

Results for announcement to the market

Primary Health Care Limited

ACN 064 530 516

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2015

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Primary Health Care Limited

Appendix 4E – Preliminary Final Report

Results for announcement to the market

For the year ended 30 June 2015

\$000	% change 2015 vs 2014	2015 Total	2014 Total
Revenue	6.2%	1,618,469	1,524,115
EBITDA before significant items	0.4%	400,495	399,092
Significant items ¹		(140,498)	-
EBITDA	(34.9%)	259,997	399,092
Profit for the year after tax	19.1%	136,495	114,571
Profit attributable to members of the parent entity	19.2%	136,495	114,553
Underlying profit ² for the year after tax	3.9%	119,100	114,553

CENTS PER SHARE	2015 Total	2014 Total
Basic and diluted earnings per share - total	26.7	22.7
Final dividend ^{3, 4, 5}	11.0	11.0
Interim dividend ³	9.0	9.0
	20.0	20.0

¹ Includes ATO settlement (\$110 million – refer note 5(b)); asset impairments (\$11 million) and other items (\$19 million) – refer Note 4.

² Refer reconciliation from Reported Profit After Tax to Underlying Profit After Tax in Review of Operations on page 3 of this Appendix 4E.

³ All dividends paid were 100% franked at the corporate income tax rate (2014: 100% franked).

⁴ The 2015 final dividend will be 50% franked.

⁵ The record date for determining entitlement to the final dividend is 28 August 2015 and is payable on 14 September 2015.

Review of operations for the year ended 30 June 2015

The Directors of Primary Health Care (“Primary”) announce the results for the financial year ended 30 June 2015 (“FY15”) in comparison to the financial year ended 30 June 2014 (“FY14”).

\$M	YEAR ENDED 30 JUNE 2015 Underlying	YEAR ENDED 30 JUNE 2015 Reported	YEAR ENDED 30 JUNE 2014 Restated
Revenue	1,618.5	1,618.5	1,524.1
EBITDA	400.5	260.0	399.1
Depreciation and amortisation	(152.4)	(162.1)	(143.6)
EBIT	248.1	97.9	255.5
Finance Costs	(66.5)	(66.5)	(71.7)
Income tax	(62.5)	105.1	(69.2)
Net Profit after tax	119.1	136.5	114.6
Earnings per share	23.3	26.7	22.7
Dividend per share	20.0	20.0	20.0

Key points of the results are in comparison to FY14:

- Revenue up 6.2%
- Underlying EBITDA flat at \$400.5 million
- Underlying NPAT up 3.9%, reported NPAT up 19.1%
- Underlying EPS up 2.6%, reported EPS up 17.6%
- Final dividend of 11.0cps (FY14: 11.0cps), 50% franked (FY14: 100% franked), taking total dividends to 20.0cps (FY14: 20.0cps)

Underlying results for FY15 exclude the impact of significant items relating to:

- Settlement with the Australia Tax Office (“ATO”) regarding the tax deductibility of medical practice acquisitions for Primary and, partially offsetting this, agreement by Primary to settle any outstanding tax liabilities of its healthcare practitioners (“HCPs”) on medical practice sales. Refer Note 5(b).
- Asset impairment and other non-cash charges.
- Depreciation and amortisation accelerated write-downs during the year.

The reconciliation of reported to underlying is as follows:

\$M	EBITDA	Depreciation and amortisation	Income tax	Profit after tax
Reported	260.0	(162.1)	105.1	136.5
Less: ATO refund for tax deductibility of medical practice acquisitions	-	-	(155.7)	(155.7)
Plus: ATO settlement on behalf of HCPs	110.5	-	-	110.5
Plus: Impairment of assets	11.0	-	(3.3)	7.7
Plus: Other items	19.0	-	(5.7)	13.3
Plus: Depreciation and amortisation accelerated write-down	-	9.7	(2.9)	6.8
Underlying	400.5	(152.4)	(62.5)	119.1

Review of operations for the year ended 30 June 2015

During the year, Primary reassessed its accounting policy for the acquisition of healthcare practices. The change is detailed in Note 2. This resulted in a restatement of the closing balances for FY14 as follows:

\$M	30 June 2014 (restated)	Restatement	30 June 2014 (reported)
Goodwill	2,798.2	(512.3)	3,310.5
Other intangibles	272.4	139.9	132.4
Deferred tax asset	7.4	(4.1)	11.5
Retained earnings	2,371.0	(376.4)	2,747.6

As a result of the accounting policy change, amortisation expense increased by \$55.0 million for the year ended 30 June 2015 (30 June 2014 restatement increase: \$49.7 million).

Operating overview

The underlying results of the group by division are set out below:

\$M	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Revenue		
Medical Centres	327.9	309.6
Pathology	937.8	887.4
Imaging	339.0	316.1
Health Technology	38.2	37.2
Other	6.6	4.1
Intersegment	(31.1)	(30.3)
Total	1,618.5	1,524.1
Underlying EBITDA		
Medical Centres	180.1	175.8
Pathology	153.4	156.7
Imaging	73.3	73.0
Health Technology	20.2	20.2
Other	(26.5)	(26.6)
Total	400.5	399.1
Underlying EBIT		
Medical Centres	103.9	107.5
Pathology	129.0	134.4
Imaging	34.3	34.8
Health Technology	13.9	11.4
Other	(33.0)	(32.6)
Total	248.1	255.5

Medical Centres

Revenue grew by 5.9% in FY15, including the impact of the establishment of the IVF business and the acquisition of Transport Health during the year. The group experienced subdued patient volumes in the last quarter of the year, impacted by some extreme weather events and a slow start to flu season.

Uncertainty over the potential tax liabilities for healthcare practitioners on medical practice sales during the second half of the year and concerns regarding the potential introduction of co-payments by the Government also impacted performance in the second half. With the settlement Primary negotiated with the ATO in June, the tax concerns have now been resolved.

Underlying EBITDA grew by 2.4%. The margin compression reflected the investment the business made in IVF and Transport Health together with investment in Primary Health Institute and clinical engagement teams. Primary currently has 31 registrars practising in its centres. Along with the clinical education provided by the Primary Health Institute, which now provides practitioners with all their continuing education needs, this is a major commitment to quality and training which will drive improved outcomes for the business in the future.

Underlying EBIT declined by 3.3%, reflecting higher amortisation costs in the year. This was due to a net increase in the overall number of healthcare practitioners recruited over the past five years, and an increasing proportion of new healthcare practitioners being recruited out of area, resulting in a higher proportion of practice acquisition costs being fully amortised over the life of the contract.

Overall, a total of 71 medical centres, including 58 large-scale Primary centres, are now in operation. Primary did not open any centres during the year, but has acquired one further site for development at Corrimal, New South Wales and has identified 5 further new large medical centre sites to add to its 58 operating large-scale centres. The upgraded medical centre at Warringah, New South Wales contains expanded services including an MRI facility, a second day surgery and additional specialist services.

Pathology

Revenue growth was 5.7%, in line with expectations.

Vitamin D, B12 and Folate Medicare cuts and revised classifications of items negatively impacted revenue and earnings in the year and contributed to the decline in both underlying EBITDA and EBIT of 2.1% and 4.0% respectively. These changes were implemented November 2014.

Operating costs, including the Approved Collection Centre ("ACC") rental expense and labour costs, increased in line with expectations. The business has maintained a disciplined approach to ACC activities in the period and will only expand at pricing that delivers reasonable returns. Investment is ongoing in our operating platforms to continue to drive efficiencies and leverage the scale of the business.

Imaging

Revenue growth was strong at 7.2%. During the year the division successfully extended the immigration visa medicals contract which it began in August 2014 for a further five years.

EBITDA was stable while EBIT declined by 1.4%. EBIT was affected by loss of the Buderim hospital contract.

The multi-disciplinary Bridge Road Imaging Facility was opened in July 2015 which provides model for future expansion and we will expand this concept to other states. During the year we were successfully awarded a number of key new and existing hospital contracts. The Bridge Road practice will ramp up during FY16 mitigating the expiry of our lease at Epworth Private Hospital.

Medical Director

Medical Director experienced strong growth in its two core revenue streams with GP and Specialist revenues up 6.4% and publishing & knowledge revenues up 5%, offsetting a decline in one-off project revenues.

EBIT increased as the amortisation of intangible assets arising on the acquisition of Health Communication Network finished 1H FY2015. New product momentum continued with launch of online appointments and cloud hosted GP software.

Depreciation and amortisation

Underlying depreciation and amortisation expense was up 6.1% at \$152.4 million for the year, compared with \$143.6 million for the prior year. The increase primarily reflected the aforementioned increase in the Medical Centres division. Reported depreciation and amortisation included an additional charge of \$9.7 million for accelerated asset-write downs in the year.

Debt and finance costs

On 22 April 2015 Primary completed financial close on the extension and amendment of its \$1.25 billion syndicated bank debt facilities. Primary now has two non-amortising tranches of \$625 million each, maturing in November 2018 (previously November 2017) and April 2020 (previously November 2018). The refinancing has improved financial covenants and moved the facilities to an unsecured basis. The early refinancing has both extended the company's debt maturity profile and delivered interest expense savings.

Primary's Retail Bonds mature in September 2015 and it is expected that the redemption of the bonds will be funded from existing facilities.

Dividend

The final dividend will be 11.0 cents per share, franked to 50%, payable on 14 September 2015. A Dividend Reinvestment Plan and Bonus Share Plan will continue to be in place with a 2.5% discount.

Primary's ability to frank dividends is impacted by the ATO refund to be received in FY2016, and the potential further refund relating to the period FY2003-FY2007.

Subsequent events

On 31 July, 2015 Primary announced the sale of approximately 36 million shares in Visions Eye Institute Limited ("VEI") for a purchase price of approximately \$34 million. The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI of approximately 5 million shares for approximately \$4 million. The disposal of Primary's shareholding in Vision has resulted in a pre-tax gain of \$16.5 million which will be included in Primary's FY16 results. Cash proceeds of \$38 million have been applied to pay down debt.

Statement of profit or loss for the year ended 30 June 2015

	NOTE	CONSOLIDATED	
		2015 \$000	Restated 2014 \$000
Revenue		1,618,469	1,524,115
Employee benefits expense	4	695,174	638,959
Property expenses	4	229,506	208,287
Consumables		160,957	147,470
ATO settlement	5(b)	110,508	-
IT expenses		20,497	20,730
Other expenses	4	141,830	109,577
EBITDA		259,997	399,092
Depreciation	9	68,961	62,899
Amortisation of intangibles	10	93,124	80,716
EBIT		97,912	255,477
Finance costs	4	66,512	71,747
Profit before tax		31,400	183,730
Income tax (benefit) expense	5(a)	(105,095)	69,159
Profit for the year		136,495	114,571
Attributable to:			
Equity holders of Primary Health Care Limited		136,495	114,553
Non-controlling interest		-	18
Profit for the year		136,495	114,571

	NOTE	CONSOLIDATED	
		2015 CENTS PER SHARE	2014 CENTS PER SHARE
Basic and diluted earnings per share	16	26.7	22.7

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

Statement of other comprehensive income for the year ended 30 June 2015

	CONSOLIDATED	
	2015 \$000	Restated 2014 \$000
Profit for the year	136,495	114,571
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) gain on cash flow hedges	(5,130)	2,410
Fair value (loss) on available-for-sale financial assets	(4,289)	(4,150)
Exchange differences arising on translation of foreign operations	41	(260)
Income tax relating to items that may be reclassified subsequently to profit or loss	2,826	522
Other comprehensive (loss) for the year, net of income tax	(6,552)	(1,478)
Total comprehensive income for the year	129,943	113,093
Attributable to:		
Equity holders of Primary Health Care Limited	129,943	113,075
Non-controlling interest	-	18
	129,943	113,093

Statement of financial position as at 30 June 2015

		CONSOLIDATED		
		30	Restated	Restated
		June	30	30
		2015	June	June
		\$000	2014	2013
			\$000	\$000
		NOTE		
Current assets				
Cash	18(a)	49,969	27,460	34,725
Receivables	6(a)	147,265	149,861	151,798
Consumables		28,215	27,262	25,878
Other financial assets	11	3,186	-	-
Tax receivable		42,113	-	-
		270,748	204,583	212,401
Assets classified as held for sale	7	39,171	-	-
Total current assets		309,919	204,583	212,401
Non-current assets				
Receivables	6(b)	4,143	4,145	3,618
Goodwill	8	2,832,087	2,798,239	2,766,089
Property, plant and equipment	9	468,880	427,922	409,052
Other intangible assets	10	289,970	272,353	231,387
Other financial assets	11	34,161	25,703	25,197
Investment in joint ventures		1,953	1,927	3,232
Deferred tax asset		4,378	7,403	5,342
Total non-current assets		3,635,572	3,537,692	3,443,917
Total assets		3,945,491	3,742,275	3,656,318
Current liabilities				
Payables	12(a)	180,692	154,016	127,204
Tax liabilities		-	32,893	18,193
Provisions	13(a)	76,356	55,792	59,302
Other financial liabilities		11,740	8,444	12,068
Interest bearing liabilities	14(a)	155,537	3,072	2,814
Total current liabilities		424,325	254,217	219,581
Non-current liabilities				
Payables	12(b)	6,787	13,229	6,746
Provisions	13(b)	9,640	3,592	2,463
Other financial liabilities		7,409	5,576	4,721
Interest bearing liabilities	14(b)	1,049,946	1,094,553	1,072,408
Total non-current liabilities		1,073,782	1,116,950	1,086,338
Total liabilities		1,498,107	1,371,167	1,305,919
Net assets		2,447,384	2,371,108	2,350,399
Equity				
Issued capital	15	2,407,309	2,366,276	2,358,183
Reserves		(5,901)	7,973	9,263
Retained earnings		44,198	(4,919)	(18,807)
Equity attributable to equity holders		2,445,606	2,369,330	2,348,639
Non-controlling interest		1,778	1,778	1,760
Total equity		2,447,384	2,371,108	2,350,399

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

Statement of changes in equity for the year ended 30 June 2015

CONSOLIDATED \$000	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE- BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTEREST	TOTAL
Balance at 1 July 2014(Restated)	2,366,276	6,798	(9,814)	900	10,089	(4,919)	2,369,330	1,778	2,371,108
Profit for the year	-	-	-	-	-	136,495	136,495	-	136,495
Exchange differences arising on translation of foreign operations	-	-	-	41	-	-	41	-	41
Fair value (loss) on available-for-sale investments	-	(4,289)	-	-	-	-	(4,289)	-	(4,289)
Fair value (loss) on cash flow hedges	-	-	(5,130)	-	-	-	(5,130)	-	(5,130)
Income tax relating to components of other comprehensive income	-	1,287	1,539	-	-	-	2,826	-	2,826
Total comprehensive income	-	(3,002)	(3,591)	41	-	136,495	129,943	-	129,943
Payment of dividends	-	-	-	-	-	(94,769)	(94,769)	-	(94,769)
Share-based payment	-	-	-	-	69	-	69	-	69
Transfers	-	-	-	-	(7,391)	7,391	-	-	-
Movement in share capital (Note 15)	41,033	-	-	-	-	-	41,033	-	41,033
Balance at 30 June 2015	2,407,309	3,796	(13,405)	941	2,767	44,198	2,445,606	1,778	2,447,384

CONSOLIDATED \$000	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTEREST	TOTAL
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
Restatement (refer Note 2)	-	-	-	-	-	(328,466)	(328,466)	-	(328,466)
Balance at 1 July 2013 (restated)	2,358,183	9,703	(11,501)	1,160	9,901	(18,807)	2,348,639	1,760	2,350,399
Profit for the year	-	-	-	-	-	114,553	114,553	18	114,571
Exchange differences arising on translation of foreign operations	-	-	-	(260)	-	-	(260)	-	(260)
Fair value (loss) on available-for-sale investments	-	(4,150)	-	-	-	-	(4,150)	-	(4,150)
Fair value gain on cash flow hedges	-	-	2,410	-	-	-	2,410	-	2,410
Income tax relating to components of other comprehensive income	-	1,245	(723)	-	-	-	522	-	522
Total comprehensive income	-	(2,905)	1,687	(260)	-	114,553	113,075	18	113,093
Payment of dividends	-	-	-	-	-	(100,665)	(100,665)	-	(100,665)
Share-based payment	-	-	-	-	188	-	188	-	188
Movement in share capital (Note 15)	8,093	-	-	-	-	-	8,093	-	8,093
Balance at 30 June 2014(Restated)	2,366,276	6,798	(9,814)	900	10,089	(4,919)	2,369,330	1,778	2,371,108

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

Statement of cash flow for the year ended 30 June 2015

	NOTE	CONSOLIDATED	
		2015 \$000	Restated 2014 \$000
Cash flows from operating activities			
Receipts from customers		1,637,565	1,554,003
Payments to suppliers and employees		(1,261,192)	(1,174,945)
Gross cash flows from operating activities		376,373	379,058
Interest paid		(66,894)	(61,003)
Net income tax paid		(62,427)	(57,637)
Interest received		679	322
Net cash provided by operating activities	18(b)	247,731	260,740
Cash flows from investing activities			
Payment for property plant and equipment		(134,882)	(85,135)
Payment for healthcare practices acquired	18(e)	(18,457)	(14,856)
Payment for subsidiaries acquired		(17,788)	(3,568)
Payment for other intangibles		(100,041)	(89,594)
Net payment for investments		(5,520)	(726)
Proceeds from the sale of property plant and equipment		172	4,838
Net cash (used in) investing activities		(276,516)	(189,041)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(187,782)	(182,550)
Proceeds from borrowings		300,000	205,000
Dividends paid		(53,735)	(92,573)
Other finance costs		(7,620)	(8,819)
Net cash provided by (used in) financing activities		50,863	(78,942)
Net increase (decrease) in cash held		22,078	(7,243)
Cash at the beginning of the year		27,460	34,725
Effect of exchange rate movements on cash held in foreign currencies		431	(22)
Cash at the end of the year	18(a)	49,969	27,460

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

1. SIGNIFICANT ACCOUNTING POLICIES

Primary Health Care Limited ("Primary") is a for-profit entity domiciled in Australia. The preliminary financial report of Primary for the financial year ended 30 June 2015 comprises Primary and its subsidiaries (together referred to as "the consolidated entity" or "the Group") and the consolidated entity's interest in associated and joint ventures.

Statement of compliance

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report does not include all of the notes included with the annual financial report.

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 preliminary financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2014.

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 operation and effective for the current year.

Net current liability position

The Group has a net current asset deficiency of \$114.4m (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 14).

The Directors consider that there is no significant uncertainty in relation to the Group's ability to redeem the Retail Bonds at maturity as Primary's most recent Syndicated Debt Facility refinance (completed April 2015) has provided the group adequate unused headroom (30 June 2015: \$190m) to redeem the Retail Bonds. Refer Note 14 for further details of the financing facilities that the Group had access to at the end of the reporting period.

Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current period disclosures.

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 expects that a significant number of patients of the healthcare practice acquired will attend the Primary Medical Centre following the acquisition, 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. This allocation of the practice purchase price has been determined with reference to 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 five years
 - a deferred tax liability is recognised in relation to the intangible asset
 - 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 *Business Combinations*
 - 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 is initially recorded at cost and amortised over the life of the contractual agreement, which is usually five years.

2. PRIOR PERIOD RE-STATEMENT - ACCOUNTING FOR THE ACQUISITIONS OF HEALTHCARE PRACTICES (CONTINUED)

- 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 new contractual agreement.

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 year ended 30 June 2014 for comparative purposes. In the financial report for the half-year ended 31 December 2014, the principles described above were 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. As additional information is now available, the Group has now applied the above principles to all healthcare acquisitions on or after 1 January 1998.

Change in tax treatment

On 29 June 2015 the Group changed the tax treatment of the acquisition of medical and healthcare practices, whereby it now treats the cost of acquiring medical and healthcare practices as deductible at the time of acquisition following a ruling obtained from the ATO. Refer Note 5(b).

Impact on the income statement for the Year ended 30 June 2014

	Note	Restated 30 June 2014 \$000	Restatement increase (decrease) \$000	As reported 30 June 2014 \$000
EBITDA		399,092	-	399,092
Depreciation		62,899	-	62,899
Amortisation of intangibles		80,716	49,661	31,055
EBIT		255,477	(49,661)	305,138
Finance costs		71,747	-	71,747
Profit before tax		183,730	(49,661)	233,391
Income tax expense	5	69,159	(1,678)	70,837
Profit for the period		114,571	(47,983)	162,554

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	2,798,239	(512,272)	3,310,511
Other intangible assets	10	272,353	139,918	132,435
Deferred tax asset		7,403	(4,094)	11,497
Net assets		2,371,108	(376,449)	2,747,557
Retained earnings		(4,919)	(376,449)	371,530
Total equity		2,371,108	(376,449)	2,747,557

Notes to Appendix 4E for the year ended 30 June 2015

2. PRIOR PERIOD RE-STATEMENT - ACCOUNTING FOR THE ACQUISITIONS OF HEALTHCARE PRACTICES (CONTINUED)

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	2,766,089	(447,073)	3,213,162
Other intangible assets	10	231,387	122,879	108,508
Deferred tax asset		5,342	(4,272)	9,614
Net assets		2,350,399	(328,466)	2,678,865
Retained earnings		(18,807)	(328,466)	309,659
Total equity		2,350,399	(328,466)	2,678,865

Impact on the cash flow statement for the Year ended 30 June 2014

	Note	Restated 30 June 2014 \$000	Restatement increase (decrease) \$000	As reported 30 June 2014 \$000
Cash flows from investing activities				
Payments for healthcare practices acquired	18(e)	(14,856)	(47,329)	(62,185)
Payments for other intangibles		(89,594)	47,329	(42,265)

Impact on earnings per share for the Year ended 30 June 2014

	Note	Restated 2014 Cents per share	Restatement increase (decrease) Cents per share	As reported 2014 Cents per share
Earnings per share (Consolidated)				
Basic and diluted earnings per share	16	22.7	(9.5)	32.2

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 health care 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.

Intersegment

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.

2015 \$000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
Revenue	327,867	937,827	339,021	38,237	6,614	1,649,566
Intersegment	(31,097)	-	-	-	-	(31,097)
Total Revenue	296,770	937,827	339,021	38,237	6,614	1,618,469
EBITDA before significant items	180,058	153,406	73,262	20,235	(26,466)	400,495
Significant items ¹	-	-	-	-	(140,498)	(140,498)
EBITDA	180,058	153,406	73,262	20,235	(166,964)	259,997
Depreciation ²	20,388	17,272	26,591	427	4,283	68,961
Amortisation of intangibles ³	55,759	7,173	12,379	5,909	11,904	93,124
EBIT	103,911	128,961	34,292	13,899	(183,151)	97,912
Interest expense and amortisation of borrowing costs	-	-	-	-	66,512	66,512
Profit before tax	103,911	128,961	34,292	13,899	(249,663)	31,400
2014 \$000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
Revenue	309,563	887,434	316,131	37,263	4,062	1,554,453
Intersegment	(30,338)	-	-	-	-	(30,338)
Total Revenue	279,225	887,434	316,131	37,263	4,062	1,524,115
EBITDA	175,819	156,684	72,999	20,225	(26,635)	399,092
Depreciation	18,309	15,765	27,074	418	1,333	62,899
Amortisation of intangibles	50,012	6,495	11,077	8,439	4,693	80,716
EBIT	107,498	134,424	34,848	11,368	(32,661)	255,477
Interest expense and amortisation of borrowing costs	-	-	-	-	71,747	71,747
Profit before tax	107,498	134,424	34,848	11,368	(104,408)	183,730

¹ Includes ATO settlement (\$110 million – refer note 5(b)); asset impairments (\$11 million) and other items (\$19 million) – refer Note 4.

² Includes accelerated depreciation of \$4.0 million comprised of Medical Centres: (\$1.0 million); Pathology (\$0.2 million); Imaging (\$0.4 million); Other (\$2.4 million).

³ Includes accelerated amortisation of \$5.7 million comprised of Imaging (\$0.5 million); Other (\$5.2 million).

Notes to Appendix 4E for the year ended 30 June 2015

4. EXPENSES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Employee benefits expense		
Other employee benefits	643,447	591,967
Defined contribution superannuation	51,658	46,804
Share-based payments	69	188
	695,174	638,959
Property expenses		
Operating leases	171,296	157,672
Other property expenses	58,210	50,615
	229,506	208,287
Other expenses	141,830	109,577
Finance costs		
Interest expense	61,899	63,889
Amortisation of borrowing costs	5,392	9,572
Capitalised interest	(779)	(1,714)
	66,512	71,747

Significant items

Included in expenses disclosed above are the following significant items which are either outside core business activities or relate to prior periods, that should be adjusted when considering underlying operating performance:

Employee benefits expense	5,500	-
Property expenses	6,600	-
Other expenses		
Impairment of assets	11,000	-
Other	7,090	-
	30,190	-

5. TAX BALANCES

(a) Income tax expense

	NOTE	CONSOLIDATED	
		2015 \$000	2014 \$000
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:			
Profit before tax		31,400	183,730
Income tax calculated at 30% (2014: 30%)		9,420	55,119
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
ATO settlement of doctor tax liabilities	5(b)	33,092	-
Amortisation of contractual relationship intangible	5(b)	16,495	13,221
Other items		(6,045)	904
		43,542	14,125
(Over) provision in prior years		(2,377)	(85)
		50,585	69,159
ATO settlement for the cost of acquiring healthcare practices now deductible	5(b)	(155,680)	-
Income tax (benefit) expense		(105,095)	69,159

(b) Significant transactions

ATO settlements - Current Year Impact:

The Deputy Commissioner of Taxation ("ATO") has advised that the cost of acquiring medical and healthcare practices was tax deductible during the period FY 2010 to FY 2014. The gross refund that the Group expects to be received has been recognised as an income tax benefit of \$155.7million in the statement of profit or loss for the year ended 30 June 2015 (2014: \$nil), representing approximately \$130 million for the period FY 2010 to FY 2014 and approximately \$25 million for FY 2015.

Primary has also entered into a binding Heads of Agreement with the ATO with respect to certain tax liabilities on behalf of healthcare practitioners arising from the acquisition of medical and healthcare practices during the period FY 2011 to FY 2015. An expense of \$110.5 million has been recognised in the statement of profit or loss for the year ended 30 June 2015 (2014: \$nil) and is included within profit before tax.

Primary has agreed with the ATO to settle these two amounts on a net basis resulting in a net cash refund to Primary of approximately \$45 million.

The cost of acquiring medical and healthcare practices is recognised in the balance sheet as a contractual relationship intangible asset and/or goodwill (refer note 2 for further details). The tax deduction for the cost of acquiring the medical or healthcare practice is obtained by Primary at the time the practice is acquired and accordingly the amortisation expense associated with the intangible asset represents an amount which is not deductible in calculating taxable income.

For any acquisitions that occurred prior to 30 June 2015 (that is, prior to the date the above tax treatment was advised by the ATO), no deferred tax liability has been recognised in relation to the intangible assets and the amortisation expense is therefore a non-deductible (permanent) difference for the purpose of calculating income tax expense (benefit) in the statement of profit or loss. This accounting treatment increases the notional effective tax rate for Primary above 30% throughout the period the intangible assets relating to FY 2010 to FY 2015 practice acquisitions continue to be amortised. Once these intangible assets have been fully amortised (which will occur progressively over the next 5 years) these historical practice acquisitions will have no ongoing impact on the effective tax rate for Primary.

5. TAX BALANCES (CONTINUED)

ATO settlements - Impact on Future Periods:

In future periods, when accounting for the acquisition of medical and healthcare practices, Primary will recognise a deferred tax liability in relation to any contractual relationship intangible asset that is recognised. This means that the amortisation of any new intangible assets will not increase the effective tax rate of Primary above 30%.

The cost of the medical and healthcare practices will continue to be tax deductible as incurred and will be recorded as part of accounting for the business combination / intangible asset acquisition. The tax deduction will have no impact on the income statement at the time it is claimed but will represent a cash benefit to Primary by reducing any income tax payable.

6. RECEIVABLES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Measured at amortised cost		
(a) Current		
Trade receivables	95,927	93,739
Allowance for doubtful debts	(7,600)	(6,613)
	88,327	87,126
Prepayments	14,410	13,771
Accrued revenue	14,925	13,946
Other receivables	29,603	35,018
	147,265	149,861
(b) Non-current		
Other receivables and prepayments	4,143	4,145
	4,143	4,145

7. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	2015 \$000	2014 \$000
Leasehold land and buildings	39,171	-

The Group intends to dispose of the Barangaroo office site and has commenced a sale process. The directors of Primary expect that the fair value (estimated based on recent market prices of similar locations) less costs to sell is higher than the carrying amount.

8. GOODWILL

	CONSOLIDATED		
	30 June 2015 \$000	Restated 30 June 2014 \$000	Restated 30 June 2013 \$000
(a) Carrying value			
Opening balance	2,798,239	2,766,089	2,748,954
Acquisition of subsidiaries	9,888	3,710	-
Acquisition of businesses	23,960	28,440	17,135
Closing balance	2,832,087	2,798,239	2,766,089

(b) Impairment tests

	CONSOLIDATED		
	2015 \$000	2014 \$000	2013 \$000
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:			
Medical Centres	855,641	832,934	819,621
Pathology	1,572,456	1,561,910	1,553,610
Imaging	338,899	338,304	327,767
Health Technology	65,091	65,091	65,091
	2,832,087	2,798,239	2,766,089

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed to be impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs to sell calculation, under a five year Discounted Cash Flow model. The five year Discounted Cash Flow uses the following Board approved Budgets and forecasts:

- The FY2016 budget as year one in the five year cash flow
- The business plan for the subsequent financial years FY2017 & FY2018 as years two and three in the five year cash flow, as discussed with the Board.

For FY2019-FY2020, the Group assumes a long term growth rate consistent with the year one to year three profile in the Discounted Cash Flow model.

A terminal value growth rate of 3.0% has been presumed for all CGUs (30 June 2014: 4.0%).

In the prior year, FY2015-FY2019 growth rates were within a range of 4.0% - 4.4%.

The key assumptions in the Group's Discounted Cash Flow model as at 30 June 2015 are as follows:

8. GOODWILL (CONTINUED)

ASSUMPTION	HOW DETERMINED
Forecast revenues and expenses	Forecast revenues and expenses has been calculated assuming FY2016-FY2020 growth rates as follows: - Medical Centres – 6.0%-8.0% - Pathology – 5.0%-6.0% - Imaging – 4.0%-6.0% - Health Technology – 3.0%-3.5% Changes to forecast revenues and expenses in the current year have been determined with reference to past company experience and industry data.
Terminal value growth rate	The terminal value growth rate assumed for all CGUs is 3.0% (30 June 2014: 4.0%).
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2015, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Ten Year Commonwealth Government Bond Rate	The Ten Year Commonwealth Government Bond Rate as at 30 June 2015 was 3.01% (30 June 2014: 3.54%). The Group has used 4.0% for 30 June 2015 impairment testing purposes (30 June 2014: 4.50%).
Weighted Average Cost of Capital (WACC)	The Group's post-tax WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest bearing liabilities over the measurement period, split by CGU as follows: - Medical Centres – 8.5%-9.0% (30 June 2014: 8.75%-9.25%). - Pathology – 8.0%-8.5% (30 June 2014: 8.5%-9.0%). - Imaging – 8.5%-9.0% (30 June 2014: 8.5%-9.5%). - Health Technology – 10.25%-11.25% (30 June 2014: 9.0%-10.0%).

Sensitivity analysis

The Group has conducted sensitivity analysis on the assumptions above to assess the effect on the recoverable amount of changes in the key assumptions.

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2015.

Notes to Appendix 4E for the year ended 30 June 2015

9. PROPERTY, PLANT AND EQUIPMENT

2015 \$000	FREEHOLD LAND AND BUILDINGS	LEASEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
Net book value						
Opening balance	838	-	39,478	210,028	177,578	427,922
Additions	3,530	39,388	70,700	6,132	31,234	150,984
Capitalised borrowing costs	-	-	-	672	-	672
Capitalisation of Assets Under Construction	3	-	(56,214)	35,618	20,593	-
Disposals	-	-	-	(2,566)	-	(2,566)
Reclassified as held for sale	-	(39,171)	-	-	-	(39,171)
Depreciation expense ¹	(307)	(217)	-	(23,897)	(44,540)	(68,961)
Closing balance	4,064	-	53,964	225,987	184,865	468,880
Cost						
Cost	4,286	-	53,964	367,824	540,929	967,003
Accumulated depreciation	(222)	-	-	(141,837)	(356,064)	(498,123)
Closing balance	4,064	-	53,964	225,987	184,865	468,880

2014 \$000	FREEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
Net book value					
Opening balance	3,338	27,872	190,736	187,106	409,052
Additions	303	53,924	1,901	33,924	90,052
Capitalised borrowing costs	-	-	1,714	-	1,714
Capitalisation of Assets Under Construction	-	(42,318)	35,215	7,103	-
Disposals	(2,473)	-	(676)	(6,848)	(9,997)
Depreciation expense	(330)	-	(18,862)	(43,707)	(62,899)
Closing balance	838	39,478	210,028	177,578	427,922
Cost					
Cost	1,038	39,478	331,689	501,567	873,773
Accumulated depreciation	(200)	-	(121,661)	(323,989)	(445,851)
Closing balance	838	39,478	210,028	177,578	427,922

¹ Includes accelerated depreciation of \$4.0 million within Plant & Equipment.

Notes to Appendix 4E for the year ended 30 June 2015

10. OTHER INTANGIBLE ASSETS

2015 \$000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	COMPUTER SOFTWARE	CAPITALISED DEVELOPEMENT COST	CONTRACTS AND LICENSES ¹	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Net book value						
Opening balance	1,705	28,434	59,786	163,321	19,107	272,353
Additions	-	3,480	2,463	85,867	18,931	110,741
Capitalisation of Intangible Assets Under Construction	-	936	18,734	-	(19,670)	-
Amortisation expense ²	(1,705)	(9,041)	(15,461)	(66,917)	-	(93,124)
Closing balance	-	23,809	65,522	182,271	18,368	289,970
Cost						
Accumulated amortisation	(46,500)	(57,293)	(32,792)	(409,387)	-	(545,972)
Closing Balance	-	23,809	65,522	182,271	18,368	289,970

Restated 2014 \$000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	COMPUTER SOFTWARE	CAPITALISED DEVELOPMENT COST	CONTRACTS AND LICENSES	INTANGIBLE ASSETS UNDER CONSTRUCTION	RESTATED TOTAL
Net book value						
Opening balance	6,601	26,324	40,154	147,950	10,358	231,387
Additions	-	6,848	3,802	76,261	22,054	108,965
Reclassification	-		12,717	-	-	12,717
Capitalisation of Intangible Assets Under Construction	-	5,031	8,274	-	(13,305)	-
Amortisation expense	(4,896)	(9,769)	(5,161)	(60,890)	-	(80,716)
Closing balance	1,705	28,434	59,786	163,321	19,107	272,353
Cost						
Accumulated amortisation	(44,795)	(50,053)	(16,886)	(349,552)	-	(461,286)
Closing balance	1,705	28,434	59,786	163,321	19,107	272,353

¹ Contracts and licenses includes contractual relationships with healthcare professionals, arising on the acquisition of healthcare practices. Refer Note 2.

² Includes accelerated amortisation of \$5.7 million comprised of Capitalised Development Costs (\$5.2 million); Contracts & Licences (\$0.5 million).

Notes to Appendix 4E for the year ended 30 June 2015

11. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2015 \$000	2014 \$000
Current		
Held to maturity investments	3,186	-
Non-current		
Available-for-sale investments	26,670	24,435
Held to maturity investments	6,223	-
Other investments	1,268	1,268
	34,161	25,703

12. PAYABLES

	CONSOLIDATED	
	2015 \$000	2014 \$000
(a) Current		
Trade payables and accruals	134,586	103,296
Payables and accruals relating to acquisitions	23,922	26,801
Accrued interest	6,723	10,997
Deferred revenue	15,461	12,921
	180,692	154,016
(b) Non-current		
Trade payables and accruals	3,236	6,030
Payables and accruals relating to acquisitions	3,551	7,199
	6,787	13,229

13. PROVISIONS

	CONSOLIDATED	
	2015 \$000	2014 \$000
(a) Current		
Provision for employee benefits	70,421	54,948
Self-insurance provision	3,179	844
Insurance provision	2,756	-
	76,356	55,792
(b) Non-current		
Provision for employee benefits	7,927	2,818
Self-insurance provision	1,713	774
	9,640	3,592

14. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2015 \$000	2014 \$000
Measured at amortised cost		
(a) Current		
Gross bank loans (i)	3,036	2,782
Finance lease liabilities	227	290
Retail Bonds	152,274	-
	155,537	3,072
(b) Non-current		
Gross bank loans (i)	1,061,894	949,943
Retail bonds	-	152,274
Finance lease liabilities	40	205
	1,061,934	1,102,422
Unamortised borrowing costs	(11,988)	(7,869)
	1,049,946	1,094,553

(i) In the prior year gross bank loans were secured by mortgages over the Group's freehold land and buildings and trade receivables, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets. In the current period the majority of these facilities have been refinanced on an unsecured basis. Details of the facilities that remain on a secured basis are set out below.

The Group had access to the following financing facilities as at the end of the reporting period.

Financing facilities		
Current		
Secured Loan Facility		
Amount used	3,036	2,782
Amount unused	-	-
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	1,060,000	-
Amount unused	190,000	-
Secured Syndicated Debt Facilities		
Amount used	-	945,000
Amount unused	-	305,000
Secured Loan Facility		
Amount used	1,894	4,943
Amount unused	15,070	12,275
Total amount used	1,064,930	952,725
Total amount unused	205,070	317,275
Total financing facilities	1,270,000	1,270,000

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

Notes to Appendix 4E for the year ended 30 June 2015

15. ISSUED CAPITAL

	2015 NO. OF SHARES 000'S	2014 NO. OF SHARES 000'S	2015 \$000	2014 \$000
Opening balance	505,660	503,922	2,366,276	2,358,183
Shares issued via Dividend Reinvestment Plan	8,881	1,694	41,033	8,093
Shares issued via Bonus Share Plan	1,458	44	-	-
Closing balance – Consolidated	515,999	505,660	2,407,309	2,366,276

Share options on issue

As at 30 June 2014, the company has 5,035,000 (2014: 8,736,500) share options on issue, exercisable on a 1:1 basis for 5,035,000 (2014: 8,736,500) ordinary shares of Primary at an average exercise price of \$5.91 (2014: \$6.10). The options expire between August 2015 and May 2019 (2013: December 2014 and May 2019) and carry no rights to dividends and no voting rights.

16. EARNINGS PER SHARE

	CONSOLIDATED	
	30 June 2015 \$000	Restated 30 June 2014 \$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	136,495	114,553
WEIGHTED AVERAGE NUMBER OF SHARES	2015 000's	2014 000's
The weighted average number of shares used in the calculation of basic and diluted earnings per share	511,412	504,806
EARNINGS PER SHARE	30 June 2015 Cents	Restated 30 June 2014 Cents
Basic and diluted earnings per share	26.7	22.7

The share options on issue are potential ordinary shares which are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

17. DIVIDENDS ON EQUITY INSTRUMENTS

	2015 CENTS PER SHARE	2014 CENTS PER SHARE	2015 \$000	2014 \$000
Recognised amounts				
Final dividend - previous financial year	11.0	11.0	55,623	55,431
Interim dividend - this financial year	9.0	9.0	41,939	45,446
Dividend forgone under the Bonus Share Plan			(2,793)	(212)
	20.0	20.0	94,769	100,665
Unrecognised amounts				
Final dividend - this financial year	11.0	11.0		

In respect of FY2015:

- An interim dividend of 9.0cps (100% franked), was paid to the holders of fully paid ordinary shares on 15 September 2014; and
- The Directors have approved the payment of a final dividend of 11.0cps (50% franked), to the holders of fully paid ordinary shares, the record date being 28 August 2015, payable on 14 September 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 for the FY15 final dividend is 31 August 2015.

The Directors have determined that the DRP and BSP will operate at a 2.5% discount (30 June 2014: 2.5% 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.

18. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED	
	2015 Total	2014 Total
(a) Reconciliation of cash		
For the purposes of the cash flow statement includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash	49,969	27,460
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	136,495	114,553
Depreciation of plant and equipment	68,961	62,899
Amortisation of intangibles	93,124	80,716
Amortisation of borrowing costs	5,392	2,208
Net loss (profit) on sale of property plant and equipment	2,634	(1,198)
(Profit) on sale of investments	(1,020)	(3,220)
Non-controlling interest	-	18
Increase (decrease) in:		
Trade payables and accruals	(5,740)	(6,210)
Provisions	26,612	(2,381)
Deferred revenue	2,540	2,002
Tax balances	(71,981)	11,139
Share option reserve	69	188
Decrease (increase) in:		
Consumables	(953)	(1,384)
Receivables and prepayments	(8,402)	1,410
Net cash provided by operating activities	247,731	260,740

(c) Non-cash investing and financing

During the financial year, 8,881,468 (2014: 1,693,557) and 1,457,533 (2014: 44,446) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

(d) Financing facilities

Details of financing facilities available to the Group are provided at note 14.

(e) Businesses and subsidiaries acquired

(i) Controlled entities

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

18. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(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 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.

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 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

THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:	CONSOLIDATED	
	2015 Total	2014 Total
Fair value of identifiable net assets acquired		
Health-related practices	6,046	10,686
	6,046	10,685
Goodwill		
Healthcare practices	23,960	28,440
Consideration - cash paid to acquire healthcare practices		
Healthcare practices	30,006	39,126
(Increase)/Decrease in deferred consideration relating to healthcare practices	(11,549)	(24,270)
	18,457	14,856
Cash paid for acquisitions	18,457	14,856
Less cash acquired	-	-
Net payments for the purchase of businesses	18,457	14,856

19. SUBSEQUENT EVENTS

On 31 July, 2015 Primary announced the sale of approximately 36 million shares in Visions Eye Institute Limited ("VEI") for a purchase price of approximately \$34 million. The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI of approximately 5 million shares for approximately \$4 million. The disposal of Primary's shareholding in Vision has resulted in a pre-tax gain of \$16.5 million which will be included in Primary's FY16 results. Cash proceeds of \$38 million have been applied to pay down debt.

Other than this event there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs on the Group in future financial years.

20. NET TANGIBLE ASSET BACKING

	2015 \$	Restated 2014 \$
Net tangible asset backing per share	(1.32)	(1.39)

21. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2015, Primary conducted certain transactions with Dr Edmund Bateman, who held the office of Managing Director and CEO until 30 January 2015 and has held the office of non-executive director since 2 February 2015. Accordingly he is a member of the *key management personnel* of Primary and is therefore a related party pursuant to Accounting Standard AASB 124.

Details of remuneration paid to key management personnel of Primary (including Dr Bateman) will be disclosed in Primary's Remuneration Report for the year ended 30 June 2015.

Litigation conducted by Dr Bateman and Primary entities

During the year ended 30 June 2015, Primary incurred legal costs in relation to the following matters:

- defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Age* in 2010; and
- a joint action commenced by Primary and Dr Bateman in relation to allegations core to the Primary business model. These actions comprised defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Sydney Morning Herald* in 2010. In addition, as part of the same proceedings, a subsidiary of Primary brought a claim of injurious falsehood against the same defendants in relation to the same articles.

Payments of legal costs for these proceedings in periods FY10-15 totalled \$976,546. An additional \$381,175.12 is to be paid in FY16 in relation to *The Sydney Morning Herald* proceedings.

Primary currently has a receivable in its accounts from Dr Bateman in the amount of \$125,000 in relation to the above sets of proceedings.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Both sets of proceedings have been settled on confidential terms. Consequently, apart from the amount identified above in relation to *The Sydney Morning Herald* proceedings, no further significant legal costs are expected in relation to either of these proceedings.

Primary notes that the articles in question have since been removed from all Fairfax websites.

Consultancy services provided by Dr Bateman since his retirement as Managing Director and CEO

Since Dr Bateman's retirement as Managing Director and CEO, Primary has engaged Dr Bateman to provide consultancy services to Primary. These services commenced on 3 February 2015. The consultancy agreement has an initial term of 12 months and entitles Dr Bateman to consultancy fees of \$70,833.33 per month. It had been envisaged by both parties that the services would continue for a period of at least 12 months. However on 10 August 2015 Primary and Dr Bateman mutually agreed to materially vary the terms of the consultancy arrangements such that they will terminate on 31 August 2015.

Payments made to Dr Bateman for these services during the year ended 30 June 2015 totalled \$460,087.37. During this period Dr Bateman has not been paid any fees in relation to his role as a non-executive director.

Further details will be disclosed in Primary's Annual Report for the year ended 30 June 2015.

Compliance Statement for the year ended 30 June 2015

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NIL

This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

This report ~~does not~~ ⁺ (delete one) give a true and fair view of the matters disclosed.

This report is based on ⁺accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| ☐ | The ⁺ accounts have been audited. | ☐ | The ⁺ accounts have been subject to review. |
| ☒ | The ⁺ accounts are in the process of being audited or subject to review. | ☐ | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

If the audit report or review by the auditor is not attached, details of any qualifications ~~are attached~~/will follow immediately they are available* (delete one). (Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)

The entity has ~~does not have~~ ⁺ (delete one) a formally constituted audit committee.



Sign here:

(Managing Director)

Date: 12 August 2015

Print name: Peter Gregg