Secured Loan facility			
	Amount used	2,550	2,337
	Amount unused	-	-
Non Current			
Secured Syndicated Debt facilities			
	Amount used	920,000	920,000
	Amount unused	-	-
Secured Bilateral multi-option facility			
	Amount used	-	-
	Amount unused	100,000	100,000
Secured Loan facility			
	Amount used	7,725	10,274
	Amount unused	9,818	7,482

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

Notes to the Appendix 4E

For the year ended 30 June 2013

17. 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	
	2013	2012
	\$000	\$000
The net outflow of cash to acquire businesses is reconciled as follows:		
Fair value of identifiable net assets acquired		
Health-related practices	-	-
	-	-
Goodwill		
Health-related practices	74,449	57,115
	74,449	57,115
Consideration – cash paid to acquire businesses		
Health-related practices	74,449	57,115
Controlled entities	-	1,000
(Increase) / decrease in payables relating to acquisitions	(4,616)	8,899
	69,833	67,014
Cash paid for acquisitions	69,833	67,014
Less cash acquired	-	-
Net payments for the purchase of businesses	69,833	67,014

Notes to the Appendix 4E

For the year ended 30 June 2013

18. Subsequent events

During the ordinary course of business, Members of the Group continued to acquire health-related practices to expand their existing operations from 30 June 2013 to the date the Appendix 4E was authorised for issue.

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	
	2013	2012
19. Contingent liabilities	\$000	\$000
Treasury bank guarantees		
Statutory requirement	18,397	17,897
Other	6,968	6,548
	25,365	24,445

Compliance statement

For the year ended 30 June 2013

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 not~~ ^{does} *(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~~ ^{has} *(delete one)* a formally constituted audit committee.

Sign here:



(Finance Director)

Date: 14 August 2013

Print name: Andrew Duff