

Primary Health Care Limited

Appendix 4D – Half-Year Report

For the Half-Year ended 31 December 2014

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Primary Health Care Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2014

\$000	% Change	31 December 2014 Total	Restated 31 December 2013 Total
Revenue	6.3%	797,859	750,824
Share of profits of joint ventures		722	132
EBITDA		196,121	192,055
Depreciation		37,212	31,359
EBITA		158,909	160,696
Interest expense		30,485	31,940
Amortisation of borrowing costs		2,847	6,744
Amortisation of intangibles		46,681	41,525
Income tax expense		25,525	30,201
Profit for the period after tax	6.1%	53,371	50,286
Attributable to non-controlling interest		15	35
Profit for the period after tax attributable to equity holders	6.2%	53,356	50,251
Cents per share		2014 Total	2013 Total
Basic and diluted earnings per share		10.5	10.0
Final dividend		N/A	N/A
Interim dividend ^{1, 2}		9.0	9.0
		9.0	9.0

¹ All dividends are fully franked at the corporate income tax rate (2014: 30%, 2013: 30%).

² The record date for determining entitlement to the interim dividend is 20 March 2015 and the dividend is payable on 7 April 2015. The Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) will operate with a 2.5% discount (31 December 2013: nil discount). The last date for the receipt of an election notice for participation in these plans is 23 March 2015.

Primary Health Care Limited

Appendix 4D – Half-Year Report

Results for announcement to the market

For the Half-Year ended 31 December 2014

Summary

The Directors of Primary Health Care Limited ("Primary") announce the results for the six months ended 31 December 2014.

The Group has reassessed its accounting policy for the acquisition of healthcare practices. The change is detailed in Note 2. This has resulted in a restatement of the accounts such that for the current period (commencing 1 July 2014):

- Opening Goodwill has been reduced by \$426.2 million (\$392.0 million relating to Medical Centres and \$34.2 million relating to Imaging), and Opening Intangibles has been increased by \$139.9 million;
- Opening deferred tax assets has been reduced by \$4.1 million;
- Opening retained earnings has been decreased by \$290.4 million;
- Amortisation expense has been increased by \$26.0 million for the period ending 31 December 2014 (31 December 2013 restatement increase: \$26.3 million). As per existing Group tax policy, this amortisation expense has been treated as non deductible for the Half-Year financial report.

Key points of the half-year results are:

- EBITDA up 2.1% to \$196.1 million (1H FY2014: \$192.1 million);
- Net Profit After Tax up 6.1% to \$53.4 million (1H FY2014 restated: \$50.3 million);
- Earnings Per Share up 5.0% to 10.5 cents per share (1H FY2014 restated: 10.0 cents per share);
- Strong Medical Centre revenue and EBITDA growth of 6.4% and 6.3%, respectively;
- Interim dividend 9.0 cents per share, fully franked (1H FY2014: 9.0 cents per share).

This earnings growth was achieved notwithstanding a non-recurring \$8.6 million increase in Depreciation and Amortisation expense in the period from an accelerated asset write-down.

Note that, where applicable, comparative information has been restated to reflect the change in accounting for acquisitions of healthcare practices.

Operating overview

Primary has delivered a solid operating result for 1H FY2015 with 6.3% revenue growth and 2.1% EBITDA growth, despite a challenging market in Pathology and an uncertain funding environment in Medical Centres.

Highlights of the result include:

- Medical Centres revenue growth of 6.4% and underlying EBITDA margin increase of ~20 bps excluding IVF start-up costs and reduction in grants. Including these expenses, EBITDA margin was steady at 55.8%.
- Pathology revenue growth of 5.4%. While EBITDA margins were ~130 bps weaker, a margin decline was expected, and reflects escalating collection centre costs as well as particularly weak volumes in July and August.
- Imaging revenue growth 11.2% with broadly steady EBITDA margin.

Accounting changes

The Group has reassessed its accounting policy for the acquisition of healthcare practices. The change is detailed in Note 2. This has resulted in a restatement of the accounts such that for the current period (commencing 1 July 2014):

- Opening Goodwill has been reduced by \$426.2 million (\$392.0 million relating to Medical Centres and \$34.2 million relating to Imaging), and Opening Intangibles has been increased by \$139.9 million;
- Opening deferred tax assets has been reduced by \$4.1 million;
- Opening retained earnings has been decreased by \$290.4 million;
- Amortisation expense has been increased by \$26.0 million for the period ending 31 December 2014 (31 December 2013 restatement increase: \$26.3 million). As per existing Group tax policy, this amortisation expense has been treated as non deductible for the Half-Year financial report.

Trading result

On a reported basis, Net Profit After Tax was up 6.1% to \$53.4 million (1H FY2014 restated: \$50.3 million). Earnings Per Share was up 5.0% to 10.5 cents per share (1H FY2014 restated: 10.0 cents per share). This growth was driven by EBITDA growth and an expected decrease in financing costs.

Outlook

Primary re-confirms its guidance for FY2015. EBITDA for FY2015 is expected to be in the range of \$410-\$425 million, resulting in EPS growth of 5%-12% (FY2014 EPS restated: 22.7 cents per share).

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This guidance reflects the usual second-half weighting for EBITDA experienced by the Group.

Segment analysis

\$m	Six months 31 December 2014	Six months 31 December 2013
Revenue		
Medical Centres	161.5	151.7
Pathology	459.5	436.2
Imaging	173.7	156.3
Health Technology	18.7	18.3
Corporate	1.3	3.7
Intersegment	(16.2)	(15.2)
Total	798.6	751.0
EBITDA		
Medical Centres	90.0	84.7
Pathology	73.0	74.8
Imaging	39.3	35.5
Health Technology	9.8	9.8
Corporate	(16.1)	(12.8)
Total	196.1	192.1
Margin		
Medical Centres	55.8%	55.8%
Pathology	15.9%	17.2%
Imaging	22.6%	22.7%
Health Technology	52.5%	53.5%
Total	24.6%	25.6%

Medical Centres

Overall, the Medical Centres division performed strongly in 1H FY2015 despite an uncertain funding environment.

Medical Centres revenue increased 6.4% compared to the prior corresponding period. This performance, following on from the revenue gains in 2H FY2014, demonstrates that the division has returned to a period of strong revenue growth. A Medicare fee increase effective 1 July 2014 contributed, with the balance primarily due to increased GP volumes and growth in other services.

Medical Centres EBITDA increased by 6.3% compared to the prior corresponding period to \$90.0 million. Underlying EBITDA margin increased ~20 bps, excluding startup costs associated with Primary IVF and reduction in grants received. Including these expenses, EBITDA margin was steady at 55.8%.

Primary IVF continues to perform above expectations and will be cash flow positive in 2H FY2015.

The division operates 71 medical centres, of which 58 are large-scale, and 13 are smaller centres. No additional medical centres are planned to open by 30 June 2015.

Pathology

Pathology revenue grew by 5.4% compared to the prior corresponding period. Though volumes in July and August were weak, volumes from September to December were in line with expectations.

1H FY2015 EBITDA of \$73.0 million was down 2.4% compared to the prior corresponding period due to a ~130 bps decline in EBITDA margin to 15.9%. Margin weakness was expected and reflects an escalation in collection centre costs which was budgeted for, as well as particularly weak volumes in July and August. In November 2014 Medicare funding of Vitamins D and B12 / Folate testing was reduced and will have a full period impact in 2H FY2015.

The Pathology division has continued to moderate its collection centre ("ACC") activities and actively manage ACC rental expense. National ACC market share is currently in line with pre-deregulation levels.

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Results for announcement to the market

For the Half-Year ended 31 December 2014

Australia's leading diagnostic genetic sequencing business was acquired by the Pathology division in November 2014.

Imaging

Revenue for the Imaging division increased 11.2% compared to the prior corresponding period and EBITDA margin was broadly steady. EBITDA increased 10.6% compared to the prior corresponding period, to \$39.3 million.

The key drivers of the growth in the Imaging division were the immigration visa medicals contract (first full quarter 2Q FY2015), and good revenue growth across key modalities. In addition, continuous operational improvement and productivity gains have contributed to earnings growth.

Health Technology

EBITDA for the Health Technology division remained flat at \$9.8m. Revenue grew by 2.3% in the period to \$18.7 million. The business experienced positive renewal trends in its core MedicalDirector software product.

Transport Health

Transport Health was acquired in November 2014 to facilitate Primary's entry into the private health insurance sector. The purchase price was \$17.8 million (\$8.0 million net of cash acquired).

Depreciation and Amortisation

Depreciation expense was \$37.2 million, compared to \$31.4 million in the prior corresponding period. \$4.0 million of the depreciation expense in this period is associated with an accelerated fixed asset write-down which is non-recurring.

Amortisation expense was \$46.7 million, compared to \$41.5 million in the prior corresponding period. \$4.6 million of the amortisation expense in this period is associated with an accelerated intangible asset write-down which is non-recurring. \$26.0 million is associated with the change in accounting policy for acquisition of healthcare practices. \$16.1 million is associated with software amortisation and doctor contract extensions.

Capital investment

Cash flow from investing activities was \$159.9 million in 1H FY2015, an increase of 69.4% compared to the prior corresponding period. The main drivers of this increase were the purchase of a Barangaroo office site for \$39.8 million and the acquisition of Transport Health for \$17.8 million. Excluding these two items, capital investment increased 8.4%, primarily reflecting acquisitions of healthcare practices and investments in Property, Plant and Equipment in Imaging and Pathology.

Primary is currently considering a range of options aimed at providing a comprehensive solution to the funding of the future rollout of new sites.

Debt and interest expense

Primary's Retail Bonds mature in September 2015. The redemption of the Retail Bonds will be funded from existing facilities. Primary is considering a range of alternatives as part of its overall debt management program. These alternatives include a potential fully hedged US private placement which will further diversify Primary's funding mix and reduce interest expense.

Taxation

The effective tax rate on operating earnings for the period was 32.4%.

Dividend

The interim dividend will be 9.0 cents per share fully franked (31 December 2013: 9.0 cents per share) payable on 7 April 2015.

Primary offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) with 2.5% discount (31 December 2013: nil discount).

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

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Attachment A – Interim Financial Report

For the Half-Year ended 31 December 2014

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Directors' report

For the Half-Year ended 31 December 2014

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 2014.

Directors

The Directors of Primary Health Care Limited during the half-year ended 31 December 2014 and up to the date of this report were:

- Mr. Robert Ferguson
- Dr. Edmund Bateman (Executive Director until 30 January 2015, Non-Executive Director from 31 January 2015)
- Mr. Brian Ball
- Mr. James Bateman
- Mr. Henry Bateman
- Mr. Andrew Duff
- Dr. Paul Jones
- Dr. Errol Katz
- Ms. Arlene Tansey
- Mr Robert Hubbard (from 18 December 2014)

Results

Key features of the half-year results are:

- EBITDA up 2.1% to \$196.1 million (1H FY2014: \$192.1 million);
- Net Profit After Tax up 6.1% to \$53.4 million (1H FY2014 restated: \$50.3 million);
- Earnings Per Share up 5.0% to 10.5 cents per share (1H FY2014 restated: 10.0 cents per share);
- Interim dividend 9.0 cents per share, fully franked (1H FY2014: 9.0 cents per share)

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

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 2014, an interim dividend of 9.0 cents per share has been declared, fully franked (31 December 2013: 9.0 cents per share).

Rounding off of amounts

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

Auditor's independence declaration

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

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



Andrew Duff - Director
Sydney 18 February 2015

Auditor's independence declaration

For the Half-Year ended 31 December 2014



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Primary Health Care Limited
30-38 Short St
LEICHHARDT NSW 2040

18 February 2015

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 2014, 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

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink that reads "Stephen Gustafson".

Stephen Gustafson
Partner
Chartered Accountants

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



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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 2014, and the income statement, statement of comprehensive income, the cash flow statement 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 27.

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 Primary Health Care Limited's financial position as at 31 December 2014 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Primary Health Care Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2014 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



Stephen Gustafson
Partner
Chartered Accountants
Sydney, 18 February 2015

Directors' declaration

For the Half-Year ended 31 December 2014

The Directors declare that:

- (a) in the Directors' opinion, the attached financial statements and notes are in accordance with the Corporations Act 2001, including section 304 (compliance with Accounting Standards) and section 305 (true and fair view); 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.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'A. Duff', written over a horizontal line.

Andrew Duff
Director

Sydney, 18 February 2015

Income statement

For the Half-Year ended 31 December 2014

		31 December 2014	Restated 31 December 2013
	Note	\$000	\$000
Revenue	4	797,859	750,824
Share of profits of joint ventures		722	132
Employee benefits expense		328,505	306,524
Property expenses		110,926	96,630
Consumables		78,212	72,466
Other expenses		84,817	83,281
EBITDA		196,121	192,055
Depreciation		37,212	31,359
Amortisation of intangibles		46,681	41,525
EBIT		112,228	119,171
Interest expense		30,485	31,940
Amortisation of borrowing costs	5	2,847	6,744
Profit before tax		78,896	80,487
Income tax expense	6	25,525	30,201
Profit for the period		53,371	50,286
Attributable to:			
Equity holders of Primary Health Care Limited		53,356	50,251
Non-controlling interest		15	35
Profit for the period		53,371	50,286

		2014 Cents per share	restated 2013 Cents per share
Earnings per share (consolidated)	Note		
Basic and diluted earnings per share	18	10.5	10.0

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the financial statements are included on pages 12 to 27

Statement of comprehensive income

For the Half-Year ended 31 December 2014

	31 December 2014 \$000	Restated 31 December 2013 \$000
Profit for the period	53,371	50,286
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) gain on cash flow hedges	(5,525)	2,966
Fair value (loss) on available-for-sale financial assets	(1,036)	(5,721)
Exchange differences arising on translation of foreign operations	107	(209)
Income tax relating to items that may be reclassified subsequently to profit and loss	1,968	826
Other comprehensive (loss) for the period, net of income tax	(4,486)	(2,138)
Total comprehensive income for the period	48,885	48,148
Attributable to:		
Equity holders of Primary Health Care Limited	48,870	48,113
Non-controlling interest	15	35
	48,885	48,148

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the financial statements are included on pages 12 to 27

Balance sheet

As at	Note	31 December 2014 \$000	Restated 30 June 2014 \$000	Restated 30 June 2013 \$000
Current assets				
Cash		34,484	27,460	34,725
Receivables		166,269	149,861	151,798
Consumables		30,587	27,262	25,878
Other financial assets		1,965	-	-
Total current assets		233,305	204,583	212,401
Non-current assets				
Receivables		4,108	4,145	3,618
Goodwill	8	2,905,655	2,884,285	2,852,135
Property, plant and equipment	9	471,338	427,922	409,052
Other intangible assets	10	275,947	272,353	231,387
Other financial assets		34,537	25,703	25,197
Investment in joint ventures		1,785	1,927	3,232
Deferred tax asset		7,283	7,403	5,342
Total non-current assets		3,700,653	3,623,738	3,529,963
Total assets		3,933,958	3,828,321	3,742,364
Current liabilities				
Payables		162,630	154,015	127,204
Tax liabilities		19,875	32,893	18,193
Provisions	11	61,369	55,792	59,302
Other financial liabilities		9,343	8,444	12,068
Interest bearing liabilities	12	155,408	3,072	2,814
Total current liabilities		408,625	254,216	219,581
Non-current liabilities				
Payables		10,943	13,229	6,746
Provisions	11	13,119	3,592	2,463
Other financial liabilities		10,202	5,576	4,721
Interest bearing liabilities	12	1,012,146	1,094,553	1,072,408
Total non-current liabilities		1,046,410	1,116,950	1,086,338
Total liabilities		1,455,035	1,371,166	1,305,919
Net assets		2,478,923	2,457,154	2,436,445
Equity				
Issued capital	15	2,391,914	2,366,276	2,358,183
Reserves		3,562	7,973	9,263
Retained earnings		81,654	81,127	67,239
		2,477,130	2,455,376	2,434,685
Non-controlling interest		1,793	1,778	1,760
Total equity		2,478,923	2,457,154	2,436,445

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the financial statements are included on pages 12 to 27

Cash flow statement

For the Half-Year ended 31 December 2014

		31 December 2014 \$000	Restated 31 December 2013 \$000
	Note		
Cash flows from operating activities			
Receipts from customers		811,375	770,397
Payments to suppliers and employees		(617,807)	(596,296)
Interest and other cost of finance paid		(32,390)	(36,391)
Net income tax paid		(35,996)	(29,731)
Interest received		231	158
Net cash provided by operating activities	20(b)	125,413	108,137
Cash flows from investing activities			
Payments for healthcare practices acquired	20(e)	(13,481)	(9,003)
Payments for subsidiaries acquired		(17,788)	(3,568)
Payments for property plant and equipment		(80,653)	(42,697)
Payments for other intangibles		(42,726)	(41,472)
Net (payments for) proceeds from investments		(5,350)	2,307
Proceeds from sale of property plant and equipment		98	29
Net cash (used in) investing activities		(159,900)	(94,404)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(76,361)	(96,247)
Proceeds from borrowings		145,000	115,000
Dividends paid		(27,191)	(50,430)
Payments for debt issue costs		-	(7,250)
Net cash provided by (used in) financing activities		41,448	(38,927)
Net increase (decrease) in cash held		6,961	(25,194)
Cash at the beginning of the period		27,460	34,725
Effect of exchange rate movements on cash held in foreign currencies		63	20
Cash at the end of the period	20 (a)	34,484	9,551

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the financial statements are included on pages 12 to 27

Statement of changes in equity

For the Half-Year ended 31 December 2014

	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 2014 as previously reported	2,366,276	6,798	(9,814)	900	10,089	371,531	2,745,779	1,778	2,747,557
Restatements (refer Note 2)	-	-	-	-	-	(290,404)	(290,404)	-	(290,404)
Balance as at 1 July 2014 (restated)	2,366,276	6,798	(9,814)	900	10,089	81,127	2,455,376	1,778	2,457,154
Profit for the period	-	-	-	-	-	53,356	53,356	15	53,371
Exchange differences arising on translation of foreign operations	-	-	-	107	-	-	107	-	107
Fair value (loss) on available-for-sale investments	-	(1,037)	-	-	-	-	(1,037)	-	(1,037)
Fair value (loss) on cash flow hedges	-	-	(5,525)	-	-	-	(5,525)	-	(5,525)
Income tax relating to components of other comprehensive income	-	311	1,658	-	-	-	1,969	-	1,969
Total comprehensive income for the period	-	(726)	(3,867)	107	-	53,356	48,870	15	48,885
Payment of dividends	-	-	-	-	-	(52,829)	(52,829)	-	(52,829)
Share based payments	-	-	-	-	75	-	75	-	75
Movement in share capital (Note 15)	25,638	-	-	-	-	-	25,638	-	25,638
Balance at 31 December 2014	2,391,914	6,072	(13,681)	1,007	10,164	81,654	2,477,130	1,793	2,478,923
Balance at 1 July 2013 as previously reported	2,358,183	9,703	(11,501)	1,160	9,901	309,659	2,677,105	1,760	2,678,865
Restatements (refer Note 2)	-	-	-	-	-	(242,420)	(242,420)	-	(242,420)
Balance as at 1 July 2013 (restated)	2,358,183	9,703	(11,501)	1,160	9,901	67,239	2,434,685	1,760	2,436,445
Profit for the period	-	-	-	-	-	50,251	50,251	35	50,286
Exchange differences arising on translation of foreign operations	-	-	-	(209)	-	-	(209)	-	(209)
Fair value (loss) on available-for-sale investments	-	(5,721)	-	-	-	-	(5,721)	-	(5,721)
Fair value (loss) on cash flow hedges	-	-	2,966	-	-	-	2,966	-	2,966
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)	-	50,251	48,113	35	48,148
Payment of dividends	-	-	-	-	-	(55,308)	(55,308)	-	(55,308)
Share based payments	-	-	-	-	108	-	108	-	108
Movement in share capital	4,878	-	-	-	-	-	4,878	-	4,878
Balance at 31 December 2013 (restated)	2,363,061	5,698	(9,425)	951	10,009	62,182	2,432,476	1,795	2,434,271

Where applicable comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the financial statements are included on pages 12 to 27

Statement of changes in equity

For the Half-Year ended 31 December 2014

	Cents per share 2014	Cents per share 2013	31 December 2014 \$000	31 December 2013 \$000
Dividends				
Recognised amounts				
Final dividend – previous financial year	11.0	11.0	55,625	55,431
Dividend forgone under the Bonus Share Plan	-	-	(2,796)	(123)
Total dividends paid	11.0	11.0	52,829	55,308
Unrecognised amounts				
Interim dividend - current financial period	9.0	9.0		

All dividends are fully franked at the corporate income tax rate (2014: 30%, 2013: 30%). The record date for determining entitlement to the interim dividend is 20 March 2015. The dividend is payable on 7 April 2015. 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 March 2015.

The Directors have determined that the DRP and BSP will operate at a 2.5% discount (31 December 2013: 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 27

Notes to the financial statements

For the Half-Year ended 31 December 2014

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 2014 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

Other than the change in accounting for acquisitions of healthcare practices disclosed in Note 2, 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 annual report for the financial year ended 30 June 2014. 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 year.

Net current liability position

The Group has a net current asset deficiency of \$175.3m (30 June 2014 restated: \$49.6m), principally due to the Group's Retail Bonds being classified as current liabilities as they mature on 28 September 2015 (refer Note 12).

The Directors consider that there is no significant uncertainty in relation to the Group's ability to achieve a successful refinance of the Retail Bonds, and Primary's most recent secured Syndicated Debt Facility refinance (completed November 2013) has provided the Group adequate unused headroom (31 December 2014: \$235m) to redeem the Retail Bonds at maturity, should the need arise and the Retail Bonds not be separately refinanced. Refer Note 20(d).

Based on the above, the Directors anticipate a successful completion of its refinancing arrangement prior to the maturity of the Retail Bonds.

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 2014

2. Prior period re-statement - accounting for the acquisitions of healthcare practices

The Group has reassessed its accounting policy for the acquisition of healthcare practices (i.e. the practices of doctors and other ancillary healthcare professionals). This reassessment took into account an analysis of historic acquisition and recruitment trends and the extent to which patients are brought to the Primary Medical Centre as a result of the acquisition. The Group carefully considered and formed their opinion for the appropriate accounting based on their business judgment as to this analysis and the relevant accounting standards.

The change provides more relevant information in light of the evolution of the Primary business model and changed recruitment trends as the company has moved from a phase of rapid roll out of new Medical Centres to a greater focus on servicing the needs of the centres as they mature.

Historically all acquisitions of healthcare practices have been considered to be business combinations. Goodwill acquired in the business combination was initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill was not amortised but assessed at least annually for impairment.

As a result of this reassessment the Group has changed its accounting policy in this area. Under this change, acquisitions will be categorised into two broad types. The two types are based on whether or not there is an expectation that a significant number of the patients of the healthcare practice acquired will attend the Primary Medical Centre following the acquisition. In determining this, the geographic distance of the existing healthcare practice from the Primary Medical Centre that the healthcare professional will practice from in the future is a key determining factor. The specified geographic distance has been determined by reference to the restraint zone established by the relevant contractual agreements. In many cases the specified geographic distance is 10km, but this can vary.

The following principles have been adopted:

- Where the healthcare practice acquired is within a specified geographic distance from the Primary Medical Centre, and Primary takes control of the patient records of that practice, then
 - the transaction is considered to be a business combination under AASB 3 *Business Combinations*
 - the contractual relationship with the healthcare professional is separately identified and valued as an intangible asset representing 30% of the consideration paid. The allocation of the practice purchase price to this intangible asset is assessed with reference to an analysis of historic acquisition trends and subsequent contract extensions
 - the value of that intangible asset is amortised over the life of the contractual agreement, which is usually 5 years
 - in the absence of any other identifiable intangibles, the residual of the purchase price is allocated to goodwill in accordance with AASB 3.
- Where the healthcare practice acquired is outside the specified geographic distance from the Primary Medical Centre, then
 - the transaction is not considered a business combination under AASB 3
 - the consideration paid is classified as an intangible asset relating to the contractual relationship with the healthcare professional under AASB 138 *Intangible Assets*
 - in accordance with AASB 138, that intangible asset has been initially recorded at cost and amortised over the life of the contractual agreement, which is usually 5 years.
- Any payment associated with re-signing of the healthcare professional at the end of the term of the contractual agreement is amortised over the life of the extended term of the contractual agreement.
- All intangible assets, including goodwill, are subject to regular impairment testing.

In adopting this revised policy for accounting for healthcare practice acquisitions, the Group has restated the Balance Sheet as at 30 June 2014 and 30 June 2013, and the Income Statement, Statement of Comprehensive Income and Cash Flow Statement for the six months ended 31 December 2013 for comparative purposes. In so doing, the principles described above have been applied to all healthcare practice acquisitions on or after 1 July 2004, the date of transition to the Australian Equivalents to International Financial Reporting Standards.

Notes to the financial statements

For the Half-Year ended 31 December 2014

2. Prior period re-statement - accounting for the acquisitions of healthcare practices (continued)

Impact on the income statement for the Half-Year ended 31 December 2013

	Note	Restated 31 December 2013 \$000	Restatement increase (decrease) \$000	As reported 31 December 2013 \$000
EBITDA		192,055	-	192,055
Depreciation		31,359	-	31,359
Amortisation of intangibles		41,525	26,287	15,238
EBIT		119,171	(26,287)	145,458
Interest expense and amortisation of borrowing costs		38,684	-	38,684
Profit before tax		80,487	(26,287)	106,774
Income tax expense	6	30,201	(1,023)	31,224
Profit for the period		50,286	(25,264)	75,550

Impact on the balance sheet as at 30 June 2014

	Note	Restated 30 June 2014 \$000	Restatement increase (decrease) \$000	As reported 30 June 2014 \$000
Goodwill	8	2,884,285	(426,226)	3,310,511
Other intangible assets	10	272,353	139,918	132,435
Deferred tax asset		7,403	(4,094)	11,497
Net assets		2,457,154	(290,403)	2,747,557
Retained earnings	16	81,127	(290,403)	371,530
Total equity		2,457,154	(290,403)	2,747,557

Impact on the balance sheet as at 30 June 2013

	Note	Restated 30 June 2013 \$000	Restatement increase (decrease) \$000	As reported 30 June 2013 \$000
Goodwill	8	2,852,135	(361,027)	3,213,162
Other intangible assets	10	231,387	122,879	108,508
Deferred tax asset		5,342	(4,272)	9,614
Net assets		2,436,445	(242,420)	2,678,865
Retained earnings	16	67,239	(242,420)	309,659
Total equity		2,436,445	(242,420)	2,678,865

Notes to the financial statements

For the Half-Year ended 31 December 2014

2. Prior period re-statement - accounting for the acquisitions of healthcare practices (continued)

Impact on the cash flow statement for the Half-Year ended 31 December 2013

	Note	Restated 31 December 2013 \$000	Restatement increase (decrease) \$000	As reported 31 December 2013 \$000
Cash flows from investing activities				
Payments for healthcare practices acquired	20(e)	(9,003)	(22,282)	(31,285)
Payments for other intangibles		(41,472)	22,282	(19,190)
All other investing activity cash flows		(43,929)	-	(43,929)
Net cash (used in) investing activities		(94,404)	-	(94,404)

Impact on earnings per share for the Half-Year ended 31 December 2013

	Note	Restated 2013 Cents per share	Restatement increase (decrease) Cents per share	As reported 2013 Cents per share
Earnings per share (Consolidated)				
Basic and diluted earnings per share	18	10.0	(5.0)	15.0

Notes to the financial statements

For the Half-Year ended 31 December 2014

3. Segment information

The Group operates predominantly in Australia. 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 healthcare providers.

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

The Medical Centres division charges the Group's Imaging and Pathology divisions a fee for use of its facilities and services. These charges are eliminated on consolidation.

Notes to the financial statements

For the Half-Year ended 31 December 2014

3. Segment information (continued)

	Medical Centres	Pathology	Imaging	Health Technology	Other	Total
31 December 2014	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	161,496	459,549	173,739	18,691	1,314	814,789
Intersegment sales	(16,208)	-	-	-	-	(16,208)
Total Revenue	145,288	459,549	173,739	18,691	1,314	798,581
EBITDA	90,049	73,044	39,326	9,805	(16,103)	196,121
Depreciation	11,200	8,532	14,234	217	3,029	37,212
EBITA	78,849	64,512	25,092	9,588	(19,132)	158,909
Amortisation of intangibles	27,176	3,694	4,880	7,822	3,109	46,681
Interest expense and amortisation of borrowing costs	-	-	-	-	33,332	33,332
Profit before tax	51,673	60,818	20,212	1,766	(55,573)	78,896

	Medical Centres	Pathology	Imaging	Health Technology	Other	Restated Total
31 December 2013	\$000	\$000	\$000	\$000	\$000	\$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	26,432	3,179	5,518	4,144	2,252	41,525
Interest expense and amortisation of borrowing costs	-	-	-	-	38,684	38,684
Profit before tax	49,243	63,799	16,374	5,424	(54,353)	80,487

Notes to the financial statements

For the Half-Year ended 31 December 2014

	31 December 2014 \$000	31 December 2013 \$000
4. Revenue		
Trading revenue	797,628	750,666
Interest revenue	231	158
	797,859	750,824

5. Amortisation of borrowing costs

Amortisation of:

Syndicated facility borrowing costs	2,213	1,864
Retail bond borrowing costs	634	618
Costs written off on refinanced facilities	-	4,262
	2,847	6,744

	31 December 2014 \$000	Restated 31 December 2013 \$000
6. 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	78,896	80,487
Income tax calculated at 30% (2013: 30%)	23,669	24,146
Tax effect of amounts which are not deductible in calculating taxable income	4,233	7,047
	27,902	31,193

(Over) provision in prior years	(2,377)	(992)
	25,525	30,201

	31 December 2014 \$000	30 June 2014 \$000
7. Other financial assets		

(a) Current

Held to maturity investments	1,965	-
	1,965	-

(b) Non-current

Available-for-sale investments	29,756	24,435
Held to maturity investments	3,513	-
Other investments	1,268	1,268
	34,537	25,703

Notes to the financial statements

For the Half-Year ended 31 December 2014

	31 December 2014 \$000	Restated 30 June 2014 \$000	Restated 30 June 2013 \$000
8. Goodwill			
Opening balance – beginning of financial year	2,884,285	2,852,135	2,835,000
Acquisition of subsidiaries	10,297	3,709	-
Acquisition of businesses	11,073	28,441	17,135
	2,905,655	2,884,285	2,852,135

9. Property, plant and equipment

31 December 2014 \$000	Freehold Land and Building	Leasehold Land and Building	Asset under construction	Leasehold Improvement	Plant and Equipment	Total
Net book value						
Opening balance	837	-	39,478	210,028	177,579	427,922
Additions	66	39,350	19,752	1,677	19,810	80,653
Capitalised borrowing costs	-	-	-	187	-	187
Capitalisation of assets under construction	-	-	(6,017)	3,103	2,914	-
Disposals	-	-	-	(27)	(185)	(212)
Depreciation expense	(11)	-	-	(11,123)	(26,078)	(37,212)
Closing balance	892	39,350	53,213	203,845	174,040	471,338
 Cost	 1,103	 39,350	 53,213	 336,305	 517,123	 947,094
Accumulated depreciation	(211)	-	-	(132,460)	(343,084)	(475,756)
Closing balance	892	39,350	53,213	203,845	174,040	471,338

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 4.4% (30 June 2014: 4.7%).

Notes to the financial statements

For the Half-Year ended 31 December 2014

10. Other intangible assets

31 December 2014 \$000	Copyright in Computer Software Program	Software ⁽¹⁾	Operating Rights and Licences	Other Contractual Relationships ⁽²⁾	Intangible Under Construction	Total
Net book value						
Opening balance	1,705	88,220	23,403	139,918	19,107	272,353
Additions	-	2,947	3,443	37,042	6,843	50,275
Capitalisation of intangible assets under construction	-	4,944	-	-	(4,944)	-
Amortisation expense	(1,705)	(13,069)	(5,946)	(25,961)	-	(46,681)
Closing balance	-	83,042	20,900	150,999	21,006	275,947
Cost						
Cost	46,500	163,049	84,320	469,040	21,006	783,915
Accumulated amortisation	(46,500)	(80,007)	(63,420)	(318,041)	-	(507,968)
Closing balance	-	83,042	20,900	150,999	21,006	275,947

Restated 30 June 2014 \$000	Copyright in Computer Software Program	Software ⁽¹⁾	Operating Rights and Licences	Other Contractual Relationships ⁽²⁾	Intangible Under Construction	Restated Total
Net book value						
Opening balance	6,601	66,478	25,071	122,879	10,358	231,387
Additions	-	10,650	9,561	66,700	22,054	108,965
Reclassification ⁽³⁾	-	12,717	-	-	-	12,717
Capitalisation of intangible assets under construction	-	13,305	-	-	(13,305)	-
Amortisation expense	(4,896)	(14,930)	(11,229)	(49,661)	-	(80,716)
Closing balance	1,705	88,220	23,403	139,918	19,107	272,353
Cost						
Cost	46,500	155,159	80,875	431,998	19,107	733,639
Accumulated amortisation	(44,795)	(66,939)	(57,472)	(292,080)	-	(461,286)
Closing balance	1,705	88,220	23,403	139,918	19,107	272,353

⁽¹⁾ Software includes both externally acquired software and capitalised development costs.

⁽²⁾ Other contractual relationships relate to contractual relationships with healthcare professionals, arising on the acquisition of healthcare practices. Refer Note 2.

⁽³⁾ During the year ended 30 June 2014 the Group reclassified \$12.7m of other receivables to other intangibles.

Notes to the financial statements

For the Half-Year ended 31 December 2014

	31 December 2014 \$000	30 June 2014 \$000
11. Provisions		
(a) Current		
Provision for employee benefits	57,669	54,948
Self-insurance provision	1,600	844
Risk liability provision	2,100	-
	61,369	55,792

(b) Non-current		
Provision for employee benefits	12,528	2,818
Self-insurance provision	591	774
	13,119	3,592

Risk liability provision represents the estimate of present value of expected future cash flows arising from future insurance claims.

	31 December 2014 \$000	30 June 2014 \$000
12. Interest bearing liabilities		
(a) Current		
Gross bank loan	2,906	2,782
Finance lease liabilities	228	290
Retail bonds	152,274	-
	155,408	3,072

(b) Non-current		
Gross bank loans	1,018,458	949,943
Retail bonds	-	152,274
Finance lease liabilities	126	205
	1,018,584	1,102,422
Unamortised borrowing costs	(6,438)	(7,869)
	1,012,146	1,094,553

	\$	Restated \$
13. Net tangible asset backing		
Net tangible asset backing per share	(1.38)	(1.38)

	31 December 2014 \$000	30 June 2014 \$000
14. Contingent liabilities		
Treasury bank guarantees		
Statutory requirement	20,661	20,661
Other	8,227	8,419
	28,888	29,080

Notes to the financial statements

For the Half-Year ended 31 December 2014

	No. of Shares December 2014 000's	No. of Shares June 2014 000's	31 December 2014 \$000	30 June 2014 \$000
15. Issued capital				
Opening balance	505,660	503,922	2,386,140	2,378,048
Exercise of share options	-	-	-	-
Transfer from share based payments reserve	-	-	-	-
Shares issued via Dividend Reinvestment Plan	5,835	1,694	25,639	8,093
Shares issued via Bonus Share Plan	636	44	-	-
Capital raising/share issue costs, net of tax	-	-	-	-
Closing balance	512,131	505,660	2,411,779	2,386,141
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,391,914	2,366,276

	31 December 2014 \$000	Restated 30 June 2014 \$000	Restated 30 June 2013 \$000
16. Retained earnings			
Opening balance	81,127	67,239	27,265
Profit attributable to equity holders	53,356	114,552	102,378
Dividends paid	(52,829)	(100,665)	(62,403)
	81,654	81,127	67,239

	31 December 2014 \$000	30 June 2014 \$000
17. Franking account		
Opening balance as at 1 July	34,515	18,937
Tax paid during the financial year	35,996	57,637
Franking credits attached to dividends paid	(23,838)	(43,233)
Other movements	72	1,174
	46,745	34,515

Notes to the financial statements

For the Half-Year ended 31 December 2014

18. Earnings per share

	31 December 2014 \$000	Restated 31 December 2013 \$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	53,356	50,251
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	31 December 2014 000's	31 December 2013 000's
Weighted average number of shares		

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

509,211	504,361
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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.

19. 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 2014	Consolidated - Carrying amount			Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Financial assets				
Available-for-sale investments	29,756	-	-	29,756
Held to maturity investments	2,014	3,464	-	5,478
Other	-	-	1,278	1,278
	31,770	3,464	1,278	36,512
Financial liabilities				
Interest rate swaps	-	19,545	-	19,545

Notes to the financial statements

For the Half-Year ended 31 December 2014

	31 December 2014 \$000	Restated 31 December 2013 \$000
20. 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	34,484	9,551
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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	53,356	50,251
Depreciation of plant and equipment	37,212	31,359
Amortisation of intangibles	46,681	41,525
Amortisation of borrowing costs	2,847	6,744
Share based payments expense	75	108
Non-controlling Interest	15	35
(Profit) on sale of other investments	(1,020)	(3,220)
Increase (decrease) in liabilities;		
Trade payables and accruals	6,175	(9,290)
Provisions	15,104	(207)
Deferred revenue	(2,438)	(1,474)
Tax balances	(12,899)	(10,499)
Decrease (increase) in assets;		
Consumables	(3,325)	(2,638)
Receivables and prepayments	(16,370)	5,443
Net cash provided by operating activities	125,413	108,137

(c) Non cash investing and financing

During the period 5,834,917 (2013: 1,009,294) and 635,689 (2013: 25,412) 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 2014

20. Notes to the cash flow statement (continued)

	31 December 2014 \$000	30 June 2014 \$000
(d) Financing facilities (consolidated)		
Current		
Secured Loan facility		
Amount used	2,906	2,782
Amount unused	-	-
Non Current		
Secured Syndicated Debt facilities		
Amount used	1,015,000	945,000
Amount unused	235,000	305,000
Secured Loan facility		
Amount used	3,458	4,943
Amount unused	13,636	12,275

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 2014

20. Notes to the cash flow statement (continued)

(e) Businesses acquired

(i) Controlled entities

On 30 November 2014, the Group acquired a 100 per cent interest in Transport Health Pty Ltd. The impact on the acquisition of Transport Health on the Group's results for the current period was not material.

(ii) Healthcare practices

Members of the Group continued to acquire healthcare practices to expand their existing businesses. The Group has reassessed its accounting policy for the acquisition of these healthcare practices, as disclosed in Note 2.

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 (in the absence of any other identifiable intangibles, 70% of the purchase price, as disclosed in Note 2) is attributable to the significant likelihood of the patients of the healthcare practice acquired attending a Primary Medical Centre following the acquisition.

Comparative information has been restated to reflect the change in accounting policy for acquisitions of healthcare practices, as disclosed in Note 2.

(iii) Summary – healthcare practices

	31 December 2014 \$000	Restated 31 December 2013 \$000
The net outflow of cash to acquire healthcare practices is reconciled as follows:		
Fair value of identifiable net assets acquired		
Healthcare practices	3,674	3,262
Goodwill		
Healthcare practices	11,073	7,612
Consideration – cash paid to acquire healthcare practices		
Healthcare practices	14,747	10,874
(Increase) in deferred consideration relating to healthcare practices	(1,266)	(1,872)
	13,481	9,003
Cash paid for healthcare practices	13,481	9,003
Less cash acquired	-	-
Net payments for the purchase of healthcare practices	13,481	9,003

Notes to the financial statements

For the Half-Year ended 31 December 2014

21. Primary Bonds Series A

Information relating to 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 2014 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 2014	30 June 2014
Gearing ratio	0.59	0.56
Interest cover ratio	6.75	6.45
Working capital ratio	0.57	0.80

22. 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.