

Results for announcement to the market

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2013

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Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2013

\$000	% Change	31 December 2013 Total	31 December 2012 Total
Revenue	5.4%	750,956	712,536
EBITDA		192,055	183,981
Depreciation		31,359	29,929
EBITA		160,696	154,052
Interest expense		31,940	37,677
Amortisation of borrowing costs		6,744	2,100
Amortisation of intangibles		15,238	13,926
Income tax expense		31,224	30,795
Profit for the period after tax	8.6%	75,550	69,554
Attributable to non-controlling interest		35	21
Profit for the period after tax attributable to equity holders	8.6%	75,515	69,533
Cents per share		2013 Total	2012 Total
Basic and diluted earnings per share		15.0	13.8
Final dividend		N/A	N/A
Interim dividend ^{1,2}		9.0	6.5
		9.0	6.5

¹ All dividends are fully franked at the corporate income tax rate (2013: 30%, 2012: 30%).

² The record date for determining entitlement to the interim dividend is 21 March 2014 and is payable on 7 April 2014. The Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) will operate with nil discount (31 December 2012: nil discount). The last date for the receipt of an election notice for participation in these plans is 21 March 2014.

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2013

Summary

The Directors of Primary Health Care Limited (“Primary”) announce the results for the six months ended 31 December 2013. Key points of the half year results are:

- EBITDA up 4.4% to \$192.1m (2012: \$184.0m);
- Net Profit After Tax up 8.6% to \$75.5m from \$69.5m (up 13.0% to \$78.5m, excluding refinance charge of \$3.0m);
- EPS up 8.7% to 15.0 cents per share from 13.8cps (up 13.0% to 15.6cps, excluding refinance charge of \$3.0m);
- Incremental margin gains in all operating business units;
- Interim dividend up 38% to 9.0 cents per share, fully franked (2012: 6.5 cents); and
- Successful refinance of bank debt at improved margins.

Operating overview

Primary has delivered a solid trading result for 1H FY2014 with 8.6% Net Profit After Tax growth, and 8.7% EPS growth. The results include a \$3.0m non-cash after-tax charge for borrowing costs expensed on the expiring bank debt facility, following the successful early refinance in November 2013. Excluding this \$3.0m charge, NPAT and EPS were up 13.0% on the prior corresponding period to \$78.5m and 15.6 cents per share respectively.

This result has been driven by both revenue and margin gains and is reflected in the following key indicators:

- Medical Centres revenue growth of 5.2% excluding dental results;
- Medical Centres margin up 40 bps to 55.8%;
- Pathology EBITDA growth of 7.8% to \$74.9m and revenue growth of 6.5%;
- Pathology EBITDA margin up 20 bps to 17.2%;
- Imaging EBITDA growth of 7.9% to \$35.5m and revenue growth of 6.5%; and
- Imaging EBITDA margin growth of 30 bps to 22.7%.

Interest rate hedging in place for FY2014 and FY2015, combined with the refinancing of bank debt, will continue to decrease interest expense and consolidate EPS growth.

Outlook

Primary re-confirms its guidance for FY2014. EBITDA for FY2014 is expected to be in the range of \$395m-\$410m, resulting in EPS growth of 7%-13%.

This guidance reflects the usual expected EBITDA split of 47.5%/52.5% experienced within the Group, across the two six month periods of the full financial year.

Primary Health Care Limited

Appendix 4D – Half Year Report

For the Half Year ended 31 December 2013

Segment analysis

\$m	Six months 31 December 2013	Six months 31 December 2012
Revenue		
Medical Centres	151.7	151.6
Pathology	436.2	409.5
Imaging	156.3	146.7
Health Technology	18.3	18.8
Corporate	3.7	0.5
Intersegment	(15.2)	(14.6)
Total	751.0	712.5
EBITDA		
Medical Centres	84.7	84.0
Pathology	74.9	69.5
Imaging	35.5	32.9
Health Technology	9.8	9.7
Corporate	(12.8)	(12.1)
Total	192.1	184.0
Margin		
Medical Centres	55.8%	55.4%
Pathology	17.2%	17.0%
Imaging	22.7%	22.4%
Health Technology	53.5%	51.6%
Total	25.6%	25.8%

Medical Centres

While revenue for the Medical Centre division overall was flat over the prior corresponding period, the revenue for Medical Centre division, excluding dental, grew by 5.2%. The gains were the result of solid GP patient growth and the maturing profile of other services.

Dental revenues decreased from \$19.8m in 1H FY2013 to \$13.0m in 1H FY2014 as a result of the removal of the Federal Government's chronic dental scheme funding on 1 December 2012.

The division consists of 71 medical centres, comprising 58 large-scale and 13 smaller centres. EBITDA/Revenue margins have improved 40 bps over the prior corresponding period, up from 55.4% to 55.8%.

The acquisition price of GP practices has continued its downward trend during the period. Retention levels of GPs have been consistent with expectations and prior periods. Warringah Medical Centre was successfully relocated in November 2013. No further new centres are planned to open by 30 June 2014.

Overall the Medical Centres division is currently operating well and in line with expectations.

Pathology

EBITDA generated for the six months to 31 December 2013 has grown 7.8% over the prior corresponding period (up from \$69.5m to \$74.9m). EBITDA/Revenue margins have improved 20 bps over the prior corresponding period (up from 17.0% to 17.2%),

Revenue has grown by 6.5% over the prior corresponding period. This revenue growth was made in the context of a downward funding adjustment of approximately 1.3% under the Memorandum of Understanding with the Federal Government which took effect on 1 January 2013. The Pathology division's growth compares favorably with Industry Medicare data showing 4.3% benefit growth over the same period.

Overall the Pathology division is currently operating well and in line with expectations.

Primary Health Care Limited

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For the Half Year ended 31 December 2013

Imaging

EBITDA generated for the six months to 31 December 2013 has grown 7.9% over the prior corresponding period (up from \$32.9m to \$35.5m). Revenue grew by 6.5% over the prior corresponding period. EBITDA/Revenue margins have improved 30 bps over the prior corresponding period (up from 22.4% to 22.7%).

The Imaging division has received a significant equipment and information technology investment program over a period of time. Primary is focused on consolidating gains in this division.

On 1 July 2013 Primary adopted AASB 11 *Joint Arrangements*, and in accordance with AASB 11 has restated comparative information.

Health Technology

EBITDA for the Health Technology division was \$9.8m compared to \$9.7m for the prior corresponding period. Revenue decreased by 3% in the period to \$18.3m.

Renewals of higher-margin software products were slightly ahead of expectations, offsetting slight reductions in revenues from hospitals applications business.

Debt and interest expense

On 27 November 2013 Primary completed financial close on the refinancing of the Group's syndicated bank debt facility, which was due to mature in February 2015.

The \$1.25bn refinancing provides an extended bank debt maturity profile for Primary as follows:

- a \$625m, three year two months non-amortising facility, maturing January 2017; and
- a \$625m, five year non-amortising facility, maturing November 2018.

Margins payable on the facility are improved on prior terms. The facility is also sufficient to provide funds for the repayment of the \$152m Primary retail bonds maturing in September 2015.

Amortisation of borrowing costs

Amortisation of borrowing costs expense was \$6.7m for the six months to 31 December 2013 including unamortised borrowing costs on the expiring syndicated bank facility of \$4.2m (\$3.0m after-tax) charged to the income statement.

Taxation

The effective tax rate on operating earnings for the period was 29.3%.

Dividend

The interim dividend will be 9.0 cents per share fully franked (31 December 2012: 6.5 cents) payable on 7 April 2014. Primary offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) with nil discount (31 December 2012: nil discount).

Further details about the interim dividend are available on page 11.

Primary Health Care Limited

Appendix 4D – Half Year Report

Attachment A – Interim Financial Report

For the Half Year ended 31 December 2013

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Directors' Report

For the Half Year ended 31 December 2013

Your Directors present their report on the consolidated entity consisting of Primary Health Care Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

Directors

The Directors of Primary Health Care Limited during the half year ended 31 December 2013 and up to the date of this report were:

- Mr. Robert Ferguson
- Dr. Edmund Bateman
- Mr. Brian Ball
- Mr. James Bateman
- Mr. Henry Bateman
- Mr. Andrew Duff
- Dr. Paul Jones
- Dr. Errol Katz
- Ms. Arlene Tansey

Results

Key features of the Half Year results are:

- EBITDA up 4.4% to \$192.1m (2012: \$184.0m);
- Net Profit After Tax up 8.6% to \$75.5m (2012: \$69.5m);
- EPS up 8.7% to 15.0 cent per share (2012: 13.8cps);
- Incremental margin gains in all operating business units;
- Interim dividend up 38% to 9.0 cents per share fully franked (2012: 6.5 cents); and
- Successful refinance of bank debt at improved margins.

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

Dividend

In respect of the Half Year ended 31 December 2013, an interim dividend of 9.0 cents per share has been declared, fully franked (31 December 2012: 6.5 cents per share).

Rounding off of amounts

The company is of a kind referred to in Class Order 98/0100 dated 10 July 1998, issued by the Australian Securities and Investments Commission. In accordance with that Class Order amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars.

Auditor's independence declaration

The Auditors' Independence Declaration is set out on page 2.

Signed in accordance with a resolution of the Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Edmund Bateman - Director
Sydney 12 February 2014

Auditor's Independence Declaration

For the half year ended 31 December 2013

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Primary Health Care Limited
30-38 Short Street
LEICHHARDT NSW 2040

Dear Board Members

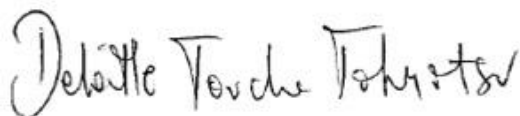
Primary Health Care Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Primary Health Care Limited.

As lead audit partner for the review of the financial statements of Primary Health Care Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



S C Gustafson
Partner
Chartered Accountants
Sydney, 12 February 2014

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Review Report

To the Members of Primary Health Care Limited

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report To the members of Primary Health Care Limited

We have reviewed the accompanying half year financial report of Primary Health Care Limited, which comprises the balance sheet as at 31 December 2013, and the income statement, statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 5 to 23.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Primary Health Care Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

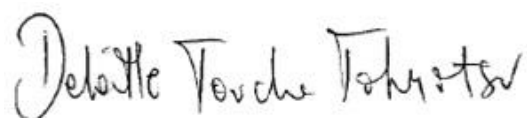
Independent Auditor's Review Report

To the Members of Primary Health Care Limited

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Primary Health Care Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



S C Gustafson
Partner
Chartered Accountants
Sydney, 12 February 2014

Directors' declaration

For the Half Year ended 31 December 2013

The Directors declare that:

- (a) in the Directors' opinion, the attached financial statements and notes are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (b) in the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.



Edmund Bateman
Director

Sydney, 12 February 2014

Income statement

For the Half Year ended 31 December 2013

	Note	31 December 2013 \$000	31 December 2012 \$000
Revenue	3	750,956	712,536
Employee benefits expense		306,524	292,734
Property expenses		96,630	85,960
Consumables		72,466	71,326
Other expenses		83,281	78,535
EBITDA		192,055	183,981
Depreciation		31,359	29,929
Amortisation of intangibles		15,238	13,926
EBIT		145,458	140,126
Interest expense		31,940	37,677
Amortisation of borrowing costs	4	6,744	2,100
Profit before tax		106,774	100,349
Income tax expense	5	31,224	30,795
Profit for the period		75,550	69,554
Attributable to:			
Equity holders of Primary Health Care Limited		75,515	69,533
Non-controlling interest		35	21
Profit for the period		75,550	69,554
Earnings per share (Consolidated)			
	Note	2013 Cents per share	2012 Cents per share
Basic and diluted earnings per share	13	15.0	13.8

Notes to the financial statements are included on pages 12 to 23

Statement of comprehensive income

For the Half Year ended 31 December 2013

	31 December 2013 \$000	31 December 2012 \$000
Profit for the period	75,550	69,554
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value (loss) arising during the period	(2,804)	(2,763)
Reclassification adjustment for amounts recognised in profit and loss	5,770	1,989
Available-for-sale financial assets		
Net fair value (loss) gain on available-for-sale financial assets during the period	(2,371)	2,298
Reclassification adjustment relating to available-for-sale financial assets disposed of in the period	(3,350)	(73)
Exchange differences arising on translation of foreign operations	(209)	17
Income tax relating to items that may be reclassified subsequently to profit and loss	826	(436)
Other comprehensive gain (loss) for the period, net of income tax	(2,138)	1,032
Total comprehensive income for the period	73,412	70,586
Attributable to:		
Equity holders of Primary Health Care Limited	73,377	70,565
Non-controlling interest	35	21
	73,412	70,586

Notes to the financial statements are included on pages 12 to 23

Balance sheet

As at	Note	31 December 2013 \$000	30 June 2013 \$000
Current assets			
Cash		9,551	34,721
Receivables		146,192	151,777
Consumables		28,516	25,878
Total current assets		184,259	212,376
Non-current assets			
Receivables		3,761	3,618
Property, plant and equipment		415,828	409,052
Goodwill	6	3,256,863	3,213,162
Other intangible assets		117,558	108,508
Other financial assets		21,162	25,197
Investment in joint ventures	7	3,364	3,232
Deferred tax asset		12,430	9,639
Total non-current assets		3,830,966	3,772,408
Total assets		4,015,225	3,984,784
Current liabilities			
Payables		127,907	127,135
Tax liabilities		10,485	18,193
Provisions	8	57,177	59,302
Other financial liabilities	11	10,634	12,068
Interest bearing liabilities	9	3,316	3,088
Total current liabilities		209,519	219,786
Non-current liabilities			
Payables		6,645	6,746
Provisions	8	4,381	2,463
Other financial liabilities	11	3,047	4,721
Interest bearing liabilities	9	1,089,678	1,072,203
Total non-current liabilities		1,103,751	1,086,133
Total liabilities		1,313,270	1,305,919
Net assets		2,701,955	2,678,865
Equity			
Issued capital	12	2,363,061	2,358,183
Reserves		7,233	9,263
Retained profits		329,866	309,659
Equity attributable to equity holders of the parent		2,700,160	2,677,105
Non-controlling interest		1,795	1,760
Total equity		2,701,955	2,678,865

Notes to the financial statements are included on pages 12 to 23

Cash flow statement

For the Half Year ended 31 December 2013

	Note	31 December 2013 \$000	31 December 2012 \$000
Cash flows from operating activities			
Receipts from customers		770,397	732,914
Payments to suppliers and employees		(596,272)	(552,885)
Interest and other cost of finance paid		(36,391)	(35,630)
Net income tax paid		(29,731)	(15,200)
Interest received		158	226
Net cash provided by operating activities	15(b)	108,161	129,425
Cash flows from investing activities			
Payments for businesses purchased	15(e)	(34,853)	(42,649)
Payments for property plant and equipment		(42,697)	(36,850)
Payments for other intangibles		(19,190)	(14,870)
Net proceeds from (payments for) investments		2,307	(1,251)
Proceeds from sale of property plant and equipment		29	597
Net cash (used in) investing activities		(94,404)	(95,023)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(96,247)	(106,668)
Proceeds from borrowings		115,000	105,000
Dividends paid		(50,430)	(25,512)
Payments for debt issue costs		(7,250)	-
Payments for share issue costs		-	(25)
Net cash (used in) provided by financing activities		(38,927)	(27,205)
Net (decrease) increase in cash held		(25,170)	7,197
Cash at the beginning of the period			
Cash at the beginning of the period		34,721	8,312
Effect of exchange rate movements on cash held in foreign currencies		-	-
Cash at the end of the period	15 (a)	9,551	15,509

Notes to the financial statements are included on pages 12 to 23

Statement of changes in equity

For the Half Year ended 31 December 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 2013	2,358,183	9,703	(11,501)	1,160	9,901	309,659	2,677,105	1,760	2,678,865
Profit for the period	-	-	-	-	-	75,515	75,515	35	75,550
Exchange differences arising on translation of foreign operations	-	-	-	(209)	-	-	(209)	-	(209)
Fair value (loss) on available-for-sale investments	-	(2,371)	-	-	-	-	(2,371)	-	(2,371)
Fair value (loss) on cash flow hedges	-	-	(2,804)	-	-	-	(2,804)	-	(2,804)
(Gain) loss transferred to income statement	-	(3,350)	5,770	-	-	-	2,420	-	2,420
Income tax relating to components of other comprehensive income	-	1,716	(890)	-	-	-	826	-	826
Total comprehensive income for the period	-	(4,005)	2,076	(209)	-	75,515	73,377	35	73,412
Payment of dividends	-	-	-	-	-	(55,308)	(55,308)	-	(55,308)
Share based payments	-	-	-	-	108	-	108	-	108
Movement in share capital (Note 12)	4,878	-	-	-	-	-	4,878	-	4,878
Balance at 31 December 2013	2,363,061	5,698	(9,425)	951	10,009	329,866	2,700,160	1,795	2,701,955
Balance at 1 July 2012	2,349,364	610	(14,769)	1,046	9,584	221,951	2,567,786	1,838	2,569,624
Profit for the period	-	-	-	-	-	69,533	69,533	21	69,554
Exchange differences arising on translation of foreign operations	-	-	-	17	-	-	17	-	17
Fair value gain on available-for-sale investments	-	2,298	-	-	-	-	2,298	-	2,298
Fair value (loss) on cash flow hedges	-	-	(2,763)	-	-	-	(2,763)	-	(2,763)
(Gain) loss transferred to income statement	-	(73)	1,989	-	-	-	1,916	-	1,916
Income tax relating to components of other comprehensive income	-	(668)	232	-	-	-	(436)	-	(436)
Total comprehensive income for the period	-	1,557	(542)	17	-	69,533	70,565	21	70,586
Payment of dividends	-	-	-	-	-	(29,790)	(29,790)	-	(29,790)
Share based payments	-	-	-	-	167	-	167	-	167
Movement in share capital (Note 12)	4,253	-	-	-	-	-	4,253	-	4,253
Balance at 31 December 2012	2,353,617	2,167	(15,311)	1,063	9,751	261,694	2,612,981	1,859	2,614,840

Notes to the financial statements are included on pages 12 to 23

Statement of changes in equity

For the Half Year ended 31 December 2013

	Cents per share 2013	Cents per share 2012	31 December 2013 \$000	31 December 2012 \$000
Dividends				
Recognised amounts				
Final dividend – previous financial year	11.0	6.0	55,431	30,102
Dividend forgone under the Bonus Share Plan	-	-	(123)	(312)
Total dividends paid	11.0	6.0	55,308	29,790
Unrecognised amounts				
Interim dividend - current financial period	9.0	6.5		

All dividends are fully franked at the corporate income tax rate (2013: 30%, 2012: 30%). The record date for determining entitlement to the interim dividend is 21 March 2014. The dividend is payable on 7 April 2014. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). The last date for an election notice for participation in these plans is 21 March 2014.

The Directors have determined that the DRP and BSP will operate at a nil discount (31 December 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.

Notes to the financial statements are included on pages 12 to 23

Notes to the financial statements

For the Half Year ended 31 December 2013

1. Significant accounting policies

Statement of compliance

This half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This financial report does not include all of the notes normally included within the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the 30 June 2013 annual financial report of Primary Health Care Limited, together with any public announcements made by Primary Health Care Limited and its controlled entities (the Group) during the period in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2013 annual financial report for the financial year ended 30 June 2013. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

- AASB 11 *Joint Arrangements* (refer to note 7); and
- AASB 13 *Fair Value Measurements*.

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current period.

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

The application of AASB 13 has not impacted any amounts recognised in the consolidated financial statements.

Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current period disclosures, where considered material, are referred to separately in the half year report or notes thereto.

Notes to the financial statements

For the Half Year ended 31 December 2013

2. Segment information

The Group operates predominantly in Australia (country of domicile). 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:

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.

Pathology – This division provides pathology services.

Imaging – This division provides imaging and scanning services from stand-alone imaging sites and from within the consolidated entity's medical centres.

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

Inter-segment sales

All inter-segment sales are eliminated on consolidation.

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

Notes to the financial statements

For the Half Year ended 31 December 2013

2. Segment information (continued)

31 December 2013	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
Revenue	151,725	436,210	156,296	18,278	3,706	766,215
Intersegment sales	(15,259)	-	-	-	-	(15,259)
Total Revenue	136,466	436,210	156,296	18,278	3,706	750,956
EBITDA	84,689	74,844	35,548	9,770	(12,796)	192,055
Depreciation	9,014	7,866	13,656	202	621	31,359
EBITA	75,675	66,978	21,892	9,568	(13,417)	160,696
Amortisation of intangibles	3,355	3,179	2,307	4,144	2,253	15,238
Interest expense and amortisation of borrowing costs	-	-	-	-	38,684	38,684
Profit before tax	72,320	63,799	19,585	5,424	(54,354)	106,774

31 December 2012	Medical Centres \$000	Pathology \$000	Imaging \$000	Health Technology \$000	Other \$000	Total \$000
Revenue	151,634	409,463	146,746	18,780	490	727,113
Intersegment sales	(14,577)	-	-	-	-	(14,577)
Total Revenue	137,057	409,463	146,746	18,780	490	712,536
EBITDA	84,001	69,490	32,894	9,738	(12,142)	183,981
Depreciation	8,352	7,643	13,289	242	403	29,929
EBITA	75,649	61,847	19,605	9,496	(12,545)	154,052
Amortisation of intangibles	3,638	2,885	2,606	3,814	983	13,926
Interest expense and amortisation of borrowing costs	-	-	-	-	39,777	39,777
Profit before tax	72,011	58,962	16,999	5,682	(53,305)	100,349

Notes to the financial statements

For the Half Year ended 31 December 2013

	31 December 2013 \$000	31 December 2012 \$000
3. Revenue		
Trading revenue	747,446	711,290
Gain on disposal of available-for-sale investments	3,220	201
Share of profit of joint ventures using the equity method	132	819
Interest revenue	158	226
	750,956	712,536

4. Amortisation of borrowing costs

Amortisation of:

Syndicated facility borrowing costs	1,864	1,485
Retail bond borrowing costs	618	615
Costs written off on refinanced facilities	4,262	-
	6,744	2,100

5. Income tax expense

The prima facie income tax expense on the continuing operations pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before income tax expense	106,774	100,349
Income tax calculated at 30% (2012: 30%)	32,032	30,105
Tax effect of amounts which are not deductible in calculating taxable income	184	1,057
	32,216	31,162
(Over) provision in prior years	(972)	(367)
	31,244	30,795

	31 December 2013 \$000	30 June 2013 \$000	31 December 2012 \$000
6. Goodwill			
Opening balance	3,213,162	3,138,713	3,138,713
Acquisition of subsidiaries	3,670	-	-
Acquisition of businesses	40,031	74,449	42,649
	3,256,863	3,213,162	3,181,362

On 8 August 2013, the Group acquired a 100 per cent interest in Moaven and Partners Pathology Pty Ltd.

Notes to the financial statements

For the Half Year ended 31 December 2013

7. Investment in joint ventures

The Group has adopted AASB 11 *Joint Arrangements* in financial year 2014. Under AASB 11 the Group's investment in Norcoray Unit Trust and Orana Services Trust is required to be accounted for using the equity method of accounting, resulting in the aggregation of the Group's proportionate share of Norcoray Unit Trust and Orana Services Trust's net assets and items of profit or loss and other comprehensive income into a single line item which is presented in the consolidated statement of financial position and in the consolidated income statement and other comprehensive income as "investment in joint ventures" and "share of profits of joint ventures" respectively.

The change in accounting of the Group's investment in Norcoray Unit Trust and Orana Services Trust Limited has been applied in accordance with the relevant transitional provisions set out in AASB 11. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in Norcoray Unit Trust and Orana Services Trust Limited, as detailed in the table below.

Impact of the application of AASB 11 on the Income statement for the six months ended 31 December 2012	Six months ended 31 December 2012 \$'000	AASB 11 Adjustment \$'000	Six months ended 31 December 2012 as restated \$'000
Revenue	720,743	(8,207)	712,536
EBITDA	186,112	(2,131)	183,981
Depreciation	30,505	(576)	29,929
Amortisation	13,960	(34)	13,926
EBIT	141,647	(1,521)	140,126
Interest expense	37,677	-	37,677
Amortisation of borrowing costs	2,100	-	2,100
Profit before tax	101,870	(1,521)	100,349
Income tax expense	31,146	(351)	30,795
Profit for the period	70,724	(1,170)	69,554
Profit attributable to non-controlling interests	1,191	1,170	21
Profit attributable to equity holders of Primary Health Care Limited	69,533	-	69,533

8. Provisions	31 December 2013 \$000	30 June 2013 \$000
(a) Current		
Provision for employee benefits	55,624	57,278
Self-insurance provision	1,553	2,024
	57,177	59,302
(b) Non-current		
Provision for employee benefits	3,460	1,187
Self-insurance provision	921	1,276
	4,381	2,463

Notes to the financial statements

For the Half Year ended 31 December 2013

	31 December 2013 \$000	30 June 2013 \$000
9. Interest bearing liabilities		
(a) Current		
Gross bank loan	2,663	2,550
Finance lease liabilities	653	538
	3,316	3,088
(b) Non-current		
Gross bank loans	946,365	927,725
Retail bonds	152,274	152,274
Finance lease liabilities	354	289
	1,098,993	1,080,288
Unamortised borrowing costs	(9,315)	(8,085)
	1,089,678	1,072,203
10. Net tangible asset backing		
Net tangible asset backing per share	(\$1.33)	(\$1.32)
11. Other financial liabilities		
Current	10,634	12,068
Non-current	3,047	4,721
	13,681	16,789

Other financial liabilities represent the mark-to-market (fair value) of the Group's cash flow hedges. The current/non-current classification of the other financial liability is determined by the maturity dates of the individual cash flow hedges.

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

Notes to the financial statements

For the Half Year ended 31 December 2013

	No. of Shares December 2013 000's	No. of Shares June 2013 000's	31 December 2013 \$000	30 June 2013 \$000
12. Issued Capital				
Opening balance	503,922	501,717	2,378,048	2,369,229
Exercise of share options	-	-	-	-
Transfer from share based payments reserve	-	-	-	-
Shares issued via Dividend Reinvestment Plan	1,009	2,102	4,878	8,844
Shares issued via Bonus Share Plan	25	103	-	-
Capital raising/share issue costs, net of tax	-	-	-	(25)
Closing balance	504,956	503,922	2,382,926	2,378,048
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,363,061	2,358,183

13. Earnings per share

	31 December 2013 \$000	31 December 2012 \$000
Earnings		

The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the income statement as follows:

Profit attributable to equity holders of Primary Health Care Limited	75,515	69,533
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	31 December 2013 000's	31 December 2012 000's
Weighted average number of shares		

The weighted average number of shares used in the calculation of basic earnings per share

	504,361	502,254
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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 financial statements

For the Half Year ended 31 December 2013

14. Financial instruments

This note provides information about how the Group determines fair values of various financial instruments, all of which are measured at fair value on a recurring basis:

Fair value measurement - valuation methods

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The definition of each "level" below is as required by accounting standards as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2013	Consolidated- Carrying amount			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets				
Available-for-sale investments	19,819	-	-	19,819
Other	-	65	1,278	1,343
	19,819	65	1,278	21,162
Financial liabilities				
Interest rate swaps	-	13,681	-	13,681

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges (Interest rate swap contracts)

31 December 2013	Average contracted fixed interest rate (excl margin) %	Notional principal value \$'000	Fair value \$'000
Less than 1 year	3.62%	825,000	5,014
1 to 2 years	3.54%	977,274	8,302
3 to 5 years	3.72%	150,000	300

Notes to the financial statements

For the Half Year ended 31 December 2013

	31 December 2013 \$000	31 December 2012 \$000
15. Notes to the cash flow statement		

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash	9,551	15,509
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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	75,515	69,533
Depreciation of plant and equipment	31,359	29,929
Amortisation of intangibles	15,238	13,926
Amortisation of borrowing costs	6,744	2,100
Share based payments expense	108	167
Non-controlling Interest	35	21
(Profit) on sale of other investments	(3,220)	(201)
Increase (decrease) in liabilities;		
Trade payables and accruals	(9,717)	4,387
Provisions	(207)	658
Tax balances	(10,499)	6,340
Decrease (increase) in assets;		
Consumables	(2,638)	(368)
Receivables and prepayments	5,443	2,933
Net cash provided by operating activities	108,161	129,425

(c) Non cash investing and financing

During the period 1,009,294 (2012: 1,180,093) and 25,412 (2012: 86,147) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

These transactions are not reflected in the statement of cash flows.

Notes to the financial statements

For the Half Year ended 31 December 2013

15. Notes to the cash flow statement (continued)

	31 December 2013 \$000	30 June 2013 \$000
(d) Financing facilities (Consolidated)		
Current		
Secured Loan facility		
Amount used	2,663	2,550
Amount unused	-	-
Non Current		
Secured Syndicated Debt facilities		
Amount used	940,000	920,000
Amount unused	310,000	-
Secured Bilateral multi-option facility		
Amount used	-	-
Amount unused	-	100,000
Secured Loan facility		
Amount used	6,365	7,725
Amount unused	10,972	9,725

On 27 November 2013 Primary refinanced the Group's syndicated bank debt facility, which was due to mature in February 2015.

The \$1.25bn refinancing provides an extended bank debt maturity profile for Primary as follows:

- a \$625m, three year two months non-amortising facility, maturing January 2017; and
- a \$625m, five year non-amortising facility, maturing November 2018.

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 financial statements

For the Half Year ended 31 December 2013

15. Notes to the cash flow statement (continued)

(e) Businesses acquired

(i) Health related practices

Members of the Group continued to acquire health related practices to expand their existing businesses.

It is not practical to show the impact of the individual medical practices acquired during the period on the Group's results for the period (as required by AASB 3 *Business Combinations*), as it is impractical to allocate the costs associated with the Group's multi-disciplinary medical centres to the individual medical practices acquired.

The goodwill arising from the business combinations is attributable to the benefit of synergies expected to be achieved from integrating the business with the Group's existing operations. This benefit is not able to be individually identified or recognised separately from goodwill.

(ii) Summary

	31 December 2013 \$000	31 December 2012 \$000
The net outflow of cash to acquire businesses is reconciled as follows:		
Fair value of identifiable net assets acquired		
Health related practices	-	-
Controlled entities	102	-
	102	-
Goodwill		
Health related practices	40,031	42,649
Controlled entities	3,670	-
	43,701	42,649
Consideration – cash paid to acquire businesses		
Health related practices	40,031	42,649
Controlled entities	3,568	-
(Increase) in deferred consideration relating to acquisitions	(8,746)	-
	34,853	42,649
Cash paid for acquisitions	34,853	42,649
Less cash acquired	-	-
Net payments for the purchase of businesses	34,853	42,649

Notes to the financial statements

For the Half Year ended 31 December 2013

	31 December 2013 \$000	30 June 2013 \$000
16. Contingent liabilities		
Treasury bank guarantees		
Statutory requirement	15,661	18,397
Other	8,324	6,968
	23,985	25,365

17. Primary Bonds Series A

Information in respect of Key Financial Disclosures in respect of the ASIC Class Order [CO 10/321] and clause 10.2 of the Trust Deed, for the period ended 31 December 2013 is provided below:

- (i) Primary Bonds Series A rank equally amongst themselves and at least equally with all other unsubordinated and unsecured debt obligations of Primary, other than those obligations mandatorily preferred by law; ahead of ordinary equity of Primary and of Primary's obligations that are expressed to be subordinated to Primary Bonds Series A; and behind Primary's secured debt (Secured Syndicated Loan Facility, Secured Working Capital Facilities A, B and C and Secured Loan Facility);
- (ii) Primary has not breached any loan covenants or debt obligations (whether or not relating to Primary Bonds Series A) during the period covered by this Report; and
- (iii) Key financial ratios are set out below. A description of these ratios and how they are calculated is included in section 3.1 of the Primary Bonds Series A Second Part Prospectus.

Primary Bonds Series A	31 December 2013	30 June 2013
Gearing ratio	0.49	0.49
Interest cover ratio	5.93	5.38
Working capital ratio	0.88	0.98

18. Subsequent events

There has not been any other matter or circumstance that has arisen since the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.