# Results for announcement to the market
# Primary Health Care Limited

**Appendix 4D – Half Year Report**

For the Half Year ended 31 December 2009

# Primary Health Care Limited

## Appendix 4D – Half Year Report

For the Half Year ended 31 December 2009

| $000 | % Change | 2009 Total | 2008 Total |
|---|---|---|---|
| Trading revenue and share of net profits of associates | -1.3% | 652,599 | 661,331 |
| Trading expenses | | 480,561 | 505,761 |
| **Segment EBITDA** | | 172,038 | 155,570 |
| Depreciation | | 26,889 | 27,036 |
| Amortisation | | 8,278 | 7,447 |
| **Operating EBIT** | | 136,871 | 121,087 |
| Other revenue | | 3,224 | 6,439 |
| Loss on sale of property plant & equipment | | 295 | - |
| Direct restructuring costs | | - | 3,500 |
| Interest expense | | 30,878 | 73,350 |
| Borrowing costs | | 6,331 | 24,117 |
| **Profit for the period before income tax** | | 102,591 | 26,559 |
| Income tax expense | | 24,930 | 7,450 |
| **Profit for the period from continuing operations** | 306.4% | 77,661 | 19,109 |
| (Loss) for the period from discontinued operations | | - | (6,606) |
| **Profit for the period** | 521.1% | 77,661 | 12,503 |
| Profit attributable to minority interest | | 1,101 | 1,009 |
| **Profit (loss) attributable to members of the parent entity** | 566.1% | 76,560 | 11,494 |

| **Operational earnings per share** | 2009 Total | 2008 Total |
|---|---|---|
| Basic earnings per share | 16.5 | 10.0[1] |
| Diluted earnings per share | 16.5 | 10.0[1] |
| Final dividend [2] | N/A | 7.0 |
| Interim dividend [2,3] | 15.0 | 7.0 |

[1] Comparative EPS is calculated on continuing operations operating earnings and excludes one-off items
[2] All dividends are fully franked at the corporate income tax rate (2009 30%, 2008 30%)
[3] The record date for determining entitlement to the interim dividend is 12 March 2010 and is payable on 29 March 2010.

# Primary Health Care Limited

## Appendix 4D – Half Year Report

For the Half Year ended 31 December 2009

### Commentary on results

#### Summary

The Directors of Primary Health Care Limited (Primary) are pleased to announce the results for the six months ended 31 December 2009. Key points of the half year results are:

- Segment EBITDA of $172.0m (2008: $155.6m).
- Increase in group EBITDA operating margin from 23.5% to 26.3%.
- Net profit of $76.6m (2008 before one-off items and discontinued operations: $37.4m).
- EPS on operating earnings 16.5 cents per share, up from 10.0 cents per share.
- Successful refinancing of $1.0bn debt facility to December 2012.
- Equity raisings, via placements and share purchase plan, totalling $270.0m.

#### Segment analysis

| $m | Medical Centres | Pathology | Imaging | Health Tech | Corporate | Interseg | Total |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| **Revenue** | **131.8** | **363.5** | **147.1** | **24.1** | **-** | **(13.9)** | **652.6** |
| **EBITDA** | **73.8** | **73.4** | **23.0** | **9.7** | **(7.8)** | **-** | **172.0** |
| **Depreciation** | **7.1** | **7.2** | **11.8** | **0.3** | **0.5** | **-** | **26.9** |
| **EBITA** | **66.7** | **66.2** | **11.2** | **9.4** | **(8.3)** | **-** | **145.1** |
| | | | | | | | |
| 2008 | | | | | | | |
| Revenue | 122.5 | 365.2 | 162.8 | 22.5 | - | (11.7) | 661.3 |
| EBITDA | 65.9 | 63.0 | 27.2 | 6.9 | (7.4) | - | 155.6 |
| Depreciation | 6.7 | 7.1 | 12.2 | 0.3 | 0.7 | - | 27.0 |
| EBITA | 59.2 | 55.9 | 15.0 | 6.6 | (8.1) | - | 128.6 |
| | | | | | | | |
| **% EBITDA margin** | | | | | | | |
| **2009** | **56.0** | **20.2** | **15.6** | **40.2** | | | **26.3** |
| 2008 | 53.8 | 17.3 | 16.7 | 30.7 | | | 23.5 |

#### Medical Centres

EBITDA for the division was $73.8m, an increase of 12% compared to $65.9m for the prior corresponding period. EBITDA/Revenue margin for the period was 56% compared to 53.8%.

Five new medical centres have been opened since 30 June 2009 and a total of 50 large-scale Primary centres are now in operation. Doctor practice acquisitions for the period are ahead of last year. A further four new centres are planned to be opened in calendar year 2010.

For the six months to 31 December 2009, the number of GP attendances have been flat compared to prior corresponding period. Attendances were less than expected for part of September and into October. This occurred across all practices. This is due in part to a lack of flu epidemic compared to last year, and has been accentuated by the introduction of co-payments in 16 larger centres. Patient numbers since November appear to be returning to more normal patterns.

Federal Budget changes, introduced on 1 July 2009, have removed approximately $4m per annum from funds received by Primary's GP practices. Additionally, Accounting Standard changes, introduced 1 July 2009, require costs incurred in the acquisition of doctor practices (e.g. stamp duty) to be expensed, rather than capitalised, along with goodwill of the practice purchased. This is estimated to be an expense charge of approximately $4m to profit and loss annually based on current levels of practice purchases.

The next 18 months will see a significant contribution from our 50 large scale centres. The 15 newest centres have been open for on average 15 months. Focus on the normal development of these centres and the back-filling of services, GP and other services, into all centres, will provide a material improvement in our medical centre business. In addition, the introduction of co-payments into 16 of our largest and longest established centres gives us flexibility to match funding cuts and cost increases.

We believe our medical centre model can continue to provide strong long term growth beyond FY2010 for the group as a whole.

### Pathology

EBITDA for the division was $73.4m, an increase of 16.5% compared to $63.0m for the prior corresponding period. EBITDA/Revenue margin for the period was 20.2% compared to 17.3%.

Synergies from the Symbion acquisition have been realised in line with original expectations with substantial savings in labour and consumables having been achieved.

Revenue was flat on the prior period at $363.5m compared to $365.2m for prior period. The Federal Budget Pathology funding changes took effect on 1 November 2009. It is estimated that over a full twelve month period, if not counteracted, Primary's pathology division will be adversely impacted by up to $45m in both revenue and EBITDA terms. For the two months since the funding changes were introduced on 1 November 2009 Primary's experience is that any claw-back in pricing changes introduced has been offset by volume impact. The timing of the market workout to the funding changes makes predictions of the actual effect on revenue and EBITDA for the balance of FY2010 uncertain.

The competitive responses to these funding cuts by the major pathology providers differ on a State by State basis and Primary is committed to recoup as much of these funding cuts as it is able over the medium to long term.

### Imaging

Imaging reported revenue of $147.1m and EBITDA of $23.0m, compared to $162.8m and $27.2m for the prior corresponding period. EBITDA margins have shown a deterioration from 16.7% to 15.6% as a result of both reduced revenue and continuing industry cost increases.

The revenue reductions have occurred primarily in NSW and Queensland, with Victoria revenues stable. The revenue losses are a result of increased competition as well our response to competition (i.e. a reduction in co-payments and an increase in bulk billing) leading to reductions in average fee billed per consultation.

The roll-out and implementation of infrastructure and software to enable movement of images between practices has not been to timetable and has had an adverse impact operationally.

While FY2009 saw synergies achieved, particularly through labour and consumable efficiencies, the continuing effect of significant wage and rent increases are not being matched by long term Medicare rebate increases.

Primary remains committed to bringing about efficiency and scale gains in Imaging. The changes we are implementing will take time and capital. A number of changes to the Primary Imaging division management structure have recently occurred. Steps are now in place to have software implementation achieved in the second half of FY2010. With this achieved, we anticipate improvement in both revenue and margins in the long term.

### Health Technology

Health Technology reported revenue growth of 7% in the period to $24.1m. EBITDA improved by 41% to $9.7m. Subscription renewal rates remain high for all general practitioner and specialist software products. The strong performance of the software products has offset the removal of lower margin revenues from advertising on the flagship Medical Director product as well as a reduced contribution from the knowledge resources product operating in a more challenging environment for that product. Transactional revenues from e-health products continue to grow well.

### Commentary on results

**Interest expense and debt**

At 30 June 2009, Primary carried $1.2bn of net debt on its balance sheet. In July 2009 Primary received placement proceeds of $50.0m and $27.5m. In September 2009 Primary completed a further share placement receiving placement proceeds of $180.0m and in October 2009 received share purchase plan proceeds of $12.2m. All proceeds received during the period were used to reduce debt.

On 23 December 2009 Primary successfully completed the refinancing of its debt facilities for a further 3 years to 31 December 2012. The margin payable on the facility is in the range of 2.50%-3.00% above BBSY depending on gearing ratios during the facility period. Refinancing costs of $19.7m that have been paid will be amortised over the 3 year period from 1 January 2010 to 31 December 2012.

**Corporate Costs**

Corporate operating costs were $7.8m, compared to $7.4m for the prior period and were in line with expectations.

**Other Revenue**

Other revenue principally comprises interest earned on the short term investment of funds received from share placements.

**Other restructuring/one-off costs**

There are no restructuring or one-off costs included in the results for the half year ended 31 December 2009.

**Taxation**

The effective tax rate on operating earnings for the year was 24.3%. Primary has benefited from overprovisions relating to previous years, and government investment allowance credits. These benefits are not expected to recur.

**Dividend**

An interim dividend of 15.0 cents per share has been declared fully franked (31 December 2008: 7.0 cents per share).

The record date for determining entitlement to the final dividend is 12 March 2010, with payment on 29 March 2010. The Board has resolved to keep the Dividend Reinvestment Plan (DRP) active in respect of the current dividend, enabling shareholders to reinvest all or part of their dividend in the Company. The DRP will operate at a 2.0% discount.

**Outlook**

The continuing background for healthcare delivery is one of increasing patient demand and needs, to be met with limited resources and relative under-funding by government.

Partly in response to this, Primary has consolidated general practitioners into its large scale medical centres, has consolidated its pathology laboratories and has increasingly automated those laboratories, and has significantly developed and integrated e-health systems. Primary is a leader in each of these areas of private healthcare in Australia, in terms of scale, efficiency and geographic spread.

With this background and development, Primary is positioned to adapt to community needs, while providing returns to our shareholders who have for more than a decade invested significantly in healthcare.

The current changes in healthcare funding with the different responses of industry players, and in particular, the timing of the market workout to these responses, makes predictions of growth, and revenues in particular, in FY2010 less definite than usual.

However, we have reasonable expectations that in FY2011 and FY2012 the Group should be looking to an EBITDA growth rate of 15% per annum.

**Attachment A – Interim Financial Report**
For the half year ended 31 December 2009

**CONTENTS**

# Directors' Report
**For the half year ended 31 December 2009**

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 2009.

### Directors

The following persons were Directors of Primary Health Care Limited during the whole of the half year and up to the date of this report:

| | | | |
|---|---|---|---|
| B Ball | EG Bateman | MJ Christie | T Smith |
| JD Crawford | R Ferguson | SF Higgs | |

### Results

Key features of the half year are:

- Segment EBITDA of $172.0m (2008: $155.6m).
- Increase in group EBITDA operating margin from 23.5% to 26.3%.
- Net profit of $76.6m (2008 before one-off items and discontinued operations: $37.4m).
- EPS on operating earnings 16.5 cents per share, up from 10.0 cents per share.
- Successful refinancing of $1.0bn debt facility to December 2012.
- Equity raisings, via placements and share purchase plan, totalling $270.0m.

### Dividend

In respect of the Half Year ended 31 December 2009, an interim dividend of 15.0 cents per share has been declared fully franked (31 December 2008: 7.0 cents per share).

### Rounding off of amounts

The company is of a kind referred to in Class Order 98/0100, 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.303(5) of the Corporations Act 2001.

On behalf of the directors

Edmund Bateman - Director
Sydney 16 February 2010

# Auditor's Independence Declaration
**For the half year ended 31 December 2009**

Deloitte Touche Tohmatsu
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The Board of Directors
Primary Health Care Limited
30-38 Short Street
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Dear Board Members

**Primary Health Care Limited**

In accordance with section 307C of the Corporations Act 2001, I 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 2009, 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

DELOITTE TOUCHE TOHMATSU

H Hamilton-James

H Hamilton-James
Partner
Chartered Accountants
Sydney, 16 February 2010

# Independent Auditors' 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 2009, and the income statement, the statement of comprehensive income, the cash flow statement, and 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors 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 an Interim 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 2009 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 Limited, 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.

*Auditors Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*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 2009 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

DELOITTE TOUCHE TOHMATSU

H Hamilton-James

H Hamilton-James
Partner
Chartered Accountants
Sydney, 16 February 2010

Liability limited by a scheme approved under Professional Standards Legislation.

# Directors' declaration
**For the half year ended 31 December 2009**

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, 16 February 2010

# Income statement
**For the half year ended 31 December 2009**

| | Note | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|---|
| Trading revenue | | **652,468** | 660,782 |
| Other revenue | 3 | **3,224** | 6,439 |
| Share of net profits of associates accounted for using the equity method | 7 | **131** | 548 |
| Employee benefits expense | | **283,560** | 308,882 |
| Share based payment expense | | **879** | 940 |
| Finance costs | 4 | **37,209** | 97,467 |
| Consumables | | **67,638** | 77,688 |
| Operating lease rental expenses | | **51,559** | 46,299 |
| Other property expenses | | **17,867** | 21,130 |
| Health Technology expenses | | **4,685** | 5,896 |
| Other expenses | | **54,373** | 48,425 |
| Loss on sale of property plant & equipment | | **295** | - |
| Depreciation | | **26,889** | 27,036 |
| Amortisation | | **8,278** | 7,447 |
| **Profit for the period before income tax** | | **102,591** | 26,559 |
| Income tax expense | 5 | **24,930** | 7,450 |
| **Profit for the period from continuing operations** | | **77,661** | 19,109 |
| (Loss) for the period from discontinued operations | | **-** | (6,606) |
| **Profit for the period** | | **77,661** | 12,503 |
| Attributable to: | | | |
| Equity holders of Primary Health Care Limited | | **76,560** | 11,494 |
| Non-controlling interest | | **1,101** | 1,009 |
| **Profit for the period** | | **77,661** | 12,503 |

| **Earnings per share** | Note | **Cents per share 2009** | Cents per share 2008 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| From continuing operations | | **16.51** | 4.85 |
| From discontinued operations | | **-** | -1.77 |
| **Total basic earnings per share** | 12 | **16.51** | 3.08 |
| **Diluted earnings per share** | | | |
| From continuing operations | | **16.50** | 4.85 |
| From discontinued operations | | **-** | -1.77 |
| **Total diluted earnings per share** | 12 | **16.50** | 3.08 |

Notes to the financial statements are included on pages 11 to 23

# Statement of comprehensive income

**For the half year ended 31 December 2009**

| | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|
| **Profit for the period** | **77,661** | 12,503 |
| **Other comprehensive income** | | |
| Exchange differences on translating foreign operations | **892** | (167) |
| Available for sale financial assets | **3,355** | (24) |
| Cash flow hedges | **(14)** | (9,074) |
| Income tax on other comprehensive income | **(1,001)** | 2,729 |
| **Other comprehensive income for the period** | **3,232** | (6,536) |
| **Total comprehensive income for the period** | **80,893** | 5,967 |
| Attributable to: | | |
| Equity holders of Primary Health Care Limited | **79,792** | 4,958 |
| Non-controlling interest | **1,101** | 1,009 |
| | **80,893** | 5,967 |

The above statement of comprehensive income is required by AASB 101 *Presentation of Financial Statements* (September 2007), illustrating all non-owner changes in equity during the period.

Notes to the financial statements are included on pages 11 to 23

# Balance sheet
**As at 31 December 2009**

| | Note | **31 December 2009 $000** | 30 June 2009 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | | **30,786** | 223,397 |
| Income tax receivable | | **-** | 2,965 |
| Receivables | | **144,610** | 156,798 |
| Other financial assets | | **20,861** | 6,933 |
| Consumables | | **24,529** | 21,716 |
| **Total current assets** | | **220,786** | 411,809 |
| **Non-current assets** | | | |
| Receivables | | **2,166** | 2,224 |
| Property, plant and equipment | | **351,850** | 333,899 |
| Goodwill | 6 | **2,924,290** | 2,892,701 |
| Other intangible assets | | **76,877** | 75,306 |
| Investments in associates accounted for using the equity method | 7 | **2,149** | 2,073 |
| Other financial assets | | **1,168** | 1,048 |
| Deferred tax asset | | **56,045** | 59,467 |
| **Total non-current assets** | | **3,414,545** | 3,366,718 |
| **Total assets** | | **3,635,331** | 3,778,527 |
| **Current liabilities** | | | |
| Payables | | **79,728** | 110,569 |
| Deferred revenue | | **7,741** | 10,255 |
| Tax liabilities | | **13,001** | 1,624 |
| Provisions | 8 | **50,780** | 61,180 |
| Interest bearing liabilities | 9 | **19,241** | 1,432,261 |
| **Total current liabilities** | | **170,491** | 1,615,889 |
| **Non-current liabilities** | | | |
| Payables | | **815** | 1,375 |
| Provisions | 8 | **36,908** | 42,245 |
| Interest bearing liabilities | 9 | **980,458** | 2,314 |
| **Total non-current liabilities** | | **1,018,181** | 45,934 |
| **Total liabilities** | | **1,188,672** | 1,661,823 |
| **Net assets** | | **2,446,659** | 2,116,704 |
| **Equity** | | | |
| Issued capital | 11 | **2,276,693** | 1,995,264 |
| Reserves | | **11,703** | 8,761 |
| Retained profits | | **154,445** | 109,087 |
| **Equity attributable to equity holders of the parent** | | **2,442,841** | 2,113,112 |
| Non-controlling interest | | **3,818** | 3,592 |
| **Total equity** | | **2,446,659** | 2,116,704 |

Notes to the financial statements are included on pages 11 to 23

# Statement of changes in equity

**For the half year ended 31 December 2009**

| Consolidated | Issued capital $000 | Investment revaluation reserve $000 | Cash flow hedge reserve $000 | Foreign currency translation reserve $000 | Share based payments reserve $000 | Retained earnings $000 | Attributable to owners of the parent $000 | Non controlling interest $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2008 | 1,705,351 | - | 81 | 222 | 7,271 | 45,326 | 1,758,251 | 3,979 | 1,762,230 |
| Profit for the period | - | - | - | - | - | 11,494 | 11,494 | 1,009 | 12,503 |
| Exchange differences arising on translation of foreign operations | - | - | - | (167) | - | - | (167) | - | (167) |
| Gain/(loss) on investments | - | (24) | - | - | - | - | (24) | - | (24) |
| Gain/(loss) on cash flow hedges | - | - | (9,074) | - | - | - | (9,074) | - | (9,074) |
| Income tax relating to components of other comprehensive income | - | 7 | 2,722 | - | - | - | 2,729 | - | 2,729 |
| Total comprehensive income | - | (17) | (6,352) | (167) | - | 11,494 | 4,958 | 1,009 | 5,967 |
| Payment of dividends | - | - | - | - | - | (18,531) | (18,531) | (1,776) | (20,307) |
| Share based payment | - | - | - | - | 939 | - | 939 | - | 939 |
| Movement in share capital (Note 10) | 19,713 | - | - | - | (483) | - | 19,230 | - | 19,230 |
| Balance at 31 December 2008 | 1,725,064 | (17) | (6,271) | 55 | 7,727 | 38,289 | 1,764,847 | 3,212 | 1,768,059 |
| **Balance at 1 July 2009** | **1,995,264** | **204** | **1,148** | **(388)** | **7,797** | **109,087** | **2,113,112** | **3,592** | **2,116,704** |
| Profit for the period | - | - | - | - | - | 76,560 | **76,560** | 1,101 | **77,661** |
| Exchange differences arising on translation of foreign operations | - | - | - | 892 | - | - | **892** | - | **892** |
| Gain/(loss) on investments | - | 3,355 | - | - | - | - | **3,355** | - | **3,355** |
| Gain/(loss) on cash flow hedges | - | - | (14) | - | - | - | **(14)** | - | **(14)** |
| Income tax relating to components of other comprehensive income | - | (1,005) | 4 | - | - | - | **(1,001)** | - | **(1,001)** |
| **Total comprehensive income** | **-** | **2,350** | **(10)** | **892** | **-** | **76,560** | **79,792** | **1,101** | **80,893** |
| Payment of dividends | - | - | - | - | - | (31,202) | **(31,202)** | (875) | **(32,077)** |
| Share based payment | - | - | - | - | 879 | - | **879** | - | **879** |
| Movement in share capital (Note 10) | 281,429 | - | - | - | (1,169) | - | **280,260** | - | **280,260** |
| **Balance at 31 December 2009** | **2,276,693** | **2,554** | **1,138** | **504** | **7,507** | **154,445** | **2,442,841** | **3,818** | **2,446,659** |

Notes to the financial statements are included on pages 11 to 23

# Statement of changes in equity

**For the half year ended 31 December 2009**

| Dividends | **Cents per share 2009** | Cents per share 2008 | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| Final dividend – previous financial year | **7.0** | 5.0 | **31,202** | 18,569 |
| Dividend forgone under the Bonus Share Plan | **-** | - | **(72)** | (38) |
| **Total dividends paid** | **7.0** | 5.0 | **31,130** | 18,531 |
| **Unrecognised amounts** | | | | |
| Interim dividend - current financial period | **15.0** | 7.0 | | |

All dividends are fully franked at the corporate income tax rate (2009: 30%, 2008: 30%). It is proposed to pay a fully franked interim dividend of 15.0 cents. The dividend record date is 12 March 2010 and payment date is proposed as 29 March 2010. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP), operating at a 2.0% discount (31 December 2008: 2.5%). The last date for the receipt of an election notice for participation in these plans is 11 March 2010.

Notes to the financial statements are included on pages 11 to 23

# Cash flow statement

**For the half year ended 31 December 2009**

| | Note | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **683,677** | 687,874 |
| Payments to suppliers and employees | | **(535,860)** | (543,695) |
| Payments against non employee provisions | | **(8,421)** | (16,246) |
| Income tax received | | **2,965** | 11,061 |
| Income tax paid | | **(11,156)** | (16,470) |
| Interest received | | **2,510** | 1,389 |
| Interest paid | | **(32,106)** | (74,871) |
| Other income | | **415** | 5,050 |
| Distributions received from associates | | **55** | 688 |
| **Net cash provided by continuing operating activities** | | **102,079** | 54,780 |
| Net cash (used in) discontinued operating activities | | **-** | (2,951) |
| **Net cash provided by operating activities** | 13(b) | **102,079** | 51,829 |
| **Cash flows from investing activities** | | | |
| Payment for property plant and equipment | | **(54,603)** | (26,798) |
| Payment for businesses purchased | 13(e) | **(32,136)** | (27,419) |
| Payment for other intangibles | | **(5,012)** | (2,658) |
| Payment for investments | | **(11,606)** | (470) |
| Net proceeds from the sale of businesses disposed | | **-** | 748,095 |
| Proceeds from the sale of property plant and equipment | | **3,474** | 1,798 |
| Proceeds from the sale of investments | | **1,207** | - |
| **Net cash (used in) provided by continuing investing activities** | | **(98,676)** | 692,548 |
| Net cash (used in) discontinued investing activities | | **-** | (1,972) |
| **Net cash (used in) investing activities** | | **(98,676)** | 690,576 |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | **272,721** | 751 |
| Payments for share issue costs | | **(7,602)** | (53) |
| Proceeds from borrowings | | **1,016,000** | 63,000 |
| Payments for debt issue costs | | **(19,731)** | - |
| Repayment of interest bearing liabilities | | **(1,438,315)** | (781,602) |
| Dividends paid | | **(19,073)** | (1,775) |
| **Net cash (used in) provided by financing activities** | | **(196,000)** | (719,679) |
| **Net (decrease) increase in cash held** | | **(192,597)** | 22,726 |
| **Cash at the beginning of the period** | | **223,397** | (6,904) |
| Effect of exchange rate movements on cash held in foreign currencies | | **(14)** | (3) |
| **Cash at the end of the period** | 13(a) | **30,786** | 15,819 |

Notes to the financial statements are included on pages 11 to 23

## 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 2009 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 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australia Accounting Standards and with International Financial Reporting Standards.

**New standards and Interpretations**
In the current year, the Company and the Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period. The material new Standards applicable to the Group from 1 July 2009 are as follows:

***Business combinations***
AASB 3 *Business Combinations* (March 2008) applies prospectively to business combinations for which the acquisition date is on or after 1 July 2009 and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the Group, in the current period the application of the Standard and its consequential amendments to other Australian Accounting Standards has been to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

In addition, the term 'minority interest' has been replaced by 'non-controlling interest'.

***Operating segments***
The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009. Refer Note 2 for further analysis.

***Presentation of financial statements***
The main change to the Group's interim financial statements on adopting AASB 101 *Presentation of Financial Statements* (September 2007) is the introduction of a Statement of Comprehensive Income.

Disclosure changes introduced by AASB 101 *Presentation of Financial Statements* (September 2007) do not impact the reported results of the Group.

**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.

## 2. Segment information

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009.

The only change to the Group's reported segments under AASB 8 in the current period, is the specific exclusion of 'Corporate' as an operating segment. Corporate costs comprise non-segmental expenses such as head office expenses, and depreciation and amortisation of Corporate assets. Comparative information has been updated to conform to the requirements of AASB 8.

The Group's four operating segments under AASB 8 are as follows:

**Medical Centres**
This division operates medical centres and provides administrative services to medical practitioners.

**Imaging**
This division provides imaging and scanning services from standalone imaging sites and from within the Group's medical centres.

**Pathology**
This division provides pathology services.

**Health Technology**
This division develops, sells and supports health related software products. The Health Technology segment does not meet the quantitative recognition criteria of an operating segment under AASB 8, yet has been disclosed as a reportable segment on the basis information about this segment is reported internally to the Group's chief operating decision maker.

**2. Segment information (continued)**

| **31 December 2009** | Medical Centres $000 | Pathology $000 | Imaging $000 | Health Technology $000 | **Total $000** |
|---|---|---|---|---|---|
| **Segment revenue** | **131,755** | **363,452** | **147,074** | **24,150** | **666,431** |
| Intersegment sales | (9,531) | - | - | (4,301) | (13,832) |
| **Trading revenue and share of net profits of associates** | 122,224 | 363,452 | 147,074 | 19,849 | 652,599 |
| **Segment EBITDA before corporate expenses** | 73,770 | 73,345 | 22,957 | 9,760 | 179,832 |
| Corporate expenses | | | | | (7,794) |
| **Segment EBITDA** | | | | | **172,038** |
| Depreciation | | | | | 26,889 |
| Amortisation | | | | | 8,278 |
| **Segment result** | | | | | **136,871** |
| Other revenue | | | | | 3,224 |
| Other expenses | | | | | 295 |
| Finance costs | | | | | 37,209 |
| **Profit for the year before income tax from continuing operations** | | | | | 102,591 |

| 31 December 2008 | Medical Centres $000 | Pathology $000 | Imaging | Health Technology $000 | Total $000 |
|---|---|---|---|---|---|
| Segment revenue | 122,475 | 365,152 | 162,759 | 22,498 | 672,884 |
| Intersegment sales | (8,021) | - | - | (3,533) | (11,554) |
| Trading revenue and share of net profits of associates | 114,454 | 365,152 | 162,759 | 18,965 | 661,330 |
| Segment EBITDA before corporate expenses | 65,936 | 62,985 | 27,152 | 6,938 | 163,012 |
| Corporate expenses | | | | | (7,442) |
| Segment EBITDA | | | | | 155,570 |
| Depreciation | | | | | 27,036 |
| Amortisation | | | | | 7,447 |
| Segment result | | | | | 121,087 |
| Other revenue | | | | | 6,439 |
| Other one off expenses | | | | | 3,500 |
| Finance costs | | | | | 97,467 |
| Profit for the year before income tax from continuing operations | | | | | 26,559 |

# Notes to the financial statements
**For the half year ended 31 December 2009**

| 3. Other revenue | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| Interest revenue | **2,510** | 1,389 |
| Dividend revenue | **416** | - |
| Profit on sale of investments | **298** | - |
| Dividend received from Pan Pharmaceutical Liquidator | **-** | 5,050 |
| **Total other revenue** | **3,224** | 6,439 |

| 4. Finance costs | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| Interest expense | **30,878** | 99,777 |
| Borrowing costs | **6,331** | 34,001 |
| **Total finance costs** | **37,209** | 133,778 |
| | | |
| Attributable to: | | |
| Continuing operations | **37,209** | 97,467 |
| Discontinued operations | **-** | 36,311 |
| | **37,209** | 133,778 |

| 5. Income tax expense | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| 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 | **102,591** | 26,559 |
| Income tax calculated at 30% (2008 – 30%) | **30,777** | 7,967 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Investment allowance | **(528)** | - |
| Research and development allowance | **(444)** | (100) |
| Share-based payments expense | **264** | 282 |
| Fully franked dividend income | **(109)** | - |
| Other | **(421)** | 201 |
| | **29,539** | 8,350 |
| | | |
| Over provision in prior years | **(4,609)** | (900) |
| | **24,930** | 7,450 |

| **6. Goodwill** | **31 December 2009 $000** | 30 June 2009 $000 | 31 December 2008 $000 |
|---|---|---|---|
| Opening balance | **2,892,701** | 2,833,535 | 2,833,535 |
| Acquisition of subsidiaries | **-** | 506 | 506 |
| Acquisition of businesses | **31,589** | 58,660 | 22,752 |
| **Total goodwill** | **2,924,290** | 2,892,701 | 2,856,793 |

**7. Investments in associates**

| Name of associated entity | Country of incorporation | Principal activity | Ownership interest **31 December 2009 %** | 31 December 2008 % |
|---|---|---|---|---|
| Campsie Nuclear Medicine Pty Ltd | Australia | Imaging services | **50%** | 50% |
| Bondi Nuclear Medicine Pty Ltd | Australia | Imaging services | **-** | 50% |
| North Coast Nuclear Medicine (Qld) Pty Ltd | Australia | Imaging services | **40%** | 40% |
| Southport Diagnostic Imaging | Australia | Imaging services | **50%** | 50% |
| Eastern Radiology | Australia | Imaging services | **-** | 33% |

| The Group's share of profits and losses, assets and liabilities of associates is: | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|
| **Income Statement** | | |
| Revenue of associates | **767** | 3,344 |
| Profit of associates | **338** | 956 |
| Share of net profits of associates accounted for using the equity method | **131** | 548 |
| **Balance Sheet** | | |
| Assets | **6,783** | 4,283 |
| Liabilities | **(1,848)** | (501) |
| Net assets | **4,935** | 3,782 |
| Investments in associates accounted for using the equity method | **2,149** | 2,711 |

| 8. Provisions | 31 December 2009 $000 | 30 June 2009 $000 |
|---|---|---|
| **(a) Current** | | |
| Provision for employee benefits | **34,583** | 38,244 |
| Self Insurance provision | **9,278** | 9,733 |
| Restructuring and onerous contract provision | **6,919** | 13,203 |
| | **50,780** | 61,180 |
| **(b) Non-current** | | |
| Provision for employee benefits | **36,386** | 36,274 |
| Self insurance provision | **522** | 2,852 |
| Restructuring and onerous contract provision | **-** | 3,119 |
| | **36,908** | 42,245 |
| **Total provisions** | **87,688** | 103,425 |

### (c) Nature and purpose of provisions

### (i) Employee benefit provisions

Employee benefit provisions include annual leave and long service leave liabilities. The annual leave provision is measured on an undiscounted basis. The long service leave provision is recognised using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

### (ii) Self insurance provision

The provision relates primarily to self-insured workers' compensation liabilities under the licensing conditions of the respective state authorities of Victoria, New South Wales, South Australia and Western Australia. The provision for workers' compensation is based upon an annual independent actuarial assessment of claims liabilities and "incurred but not reported" (IBNR) factors.

### (iii) Restructuring and onerous contract provision

The provision relates to expenditure connected to restructuring the entity's operations. The estimated costs are based on detailed plans agreed between management and employee representatives.

| 9. Interest bearing liabilities | 31 December 2009 $000 | 30 June 2009 $000 |
|---|---|---|
| **(a) Current** | | |
| Bank loan | **18,000** | 1,438,000 |
| Unamortised borrowing costs | **-** | (7,170) |
| Bank Loan at amortised cost | **18,000** | 1,430,830 |
| Finance lease liabilities | **1,241** | 1,431 |
| | **19,241** | 1,432,261 |
| **(b) Non-current** | | |
| Bank loan | **998,000** | - |
| Unamortised borrowing costs | **(19,731)** | - |
| Bank Loan at amortised cost | **978,269** | - |
| Finance lease liabilities | **2,189** | 2,314 |
| | **980,458** | 2,314 |
| Total interest bearing liabilities | **999,699** | 1,434,575 |

| 10. Net tangible asset backing | 31 December 2009 | 30 June 2009 |
|---|---|---|
| Net tangible asset backing per share | **-$1.15** | -$1.98 |

| 11. Issued Capital | No. of Shares December 2009 000's | No. of Shares June 2009 000's | 31 December 2009 $000 | 30 June 2009 $000 |
|---|---|---|---|---|
| Opening balance | **430,748** | 371,095 | **2,015,129** | 1,725,216 |
| Exercise of share options | **1,254** | 1,101 | **2,967** | 1,727 |
| Transfer from share based payments reserve | **-** | - | **1,169** | 934 |
| Shares issued via Dividend Reinvestment Plan | **2,150** | 3,537 | **13,004** | 16,556 |
| Shares issued via Bonus Share Plan | **12** | 21 | **-** | - |
| Share Placement[1, 2] | **47,121** | 53,000 | **269,753** | 265,000 |
| Other share issues[3] | **-** | 1,994 | **-** | 10,440 |
| Capital raising/share issue costs, net of tax | **-** | - | **(5,464)** | (4,744) |
| **Closing balance** | **481,285** | 430,748 | **2,296,558** | 2,015,129 |
| Reverse acquisition adjustment (1994) | | | **(19,865)** | (19,865) |
| **Closing balance – Consolidated** | | | **2,276,693** | 1,995,264 |

[1] Made up of: July 2009 – 15,504,000 shares at $5.00 per share; September 2009 – 29,605,000 shares at $6.08 per share; October 2009 – 2,012,000 shares at $6.08 per share, all issued for cash.
[2] Comparative made up of: June 2009 – 53,000,000 shares at $5.00 per share issued for cash.
[3] Shares issued in lieu of underwritten dividend in prior period.

### 12. Earnings per share

| Earnings | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the income statement as follows; | | |
| Profit attributable to equity holders of Primary Health Care Limited | **76,560** | 11,494 |
| Loss for the period from discontinued operations | **-** | 6,606 |
| Earnings from continuing operations | **76,560** | 18,100 |

| Weighted average number of shares | 31 December 2009 000's | 31 December 2008 000's |
|---|---|---|
| The weighted average number of shares used in the calculation of basic earnings per share | **463,858** | 372,982 |
| Potential ordinary shares [1] | **246** | 220 |
| The weighted average number of shares used in the calculation of diluted earnings per share | **464,104** | 373,202 |

[1] Potential ordinary shares represent share options, but only to the extent that they are considered dilutive.

| **13. Notes to the cash flow statement** | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|

**(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 financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| Cash | **30,786** | 15,819 |

**(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities**

| | 31 December 2009 $000 | 31 December 2008 $000 |
|---|---|---|
| Profit attributable to equity holders | **76,560** | **11,494** |
| Depreciation of plant and equipment | **26,889** | **27,037** |
| Amortisation of intangibles | **8,278** | **7,446** |
| Share based payments expense | **879** | **940** |
| Non-controlling Interest | **1,101** | **1,009** |
| Profit on sale of other investments | **(298)** | **-** |
| Loss on sale of property plant and equipment | **295** | **16** |
| Loss on sale of intangibles | **-** | **101** |
| Loss on sale of discontinued operations | **-** | **2,555** |
| Increase (decrease) in liabilities; | | |
| Trade payables and accruals | **(28,872)** | **(9,413)** |
| Provisions | **(15,741)** | **(19,330)** |
| Tax balances | **17,501** | **(6,742)** |
| Decrease (increase) in assets; | | |
| Investments in associates | **(76)** | **139** |
| Consumables | **(2,813)** | **(234)** |
| Deferred borrowing costs | **7,170** | **34,001** |
| Receivables and prepayments | **11,206** | **2,810** |
| Net cash provided by operating activities | **102,079** | **51,829** |

**(c) Non cash investing and financing**

During the period 2,150,300 (2008: 1,545,340) and 11,914 (2008: 7,500) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

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

### 13. Notes to the cash flow statement (continued)

| (d) Financing facilities (Consolidated) | **31 December 2009 $000** | 30 June 2009 $000 |
|---|---|---|
| **Current** | | |
| Syndicated debt facilities | | |
| Amount used | **-** | 1,438,000 |
| Amount unused | **-** | - |
| Secured multi-option facility | | |
| Amount used | **18,000** | - |
| Amount unused | **7,000** | 100,000 |
| | **25,000** | 1,538,000 |
| **Non Current** | | |
| Syndicated debt facilities | | |
| Amount used | **900,000** | - |
| Amount unused | **-** | - |
| Syndicated multi-option facility | | |
| Amount used | **98,000** | - |
| Amount unused | **2,000** | - |
| | **1,000,000** | - |
| | **1,025,000** | 1,538,000 |

On 23 December 2009 Primary completed the refinancing of its debt facilities for a further three years to 31 December 2012. The margin payable on the facility is in the range of 2.50%-3.00% above BBSY depending on gearing ratios within the period. In addition refinancing costs of $19.7m that have been paid remain to be amortised over the three year period from 1 January 2010 to 31 December 2012.

### (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 year on the Group's results for the year (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.

### 13. Notes to the cash flow statement (continued)

### (e) Businesses acquired (continued)

(ii) Summary

| The net outflow of cash to acquire businesses is reconciled as follows: | **31 December 2009 $000** | 31 December 2008 $000 |
|---|---|---|
| Fair value of identifiable net assets acquired | | |
| Health related practices | **-** | - |
| Controlled entities | **-** | - |
| | **-** | - |
| Goodwill | | |
| Health related practices | **31,589** | 22,752 |
| Controlled entities | **-** | 504 |
| | **31,589** | 23,256 |
| Consideration – cash paid to acquire businesses | | |
| Health related practices | **31,589** | 22,752 |
| Controlled entities | **-** | 504 |
| Increase / (decrease) in payables relating to acquisitions | **(547)** | (4,163) |
| | **32,136** | 27,419 |
| Cash paid for acquisitions | **32,136** | 27,419 |
| Less cash acquired | **-** | - |
| Net payments for the purchase of businesses | **32,136** | 27,419 |

## 14. Contingent assets

### (i) Tax depreciation deductions – copyright

Primary Health Care Limited ("the Company") has claimed appropriate deductions for expenditure on the purchase of intellectual property with the Group's medical practice acquisitions in the years 30 June 1999 to 30 June 2004 inclusive. To access these deductions, the Company lodged objections with the Australian Taxation Office ("the ATO") against the Income Tax Assessments of the Company and its controlled entities for the years ending 30 June 1999 to 30 June 2004 inclusive.

The Company received Notice of Decisions on Objection ("the Objection Decisions") from the ATO that it had not allowed the Objections for the years ended 30 June 1999 to 30 June 2004 inclusive and that the refunds of Income Tax, overpaid by the Company, could not be processed.

Part of the Company's appeal against the Objection Decisions was heard in the Federal Court of Australia in June 2009, and judgment on that part is awaited. That part of the appeal is concerned with whether intellectual property was acquired for tax purposes. Depending on the outcome of that part of the appeal, there will be a further hearing on the value of the deductions.

The intellectual property asset will continue to be included in goodwill in the balance sheet of the Group.

### (ii) Pan liquidation claim

Prior to April 2003, a former subsidiary of Symbion Health Limited ("Symbion"), FH Faulding & Co Limited ("Faulding") was a party to a supply agreement with Pan Pharmaceuticals Ltd ("Pan") pursuant to which it sourced approximately 30% of Symbion's Consumer Division's nutriceutical products. On 28 April 2003, the Australian Therapeutic Goods Administration ("TGA") required a recall of all products manufactured by Pan since 1 May 2002 ("the Pan recall"). Pan was subsequently placed in liquidation, and Faulding lodged a proof of debt in the liquidation.

Pursuant to arrangements entered into upon the demerger of Mayne Pharma Limited from Symbion in November 2005, any amount recovered by Faulding in connection with the Pan recall and Pan's alleged contractual breaches, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion. Symbion settled its proof of debt claim with Pan's liquidators in May 2007. The liquidators admitted the debt in an agreed amount.

Pan's liquidators have subsequently issued in FY 2007 and FY 2009 interim dividends to Symbion totalling approximately $10.1m. A further small dividend is expected to be received by Symbion in FY 2010, but the exact amount depends primarily upon the liquidators settling the amount of other claims (unrelated to Symbion) that the liquidators are prepared to admit.

### (iii) Class action against TGA

In 2004 Jim Selim, the Chief Executive Officer of and major shareholder in Pan, sued the TGA in the Federal Court of Australia in relation to the TGA's conduct concerning the Pan recall. After the Court had part-heard the matter for 19 days in July 2008, the TGA settled in August 2008 on the basis of payment to Jim Selim of $50.0m (plus $5.0m for his costs).

In December 2008 litigation-funder IMF (Australia) Ltd ("IMF") initiated a class action in the Federal Court of Australia against the TGA (and 5 TGA officers) in relation to the TGA's and its officers' conduct concerning the Pan recall. The claimants in the class comprise well over 100 "sponsors" (entities that sell products registered with the TGA) and other customers of Pan, and retailers of products of Pan.

Pursuant to arrangements entered into in connection with the demerger from Symbion of each of Mayne Pharma Ltd in 2005, Symbion Consumer in August 2008, and Symbion Pharmacy in October 2008, any amount recovered by former subsidiaries of Symbion in connection with the Pan recall, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion.

Symbion, through its relevant former subsidiaries, is part of the IMF-funded class action. IMF, as funder, takes responsibility for all legal fees (including any adverse order for costs). If as a result of the class action, there is a recovery of money from the TGA, then IMF is reimbursed its legal expenditure and IMF also receives an agreed percentage of the gross sum recovered from the TGA in respect of the former subsidiaries of Symbion.

### (iv) Other

There were no other contingent assets as at 31 December 2009.

| **15. Contingent liabilities** | **31 December 2009 $000** | 30 June 2009 $000 | 31 December 2008 $000 |
|---|---|---|---|
| Treasury bank guarantees | **32,522** | 32,710 | 32,768 |

### 16. 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.