

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 2017

CONTENTS	PAGE
Review of operations	3
Statement of profit or loss	15
Statement of other comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to Appendix 4E	20
Compliance statement	38

Primary Health Care Limited

Appendix 4E – Preliminary Final Report

Results for announcement to the market

For the year ended 30 June 2017

\$m	% change 2017 vs 2016	2017 Total	2016 Total
Revenue	1.0%	1,658.6	1,641.9
(Loss) / profit for the year after tax from continuing operations	N/A	(516.9)	38.2
(Loss) / profit for the year after tax	N/A	(516.9)	74.7
(Loss) / profit attributable to members of the parent entity	N/A	(516.8)	74.9
Underlying profit for the year after tax from continuing operations ¹	(4.9)%	92.1	96.8
Underlying profit for the year after tax from continuing and discontinued operations ¹	(11.4)%	92.1	104.0
CENTS PER SHARE		2017 Total	2016 Total
Basic and diluted (loss) / earnings per share from continuing operations		(99.1)	7.4
Underlying basic and diluted earnings per share from continuing operations		17.6	18.6
Basic and diluted (loss) / earnings per share from continuing operations and discontinued operations		(99.1)	14.4
Final dividend ^{2,3}		5.8	6.4
Interim dividend ⁴		4.8	5.6
		10.6	12.0

¹ Underlying performance reflects Primary's core trading performance. In FY 2017 it excludes the impact of impairments, costs associated with business restructuring and transformation, and non-recurring items.

² The 2017 final dividend will be 100% franked at the corporate income tax rate (2016: 100% franked).

³ The record date for determining entitlement to the final dividend is 1 September 2017 and is payable on 18 September 2017.

⁴ The 2017 interim dividend was 100% franked (2016: 50%).

Review of operations for the year ended 30 June 2017

KEY HIGHLIGHTS

The results for Primary Health Care (“Primary”) for the year ended 30 June 2017 (“FY 2017”) are set out in this review of operations compared to the year ended 30 June 2016 (“FY 2016”).

Year ended	30 June 2017	30 June 2016	30 June 2017	30 June 2016
\$M				
Performance	Underlying¹		Reported	
Revenue	1,658.6	1,618.5	1,658.6	1,641.9
EBIT	174.6	196.3	(469.7)	114.4
NPAT (continuing operations)²	92.1	96.8	(516.9)	38.2
NPAT (inc. MedicalDirector)	92.1	104.0	(516.9)	74.7
Dividend cps			10.6	12.0
As at			30 June 2017	30 June 2016
\$M				
Financial position				
Free cash flow ³			83.6	32.7
Net Debt			784.2	816.0

Performance

- Primary's underlying NPAT for FY 2017 was down \$4.7 million, or 4.9%, on FY 2016 continuing operations. A strong performance in Imaging, a solid performance in Pathology, and savings in finance costs partially offset the decline in earnings in the Medical Centres - Bulk Billing division.
- *Medical Centres – Bulk Billing* underlying EBIT of \$49.6 million reflects the repositioning of the division aimed at delivering a more sustainable business model.
 - The move to capital-light flexible contracts enables Primary to attract a wider cohort of healthcare practitioners (“HCPs”) and improve cash flow by reducing upfront costs. However revenue is impacted by offering a higher share of billings to HCPs and lower average contracted hours. Progress in ramping up recruitment was slower than expected in the early part of the year. Pleasingly by the end of the year, recruitment totalled a record 153 new GPs, retention rates had further improved to 92%, and momentum was building in the recruitment pipeline.
 - Additional investments were made around recruiting and supporting HCPs, expanding and diversifying service offerings, engaging employees, and upgrading clinics. The Corrimal Medical Centre and Brisbane IVF were opened. These investments have initially contributed to a decline in EBIT but are critical for future growth.
 - In line with its strategy the division achieved a significant reduction in its HCP capex which was down from \$60.6 million to \$30.3 million. This delivered an improvement in EBITDA-HCP capex which is the best measure of performance until the repositioning is complete and profit is more comparable year on year.
- *Medical Centres – Private Billing* recorded a modest loss as we established the Health & Co platform and a partnership agreement with Professor Kerryn Phelps. Five medical centres have joined the network to-date and the pipeline of interest is strong.
- *Pathology* continued to deliver strong revenue growth, while investing in dermatopathology, genomic diagnostics and in Approved Collection Centres (“ACCs”). EBIT performance was solid due to recent

¹ Underlying performance reflects Primary’s core trading performance. In FY 2017 it excludes the impact of impairments, costs associated with business restructuring and transformation, and non-recurring items. Refer section titled “Reconciliation of reported and underlying performance”.

² NPAT (continuing operations) excludes MedicalDirector’s result in FY 2016 which is separately disclosed as profit from discontinued operations.

³ Free Cash Flow is defined as operating less investing cash flow before capital recycling inflows. FY 2016 is also before the Australian Tax Office refund and MedicalDirector cash flows. Refer section titled “Cash Flow”.

property cost growth not yet flowing through to EBIT. Following Federal Government clarification on rent regulation, the ACC strategy has been reset to deliver efficiencies in our ACC costs.

- *Imaging* reported a strong FY 2017 EBIT, up 29.5% on FY 2016, delivering on its strategy of realigning the business model to higher margin activities, optimising the asset base and controlling its costs.
- Primary streamlined the size of the corporate and Medical Centres head offices in July 2017 generating \$6 million in annual pre-tax savings.
- The benefits of the balance sheet restructure in FY 2016 have been seen in reduced finance costs.
- Given the changing nature of the business, Primary's reported results in FY 2017 are not comparable to FY 2016. They include the announced non-cash impairment charge of \$587.0 million, primarily relating to Medical Centres goodwill and underperforming sites, including the old Symbion sites.
- A final dividend of 5.8 cps, 100% franked, has been declared. Total dividends for the year are 10.6 cps, 100% franked, representing a payout ratio of 60% of Underlying NPAT (FY 2016 12.0 cps).

Financial position

- Primary's free cash flow³ improved from \$32.7 million to \$83.6 million through savings in HCP upfront costs and other capital costs, plus improved working capital management.
- This enabled the group to self-fund its capital and dividend requirements while further improving its net debt position by a net \$35.5 million.

Strategy

- Primary's aim is to support the delivery of quality healthcare services in Australia becoming a preferred place for HCPs to practice, staff to work, and patients to visit and, through this, provide growth to shareholders.
- Primary's transformation agenda in FY 2017 included:
 - Increase in HCP numbers
 - Diversification and expansion of service offerings
 - Growth in Medical Centres and Imaging footprints
 - Investment in technology and people capabilities
 - Optimisation of Group synergies
 - Improvement in employee engagement
- As the healthcare sector becomes increasingly more patient-oriented, Primary's focus is on developing greater patient-centricity across its modalities in particular in its digital initiatives.

Government and Outlook

- The Federal Government's Budget in May 2017 announced the lifting of the Medicare rebate freeze for GPs and the retention of the bulk billing incentives in Pathology and Imaging. Potential reregulation of ACC rents in Pathology appears to have been dropped from the Government's agenda while the MBS review will continue through to 2020. These announcements have given Primary a greater degree of certainty around the Government's healthcare policy settings and point to a more positive regulatory environment in the near-term.
- The long-term drivers of the business remain positive with a growing and ageing population and demands for primary care increasing.
- Primary has developed comprehensive, multi-disciplinary medical centres where patients can see their GP and nurse, undertake pathology and imaging tests, and visit specialists, allied health professionals and the day surgery. With chronic conditions on the rise in Australia and hospital costs increasing, these multi-disciplinary centres will play a vital role in making medical services more easily accessible and more cost efficient, while enabling better coordination of patients' care.

Review of operations for the year ended 30 June 2017

GROUP PERFORMANCE

This Review of Operations focuses on the FY 2017 underlying results which properly reflect Primary's core trading performance. The underlying results are as follows:

30 June 2017					
\$M	Medical Centres	Pathology	Imaging	Corporate	Group
Revenue ¹	319.6	1,038.4	333.5	0.1	1,658.6
EBITDA	123.5	146.0	57.8	(16.1)	311.2
Depreciation	(20.8)	(18.8)	(16.8)	(2.8)	(59.2)
Amortisation	(55.4)	(7.7)	(12.0)	(2.3)	(77.4)
EBIT	47.3	119.5	29.0	(21.2)	174.6
Finance Costs					(43.1)
PBT					131.5
Tax					(39.4)
UNPAT					92.1

30 June 2016					
\$M	Medical Centres	Pathology	Imaging	Corporate	Group
Revenue ¹	328.7	994.4	326.9	1.6	1,618.5
EBITDA ²	152.8	144.9	61.9	(10.3)	349.3
Depreciation	(20.0)	(19.1)	(25.6)	(1.6)	(66.3)
Amortisation	(60.9)	(7.5)	(13.9)	(4.4)	(86.7)
EBIT	71.9	118.3	22.4	(16.3)	196.3
Finance Costs					(58.0)
PBT					138.3
Tax					(41.5)
UNPAT exc. Medial Director					96.8
UNPAT MedicalDirector					7.2
UNPAT inc. MedicalDirector					104.0

The preliminary financial report sets out the reported results of Primary for FY 2017. The reported results include several items which Primary considers do not form part of the core trading performance of the relevant divisions and are not expected to occur frequently. These items have been adjusted out of the underlying results in this Review of Operations. A reconciliation is set out in the section titled "Reconciliation of reported and underlying performance".

¹ \$33.0m of inter-company revenue/expenses have been eliminated at the Group level (FY 2016 \$33.1m).

² Where applicable, comparative information has been restated to ensure that the allocation of expenses to operating segments from corporate is consistent with the current period.

Review of operations for the year ended 30 June 2017

DIVISIONAL PERFORMANCE

The underlying EBIT performance of each operating division is set out below together with the strategies and initiatives which underpin this performance.

MEDICAL CENTRES

	Bulk Billing		Better/ (worse) %	Health & Co
	30 June 2017	30 June 2016		30 June 2017
	\$M	\$M		\$M
Revenue	317.8	328.7	(3.3)	1.8
EBITDA	125.8	152.8	(17.7)	(2.3)
Depreciation	(20.8)	(20.0)	(4.0)	(0.0)
Amortisation	(55.4)	(60.9)	9.0	(0.0)
EBIT	49.6	71.9	(31.0)	(2.3)
HCP capital expenditure	30.3	60.6	50.0	8.4
EBITDA less HCP capex	95.5	92.2	3.6	
Total capital expenditure (before capital recycling)	56.4	83.1	32.1	

MEDICAL CENTRES-BULK BILLING

Medical Centres is central to Primary's integrated health services strategy and drives value to the rest of the Group, with GPs remaining the gatekeepers of referrals throughout frontline care. The results for the year reflect the consequences of repositioning the division to a more sustainable business model and in particular the need for a more flexible HCP contracting model following the Australian Tax Office ("ATO") ruling in 2015.

New contracts: Flexible, capital-light contract models have been introduced appealing to a wider cohort of HCPs and delivering a more capital efficient approach to recruitment. However, with lower average share of billings to Primary and lower average hours worked per GP, the recruitment and retention of a higher number of GPs remains a critical success factor to the business. While the average share of billings reduced as expected, the pace of recruitment was slower than expected in particular in the early part of the year.

Pleasingly by the end of the year, the number of newly-recruited GPs was at a record of 153, representing an increase of 38% on the prior year. Retention rates also continued to improve to 92% across the cohort and over a third of the leavers contracts were not renewed. By the year end, Primary had 1,040 GPs practicing in its centres.

A more relevant measure of Primary's performance is FTE equivalent GPs, as the old 50-hour contracts cycle off and more part-timers join the network. The cohort grew from 920 FTEs at the end of FY 2016 to 960 FTEs at the end of FY 2017 (calculated on a 40 hour week). Looking forward, the pipeline has a record level of GPs with 'contracts signed awaiting commencement' and of GPs 'in negotiations'. Primary also had a record 92 registrars in its Primary Health Care Institute program over the current 12-month training cycle.

Cash flow: HCP capital expenditure reduced significantly due to the higher portion of HCPs on 'no-upfront' deals with 73% of new HCPs signed on with 'no upfront' contracts compared to 27% in FY 2016. As a result of the new contracts, gross HCP capital expenditure has reduced progressively from \$79.9 million in FY 2015 to \$60.6 million in FY 2016 to \$30.3 million in FY 2017. Free cash flow contribution, measured as EBITDA less HCP capex, was up from \$75.8 million in FY 2015 to \$92.2 million in FY 2016 to \$95.5 million in FY 2017. Primary believes that this is the best measure of performance until the repositioning is complete and the profit performance is more comparable year on year. In contrast to the EBIT performance, EBITDA-HCP capex shows the business has stabilised and, in fact, improved from FY 2015.

Transformation program: Performance was impacted by additional investment in capability, as the division invested in HCP recruitment, nursing capabilities and other support services for HCPs, and in employee engagement. The division also expanded its service offerings in dental, specialists, occupational health and integrated care. While these initiatives

Review of operations for the year ended 30 June 2017

have increased costs in the near-term, they represent an important investment in the future of Medical Centres. At the end of FY 2017, the division reset its corporate overhead base to ensure alignment with the current needs of the business, with an estimated \$3 million in annualised cost savings.

Portfolio optimisation: Primary continued to invest in the growth of its Medical Centres footprint during the year with a new medical centre opened in Corrimal, New South Wales and an IVF centre in Brisbane. Four new medical centres in growth corridors and a Perth IVF clinic are due to open in FY 2018. The division optimised the existing footprint, including refurbishments of over 20 clinics, the closure of the underperforming Parramatta Medical Centre and the reconfiguration of space at several clinics which delivered 21 new GP rooms.

Patient experience: Considerable work is underway to design and deliver an improved patient experience within the bulk billing centres, including improving the patient journey, and enhancing queue management.

IT investment: The roll out of Helix, the next-generation GP and practice management system, will commence early in FY 2018. In advance of Helix, roll out of new IT infrastructure and centre desktop computing has commenced. This will improve GP efficiency and experience.

Medicare: The ability to grow revenue was impacted during the year by the Medicare rebate freeze. The Government has now announced a progressive unfreezing for GP and other frontline services in the May 2017 Federal Budget. This is expected to deliver annualised benefits of \$3.5 million when fully implemented in FY 2019. However, the division continues to expand its non-MBS services as part of its diversification initiatives. Primary is also working closely with the Government in its Healthcare Home trials for chronically-ill patients, with 12 Primary centres likely to commence trials at the end of calendar 2017.

HEALTH & CO

Primary announced the diversification of its Medical Centres business into the private, or mixed, billing market in FY 2016, having identified an opportunity to gain a share of GP services in this segment. Health & Co was set up in FY 2017 with a foundation partnership with Professor Kerryn Phelps in January of this year. Five clinics in NSW and ACT have entered the network to-date, with 100% GP retention, and there is a strong pipeline of practices in advanced stages of negotiation. Health & Co is also building capability in digital health and technology. The division delivered an underlying EBIT loss of \$2.3 million in FY 2017.

PATHOLOGY

	30 June 2017	30 June 2016	Better/ (worse)
	\$M	\$M	%
Revenue	1,038.4	994.4	4.4
EBITDA	146.0	144.9	0.8
Depreciation	(18.8)	(19.1)	1.6
Amortisation	(7.7)	(7.5)	(2.7)
EBIT	119.5	118.3	1.0
Capital expenditure (before capital recycling)	26.9	40.5	33.6

Primary's Pathology division is the Group's largest business. It operates leading medical laboratory and pathology services covering key diagnostic activities of anatomical pathology (histopathology and cytology), clinical pathology (chemistry, haematology, immunology, and microbiology), genomic diagnostics and veterinary pathology.

Primary's Pathology division delivered above market revenue growth of \$44.0 million, or 4.4%, compared to Medicare growth rates of approximately 2.5%. Growth was driven by an increase in both volumes and average fee per episode, assisted by the growth ACCs. EBIT was up by 1.0% to \$119.5 million. The division experienced margin compression due to increased property costs, a rise in consumables and increased costs of new genetic tests.

Review of operations for the year ended 30 June 2017

ACCs: Rental pressures are a major issue facing every pathology operator in the competitive domestic market. For Primary, the increase in FY 2017 was driven by both annual rental rises and the expansion in the number of ACC sites. Primary opened 124 ACCs in FY 2017, net of the Healthscope ACC disposals, in direct response to Government policy uncertainty. Proposed ACC regulation and a potential moratorium of ACC numbers was put on the agenda during the Coalition's election campaign in May 2016, with the implementation subsequently deferred to July 2017. While the May 2017 Federal Budget did not progress this regulation, up until this date expansion occurred in the market in advance of potential future restrictions.

Primary has commenced initiatives to reduce the growth in rental costs. The division will ensure contribution levels are appropriate to support rental costs at the new ACCs while further ACCs will only be added if they can achieve target margins. A granular assessment of the portfolio is being undertaken to drive rent negotiation discipline and exit or renegotiate underperforming sites. Currently, approximately 70% of ACC leases are capable of renegotiation within 18 months, with a substantial proportion on three month termination notice clauses.

Diversification: The investment in niche specialties in FY 2017 included Kossard Dermatopathology and new tests in genomic diagnostics. These investments contributed to revenue growth during the year and are expected to increase contributions as they mature.

Overall, the Australian pathology market remains highly consolidated and competitive, offering little scope for Primary to grow through acquisitions. As a result, the division is focused on organic opportunities to increase its market share in Australia, prioritising partnerships with specialist operators aligned to the above niche specialty strategy, pathology expansion in private hospitals, and revenue optimisation from Primary's Medical Centres including services such as skin clinics. The division also continues to explore geographical diversification into Southeast Asia via potential capital-light joint ventures with local partners.

IT investment: Pathology has commenced a strategic review of its laboratory information management systems, including pre-analytical, with a multi-year investment program planned.

Cash flow: Pathology continued to contribute strongly to the Group's cash position with a 33.6% reduction in divisional capital expenditure notwithstanding investment in the Kossard laboratory during the year.

IMAGING

	30 June 2017	30 June 2016	Better/ (worse)
	\$M	\$M	%
Revenue	333.5	326.9	2.0
EBITDA	57.8	61.9	(6.6)
Depreciation	(16.8)	(25.6)	34.4
Amortisation	(12.0)	(13.9)	13.7
EBIT	29.0	22.4	29.5
HCP capital expenditure	4.3	10.3	58.3
Capital expenditure (before capital recycling)	28.2	54.5	48.3

Primary's Imaging division, Healthcare Imaging Services, partners with 115 independent radiologists to undertake a full range of medical imaging services including cardiac, neurology, vascular, musculoskeletal and dental imaging. The division operates a network of 141 sites and, through its radiologists and staff, is the largest provider of imaging services in private hospitals across Australia.

Imaging reported a 2% increase in revenue to \$333.5 million. Revenue growth included the impact of prior period site closures and lost hospital contracts, net of new sites. Normalised, or organic growth, was up 4.3%. During the year the division focused on growing its high-margin CT and MRI modalities, which drove an average fee increase of 3.7%, and its Medical Centres channel which grew 8% in the year with better service levels and radiologist coverage.

The division continued to invest with three new sites in FY 2017, River City in Queensland, Corrimal Medical Centre in New South Wales and Holmesglen Private Hospital in Victoria. In addition, a multi-disciplined centre at Kawana on

Review of operations for the year ended 30 June 2017

Queensland's Sunshine Coast was opened in July 2017. The new sites are expected to enhance their contribution as they mature.

EBIT was up strongly by 29.5% to \$29.0 million, reflecting Primary's strategy of realigning its business model to higher margin activities, optimising its asset base and maintaining a focus on cost control. Successful initiatives included closing 10 uncommercial community sites in FY 2016, focusing on higher margin modalities, growth from Primary's Medical Centres, and controlling labour costs below the rate of revenue growth.

At the EBITDA line, costs increased due to the sale and leaseback facility for imaging equipment at the end of FY 2016 and further draw-down on this facility in FY 2017, together with the sale of the Bridge Road fit-out into the Primary Healthcare Property Trust ("PHPT"). Importantly the \$12.2 million of additional costs from these initiatives were offset by \$10.0 million savings in depreciation and a notional interest reduction of \$2.8 million.

Amortisation decreased by \$1.9 million, due to the reduction of upfront payments for radiologists and the expiration of amortisation of hospital contracts, recognised as part of the Symbion transaction.

New HCP contracts: Primary has introduced bespoke, flexible contracts for radiologists, in line with new contracts in Medical Centres. 70% of starters went onto 'no upfront' contracts.

Portfolio alignment: Overall, Primary's Imaging division remains focused on progressing its portfolio optimisation strategy with the emphasis on building the hospital segment and high-end community sites and moving away from subscale community sites. The imaging contract in the Northern Beaches Hospital in Sydney, as the first of five potential hospital Public Private Partnerships ("PPPs") to be built in New South Wales, is a core component of the business strategy. Successful delivery will be an important step to enhancing the division's reputation and capability in hospital contracting.

IT investment: Imaging has embarked on a significant IT upgrade to its core software platform and will introduce a new radiology information system ("RIS") and a new picture archiving and communication solution ("PACS"). Together, these platforms will provide the functionality to support Imaging's geographical footprint, deliver significant efficiencies across the network of sites, and enhance the way the division interacts with referrers and their patients.

Cash flow: The division reduced its total capital expenditure by 48.3% due to on-going capital discipline and lower upfront payments to radiologists. This resulted in a significantly improved contribution to free cash flow and the division was self-funding for the second consecutive year.

CORPORATE

	30 June 2017	30 June 2016	Better/ (worse) %
	\$M	\$M	
EBITDA	(16.1)	(10.3)	(56.3)
Depreciation	(2.8)	(1.6)	-
Amortisation	(2.3)	(4.4)	-
EBIT	(21.2)	(16.3)	(30.1)

The FY 2017 increase in corporate costs reflects the costs of those capabilities which were brought on in the second half of 2016 and FY 2017, including upscaling of project management, human resources, internal audit, risk management and M&A capabilities. In July 2017, Primary has streamlined the size of corporate head office to align to the current needs of the business. This will generate approximately \$3 million in pre-tax annualised savings.

Review of operations for the year ended 30 June 2017

OTHER GROUP ITEMS

FINANCE COSTS

Total finance costs in FY 2017 were \$43.1 million, down 25.7% from \$58.0 million in FY 2016. The savings were predominately due to a lower average debt balance compared to FY 2016, when the capital recycling program occurred progressively throughout the year, and a lower weighted average cost of debt.

TAX EXPENSE

Group reported income tax expense for FY 2017 is set out below. For underlying results, an effective tax rate of 30% has been adopted.

\$M	30 June 2017 Reported	30 June 2016 Reported
Loss before tax	(512.8)	56.4
Income tax	(4.1)	(18.2)
Net (loss)/profit after tax	(516.9)	38.2

The reported tax expense for FY 2017 was \$4.1 million. The \$(512.8) million reported pre-tax loss includes \$468.5 million of impairment of goodwill which is not deductible for taxation purposes. In addition, there is a \$13.3 million permanent tax difference in FY 2017 associated with amortisation of healthcare practice acquisitions prior to 30 June 2015. There will be additional accounting tax expense over the next three years while these acquisitions continue to be amortised, as follows:

\$M	FY 2018	FY 2019	FY 2020
Additional accounting tax expense	7.8	5.2	2.3

Primary's expectation is that the Group's effective tax rate will revert to 30% in the long term once the above amortisation is fully charged, assuming the current structure and nature of the business.

DIVIDENDS

The directors have approved a final dividend of 5.8 cps 100% franked (2H 2016: 6.4 cps 100% franked). An interim dividend of 4.8 cps (HY 2016: 5.6 cps 50% franked) was paid in March 2017.

Total dividends of 10.6 cps (FY 2016: 12.0 cps) equate to a payout ratio of 60% of UNPAT. This ratio was set during FY 2016 to better reflect the company's growth strategy.

RECONCILIATION OF REPORTED AND UNDERLYING PERFORMANCE

The preliminary financial report sets out the reported results for Primary for FY 2017. The reported results include several items which Primary considers do not form part of the core trading performance of the relevant divisions and are not expected to occur frequently. These include:

- \$587.0 million impairment and related items charge:
 - \$468.5 million Medical Centres goodwill, and
 - \$118.5 million impairment of asset carrying values and associated provisions including ex Symbion sites.
- \$39.2 million restructuring and strategic initiatives costs:
 - \$21.9 million establishment of the transformation office, transformation programs, technology and third party service arrangements,
 - \$11.2 million redundancies, and
 - \$6.1 million set-up of private/mixed billing and pathology in SE Asia.

Review of operations for the year ended 30 June 2017

The reconciliation of FY 2017 reported results to underlying results is as follows:

\$M	Reported	Impairment	Restructuring & strategic initiatives	Non-recurring items	Underlying
Revenue	1,658.6	0.0	0.0	0.0	1,658.6
EBITDA	(333.1)	587.0	39.2	18.1	311.2
Depreciation	(59.2)	0.0	0.0	0.0	(59.2)
Amortisation	(77.4)	0.0	0.0	0.0	(77.4)
EBIT	(469.7)	587.0	39.2	18.1	174.6
Finance Costs	(43.1)	0.0	0.0	0.0	(43.1)
PBT	(512.8)	587.0	39.2	18.1	131.5
Tax	(4.1)	-	-	-	(39.4)
NPAT	(516.9)	-	-	-	92.1

In FY 2016, the items which Primary considered were non-underlying were analysed as:

- \$85.9 million write-offs associated with the balance sheet review,
- \$32.9 million restructuring and strategic initiatives costs,
- \$23.4 million gains on disposal of Transport Health Institute (“THI”) and Primary’s shareholding in Vision Eye Institute (“VEI”) and dissolution of a Joint Venture, and
- \$13.5 million adjustment to the ATO settlement relating to potential HCP tax liabilities.

The reconciliation of FY 2016 reported results to underlying results is as follows:

\$M	Reported	Balance Sheet review	Restructuring & strategic initiatives	Gains on sale/ dissolution	ATO settlement	Underlying
Revenue	1,641.9	0.0	0.0	(23.4)	0.0	1,618.5
EBITDA	271.1	83.2	31.9	(23.4)	(13.5)	349.3
Depreciation	(70.1)	2.8	1.0	0.0	0.0	(66.3)
Amortisation	(86.6)	(0.1)	0.0	0.0	0.0	(86.7)
EBIT	114.4	85.9	32.9	(23.4)	(13.5)	196.3
Finance Costs	(58.0)	0.0	0.0	0.0	0.0	(58.0)
PBT	56.4	85.9	32.9	(23.4)	(13.5)	138.3
Tax	(18.2)	-	-	-	-	(41.5)
NPAT continuing operations	38.2	-	-	-	-	96.8
MedicalDirector ¹	36.5	-	-	(29.3)	-	7.2
NPAT inc. MedicalDirector	74.7	-	-	-	-	104.0

¹ The adjustment for MedicalDirector includes \$26.9 million post-tax gain on sale plus \$2.4 million difference between the actual tax rate of 7% and the notional tax rate adopted for reporting Primary’s underlying results of 30%.

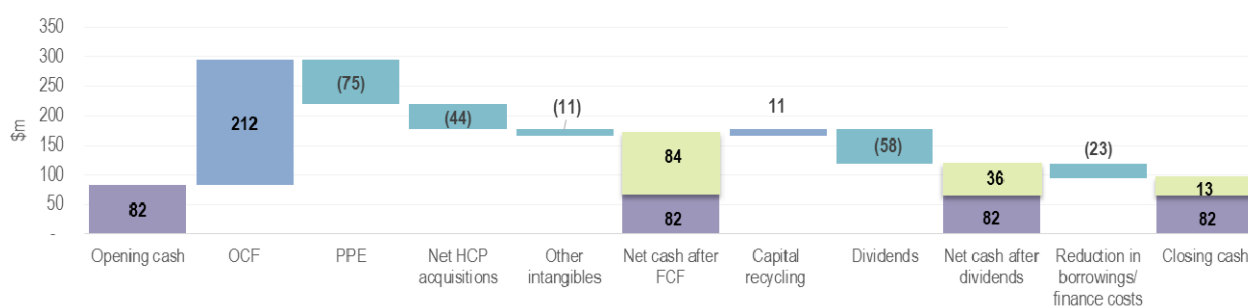
Review of operations for the year ended 30 June 2017

CASH FLOW

Group cash flow for FY 2017 is set out below in comparison to FY 2016:

AS AT \$M	30 June 2017	30 June 2016	Movement \$
Operating cash flows	212.2	225.8	(13.6)
Payments for PP&E, HCPs, intangibles	(128.6)	(193.1)	64.5
Free cash flow	83.6	32.7	50.9
Capital recycling	10.9	327.3	(316.4)
ATO refund	-	49.0	-
MedicalDirector operating cash flow	-	10.3	-
MedicalDirector investing cash flow	-	(11.8)	-
Dividends	(58.4)	(64.4)	6.0
Debt reduction / finance costs	(22.8)	(310.9)	288.1
Net increase in cash held	13.3	32.2	(18.9)
Opening cash	82.3	50.0	32.3
F/X	(0.1)	0.1	(0.2)
Closing cash	95.5	82.3	13.2

Group cash flow for FY 2017 can be illustrated with the following waterfall chart:



Free cash flow in FY 2017 was 2½ times FY 2016 free cash flow (before the benefit of the \$327.3 million capital recycling program, ATO refund of \$49 million, and \$(1.5) million net cash flows from MedicalDirector which is no longer part of the Group's operations).

The \$50.9 million improvement in free cash flow includes:

- \$41.3 million reduction in gross healthcare practitioner and practice acquisition costs across the Group from the introduction of capital light HCP contracts;
- \$19.5 million saving in property, plant and equipment capital from a tighter focus on return on investment criteria;
- \$3.7 million savings in capitalised IT costs;
- Partially offset by \$13.6 million in lower cash flows from operating activities due to the reduced EBITDA.

It should be noted that 45% of the total invested cash above related to growth capital expenditure, including:

- Acquiring private billing clinics under the Health & Co brand;
- Opening Primary's Corrimal Medical Centre and Brisbane IVF centre, and development of four new medical centres and Perth IVF due to open in FY 2018;
- Investment in a leading-edge dermatopathology laboratory in Pathology; and
- Investment in River City, Holmesglen Private Hospital and Kawana in Imaging.

Importantly, the group self-funded its capital and dividend requirements and decreased its borrowings during the period by a net \$35.5 million, before non-cash amortisation of borrowing costs.

Review of operations for the year ended 30 June 2017

BALANCE SHEET

The Group had \$3.1 billion in assets and \$1.9 billion of shareholders equity as 30 June 2017. These balances are after the \$587.0 million impairment to goodwill and other assets, announced in July 2017. Total goodwill now stands at \$2.3 billion (FY 2016 \$2.8 billion).

The Group has a net current asset deficiency of \$65.1 million (FY 2016 \$30.5 million). However, the Group generates significant operating cash flows and, as noted below, has access to \$365.0 million of unused financing facilities which can be drawn if required.

Group net debt at 30 June 2017 was \$784.2 million compared to \$816.0 million in FY 2016, analysed as follows:

AS AT \$M	30 June 2017	30 June 2016	Movement \$
Bank and finance debt	879.7	898.3	18.6
Cash	(95.5)	(82.3)	13.2
Net debt	784.2	816.0	31.8
Bank gearing ratio (covenant <3.5x)	2.52x	2.37x	
Bank interest ratio (covenant >3.0x)	7.86x	6.57x	
Gearing (net debt: net debt + equity)	29.5%	25.2%	

The bank gearing ratio for the syndicated bank facility at 30 June 2017 was 2.52x compared to a ceiling covenant requirement of 3.5x. The bank interest ratio was at 7.86x, well above the floor of 3.0x.

At 30 June 2017, Primary had available headroom on its syndicated bank facility of \$365.0 million. The first tranche of the two \$625 million tranches is due to mature in November 2018 and the second in April 2020.

Gearing (expressed as the ratio of net debt to net debt plus equity) was 29.5%. Group net debt reduced by \$31.8m compared to 30 June 2016, but the gearing ratio increased due to the impact on shareholders' equity of the \$587.0 million non-cash impairment charge.

STRATEGIC INITIATIVES

Primary's aim is to support the delivery of quality healthcare services in Australia and provide growth to shareholders, becoming a preferred place for HCPs to practice, staff to work, and patients to visit. As the healthcare sector becomes increasingly more patient-oriented, Primary aims to prioritise delivering patient-centricity across its modalities.

Primary currently has a number of initiatives underway in all divisions to deliver change. The transformation agenda includes a significant increase in HCP numbers and engagement levels, diversification and expansion of service offerings, growth in Medical Centres and Imaging footprints, investment in technology and people capabilities, optimisation of Group synergies, better integration of service offerings across the divisions, and improvement in employee engagement. The specific initiatives are outlined in the relevant divisional sections. Primary believes that, while the transformation of its culture and reputation has further progress to make, the targeted outcomes are expected to deliver the pathway for sustainability and growth.

Embedded within Primary's strategy is a focus on innovation, especially digital innovation. Investments underway, or in planning, include:

- *Helix* – a new cloud-based clinical and practice management software system designed to upgrade current infrastructure across Primary's Medical Centres.
- *Imaging Core Application Refresh (ICAR)* – integrated digital systems that will improve the way the Imaging division interacts with referrers and their patients.
- *Pathology Laboratory Information System (LIS)* – an upgrade of the division's current infrastructure platforms is in planning, with a strategic review of future business requirements commenced.
- *Health & Co technology and operational platforms* – development of services which include patient centered mobile applications, patient portals and clinical data integration, which may be mobilised across the Group.
- *IT infrastructure* – modernisation and upgrades to our networks, data centres and connectivity.

Review of operations for the year ended 30 June 2017

As the healthcare sector continues to shift from a provider-oriented to a patient-oriented service industry, these digital programs will be critical to the Group's future success.

GOVERNMENT REVIEWS

Following the Federal Government's Budget in May 2017, the broader healthcare sector has now achieved some clarity on a range of health-related policy matters. Primary is pleased to see the progressive restoration of the MBS indexation on GP, Specialist and Allied Health services from 2017 onwards, the indexation of selected imaging modalities from 2020, and the continuation of bulk billing incentive payments for Pathology and Imaging services.

Although not explicitly ruled out in the Budget, the reregulation of ACC rents appears to be off the Federal Government's agenda and \$18 million has been set aside in the Budget to improve compliance with existing regulation.

The MBS Review, which was established in 2015 to consider how items on the MBS schedule could be aligned with contemporary clinical evidence and improve health outcomes, is continuing. A few committees have reported preliminary recommendations for public consultation, including urgent after-hours GP services and MRI of the knee. Primary welcomed the review when it was initiated, has nominated experts to the various committees and will take part in public consultations around their findings.

The Federal Government announced its Healthier Medicare initiative in 2016 and this included the trial of healthcare homes for chronically-ill patients across 200 clinics. Primary is working closely with the Government on this, with 12 Primary centres likely to commence trials at the end of calendar 2017.

Primary remains in discussions with the Federal Government, the Royal Australian and New Zealand College of Radiologists and the Australian Diagnostic Imaging Association regarding the potential introduction of a Diagnostic Imaging Quality Framework, which would see minimum radiologist attendance required for the provision of CT services. Primary believes the introduction of this framework as currently drafted would increase costs, decrease accessibility and would not be in the interests of patients.

The Federal Budget in May 2017 and other announcements have given Primary a greater degree of certainty around the Government's healthcare policy settings and point to a more positive regulatory environment in the near-term. However Primary will continue to diversify its revenues stream away from MBS dependency.

OUTLOOK

The long-term drivers for healthcare remain positive. There is strong underlying demand for healthcare in Australia, underpinned by a growing and ageing population, increasing chronic and complex conditions, rising patient expectations and expanding wealth per capita. In addition, as state governments look to manage public hospital costs, the opportunity for the private sector to partner with government is gaining momentum, highlighted by the New South Wales Government's recent hospital PPP initiatives.

Frontline care is the best and most effective means of delivering healthcare and large-scale multi-disciplinary medical centres are lower-cost, efficient providers of this care. Primary has developed comprehensive, multi-disciplinary medical centres where patients can see their GP and nurse, undertake pathology and imaging tests, and visit specialists, allied health experts and the day surgery. With chronic conditions on the rise in Australia and hospital costs increasing, these multi-disciplinary centres will play a vital role in making medical services more easily accessible and more cost efficient, while enabling coordination of patients' care.

Primary's aim, as noted above, is to cement its position as a leading provider of quality healthcare services and to be at the forefront of the efficiency and innovation drive in the health sector. Combining this with more diversified revenue streams, a more flexible cost base, lower financial leverage, and greater focus on returns on investment, the Group sees the pathway for sustainability and growth.

Statement of profit or loss for the year ended 30 June 2017

	Note	CONSOLIDATED	
		2017 \$m	2016 \$m
Revenue		1,658.6	1,641.9
Employee benefits expense	3	777.9	733.5
Property expenses	3	261.6	232.3
Consumables		176.4	167.4
ATO settlement		-	(13.5)
IT expenses		16.9	14.8
Impairment and other related items	3	587.0	66.0
Other expenses		171.9	170.3
Depreciation	7	59.2	70.1
Amortisation of intangibles	8	77.4	86.6
EBIT		(469.7)	114.4
Finance costs	3	43.1	58.0
(Loss) / profit before tax		(512.8)	56.4
Income tax expense	4	4.1	18.2
(Loss) / profit for the year from continuing operations		(516.9)	38.2
Profit for the year from discontinued operations	15(e)	-	36.5
(Loss) / profit for the year		(516.9)	74.7
Attributable to:			
Equity holders of Primary Health Care Limited		(516.8)	74.9
Non-controlling interest		(0.1)	(0.2)
(Loss) / profit for the year		(516.9)	74.7

	Note	CONSOLIDATED	
		2017 Cents Per Share	2016 Cents Per Share
Basic and diluted (loss) / earnings per share from continuing operations	13	(99.1)	7.4
Basic and diluted (loss) / earnings per share from continuing and discontinued operations	13	(99.1)	14.4

Statement of other comprehensive income for the year ended 30 June 2017

	CONSOLIDATED	
	2017 \$m	2016 \$m
(Loss) / profit for the year	(516.9)	74.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) on cash flow hedges	(2.4)	(3.6)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	13.0	11.3
Fair value gain on investments	10.7	-
Reclassification adjustments relating to available-for-sale financial assets disposed in the period	-	(5.4)
Exchange differences arising on translation of foreign operations	(1.7)	(0.2)
Income tax relating to items that may be reclassified subsequently to profit or loss	(6.4)	(0.7)
Other comprehensive income for the year, net of income tax	13.2	1.4
Total comprehensive (loss) / income the year	(503.7)	76.1
Attributable to:		
Equity holders of Primary Health Care Limited	(503.6)	76.3
Non-controlling interest	(0.1)	(0.2)
	(503.7)	76.1

Statement of financial position as at 30 June 2017

	Note	CONSOLIDATED	
		30 June 2017 \$m	30 June 2016 \$m
Current assets			
Cash	15(a)	95.5	82.3
Receivables	5(a)	136.2	136.8
Consumables		25.1	25.5
Tax receivable		9.7	5.7
Total current assets		266.5	250.3
Non-current assets			
Receivables	5(b)	3.8	4.4
Goodwill	6	2,315.5	2,772.2
Property, plant and equipment	7	299.0	342.2
Other intangible assets	8	166.6	220.7
Other financial assets		11.9	1.3
Deferred tax asset		50.8	33.5
Total non-current assets		2,847.6	3,374.3
Total assets		3,114.1	3,624.6
Current liabilities			
Payables	9(a)	225.2	181.0
Provisions	10(a)	105.3	87.2
Other financial liabilities		0.8	10.6
Interest bearing liabilities	11(a)	0.3	2.0
Total current liabilities		331.6	280.8
Non-current liabilities			
Payables	9(b)	7.9	7.8
Provisions	10(b)	26.1	11.2
Other financial liabilities		-	0.8
Interest bearing liabilities	11(b)	879.4	896.3
Total non-current liabilities		913.4	916.1
Total liabilities		1,245.0	1,196.9
Net assets		1,869.1	2,427.7
Equity			
Issued capital	12	2,422.8	2,422.8
Reserves		10.5	(5.2)
(Accumulated deficit) / retained earnings		(565.7)	8.5
Equity attributable to equity holders		1,867.6	2,426.1
Non-controlling interest		1.5	1.6
Total equity		1,869.1	2,427.7

Statement of changes in equity for the year ended 30 June 2017

CONSOLIDATED \$m	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 2016	2,422.8	-	(8.0)	0.7	2.1	8.5	2,426.1	1.6	2,427.7
Profit for the year	-	-	-	-	-	(516.8)	(516.8)	(0.1)	(516.9)
Exchange differences arising on translation of foreign operations	-	-	-	(1.7)	-	-	(1.7)	-	(1.7)
Fair value gain on investments	-	10.7	-	-	-	-	10.7	-	10.7
Fair value (loss) on cash flow hedges	-	-	(2.4)	-	-	-	(2.4)	-	(2.4)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	-	-	13.0	-	-	-	13.0	-	13.0
Income tax relating to components of other comprehensive income	-	(3.2)	(3.2)	-	-	-	(6.4)	-	(6.4)
Total comprehensive income	-	7.5	7.4	(1.7)	-	(516.8)	(503.6)	(0.1)	(503.7)
Payment of dividends	-	-	-	-	-	(58.4)	(58.4)	-	(58.4)
Share-based payment	-	-	-	-	3.5	-	3.5	-	3.5
Transfers	-	-	-	-	(1.0)	1.0	-	-	-
Balance at 30 June 2017	2,422.8	7.5	(0.6)	(1.0)	4.6	(565.7)	1,867.6	1.5	1,869.1

CONSOLIDATED \$m	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 2015	2,407.3	3.8	(13.4)	0.9	2.8	12.2	2,413.6	1.8	2,415.4
Profit for the year	-	-	-	-	-	74.9	74.9	(0.2)	74.7
Exchange differences arising on translation of foreign operations	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Reclassification adjustments relating to available-for-sale financial assets disposed in the period	-	(5.4)	-	-	-	-	(5.4)	-	(5.4)
Fair value (loss) on cash flow hedges	-	-	(3.6)	-	-	-	(3.6)	-	(3.6)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	-	-	11.3	-	-	-	11.3	-	11.3
Income tax relating to components of other comprehensive income	-	1.6	(2.3)	-	-	-	(0.7)	-	(0.7)
Total comprehensive income	-	(3.8)	5.4	(0.2)	-	74.9	76.3	(0.2)	76.1
Payment of dividends	-	-	-	-	-	(79.9)	(79.9)	-	(79.9)
Share-based payment	-	-	-	-	0.6	-	0.6	-	0.6
Transfers	-	-	-	-	(1.3)	1.3	-	-	-
Movement in share capital (refer Note 12)	15.5	-	-	-	-	-	15.5	-	15.5
Balance as at 30 June 2016	2,422.8	-	(8.0)	0.7	2.1	8.5	2,426.1	1.6	2,427.7

Statement of cash flows for the year ended 30 June 2017

	Note	CONSOLIDATED	
		2017 \$m	2016 \$m
Cash flows from operating activities			
Receipts from customers		1,723.5	1,737.5
Payments to suppliers and employees		(1,437.7)	(1,383.6)
Gross cash flows from operating activities		285.8	353.9
Interest paid		(42.1)	(59.6)
Net income tax paid		(32.2)	(10.6)
Interest received		0.7	1.4
Net cash provided by operating activities	15(b)	212.2	285.1
Cash flows from investing activities			
Payment for Medical Centres healthcare practitioners		(30.3)	(60.6)
Payment for Pathology healthcare practices		-	(14.0)
Payment for Imaging healthcare practitioners		(4.3)	(10.3)
Net payments for subsidiaries acquired		(9.1)	-
Payment for property, plant and equipment		(74.5)	(94.0)
Payment for other intangibles		(10.5)	(26.0)
Net proceeds from sale of investments		-	36.7
Proceeds from the sale of property, plant and equipment		13.1	118.6
Net proceeds from sale of discontinued operations		-	152.7
Net (payments related to) / proceeds from sale of controlled entity		(2.1)	19.3
Net cash (used in) / provided by investing activities		(117.7)	122.4
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(62.2)	(577.6)
Proceeds from borrowings		40.0	267.3
Dividends paid		(58.4)	(64.4)
Other finance costs		(0.6)	(0.6)
Net cash used in financing activities		(81.2)	(375.3)
Net increase in cash held		13.3	32.2
Cash at the beginning of the year		82.3	50.0
Effect of exchange rate movements on cash held in foreign currencies		(0.1)	0.1
Cash at the end of the year	15(a)	95.5	82.3

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 2017 comprises Primary and its subsidiaries (together referred to as “the consolidated entity” or “the Group”).

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

This financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

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 2016. These accounting policies are consistent with Australian equivalents to International Financial Reporting Standards (A-IFRS) and with International Financial Reporting Standards.

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

Net current liability position

The Group has a net current asset deficiency of \$65.1 million (30 June 2016: \$30.5 million). The Group generates significant operating cash flows and as per Note 11, had access to \$365.0 million of unused financing facilities at the end of the reporting period which can be drawn if required.

Rounding of Amounts

Amounts in the preliminary financial report have been rounded to the nearest hundred thousand dollars (unless otherwise indicated).

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 preliminary financial report or notes thereto.

2. SEGMENT INFORMATION

Operating segments are identified based on the way that the Chief Executive Officer and Board of Directors (also known as the chief operating decision makers) regularly review the business to assess financial performance and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following three divisions or operating segments:

Operating Segment	Activity
Medical Centres	This division provides a range of services and facilities to general practitioners, specialists and other health care providers operating in the bulk billing and private billing sectors.
Pathology	This division provides pathology services.
Imaging	This division provides imaging and scanning services from hospitals, stand-alone imaging sites and from within the consolidated entity's medical centres.

In May 2016 the entities comprising the Health Technology (MedicalDirector) segment were sold (primarily Health Communication Network Limited – refer note 15(e) for further details). The results of the Health Technology segment are classified and disclosed as a discontinued operation in the comparative information presented in this financial report including the segment information below.

The Group operates predominantly in Australia.

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.

Presentation of segment revenue and results

Segment revenues and segment results are presented on an underlying basis.

Underlying results for the year ended 30 June 2017 exclude the impact of non-underlying items relating to:

- Impairment of goodwill and other assets and other related items;
- Non-recurring items including indirect taxes and related imposts; and
- Items associated with restructuring and strategic initiatives.

Underlying results for the comparative period exclude the impact of the following items:

- Gains on sale of Medical Director, Transport Health Institute, Primary's shareholding in Vision Eye Institute, and non-cash gains on dissolution of a Joint Venture;
- Finalisation of the ATO Settlement relating to potential healthcare practitioners tax liabilities;
- Balance sheet review; and
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives.

Notes to Appendix 4E for the year ended 30 June 2017

2. SEGMENT INFORMATION (CONTINUED)

Underlying

2017	Medical Centres \$m	Pathology \$m	Imaging \$m	Other \$m	Total \$m
Segment Revenue	319.6	1,038.4	333.5	0.1	1,691.6
Intersegment sales					(33.0)
Total Revenue					1,658.6
EBITDA	123.5	146.0	57.8	(16.1)	311.2
Depreciation	20.8	18.8	16.8	2.8	59.2
Amortisation of intangibles	55.4	7.7	12.0	2.3	77.4
EBIT	47.3	119.5	29.0	(21.2)	174.6
Finance costs					43.1
Profit before tax					131.5
Income tax expense ¹					39.4
Profit for the year					92.1

2016	Medical Centres \$m	Pathology \$m	Imaging \$m	Other \$m	Total \$m
Segment Revenue ²	328.7	994.4	326.9	1.6	1,651.6
Intersegment sales					(33.1)
Total Revenue					1,618.5
EBITDA ²	152.8	144.9	61.9	(10.3)	349.3
Depreciation ²	20.0	19.1	25.6	1.6	66.3
Amortisation of intangibles ²	60.9	7.5	13.9	4.4	86.7
EBIT	71.9	118.3	22.4	(16.3)	196.3
Finance costs					58.0
Profit before tax					138.3
Income tax expense ¹					41.5
Profit for the year from continuing operations					96.8
Profit for the year from discontinued operations					7.2
Profit for the year					104.0

1 Underlying income tax is calculated as 30% of underlying profit before tax

2 Where applicable, comparative information has been restated to ensure that allocation of expenses to operating segments in the comparative period is consistent with the allocation of expenses to operating segments in the current period.

Notes to Appendix 4E for the year ended 30 June 2017

2. SEGMENT INFORMATION (CONTINUED)

Reconciliation of underlying segment revenue to statutory revenue:

	Segment Revenue	
	2017 \$m	2016 \$m
Total segment revenue from continuing operations	1,658.6	1,618.5
Gains on sale / dissolution of joint ventures	-	23.4
Total revenue	1,658.6	1,641.9

Reconciliation of underlying segment result to reported (loss) / profit before tax:

	Segment Result	
	2017 \$m	2016 \$m
Total segment result from continuing operations before tax	131.5	138.3
Restructuring and strategic initiatives	(39.2)	(32.9)
Gains on sale / dissolution of joint ventures	-	23.4
ATO settlement	-	13.5
Impairment of goodwill and other assets and other related items	(587.0)	-
Balance sheet review	-	(85.9)
Non-recurring items	(18.1)	-
Total (loss) / profit before tax	(512.8)	56.4

Notes to Appendix 4E for the year ended 30 June 2017

3. EXPENSES

	CONSOLIDATED	
	2017 \$m	2016 \$m
Employee benefits expense		
Other employee benefits	718.0	680.6
Defined contribution superannuation	56.4	52.3
Share-based payments	3.5	0.6
	777.9	733.5
Property expenses		
Operating leases	220.6	193.8
Other property expenses	41.0	38.5
	261.6	232.3
Impairment and other related items		
Goodwill impairment (Refer note 6)	468.5	-
Other asset impairments and related items	118.5	66.0
	587.0	66.0
Finance costs		
Net interest expense	39.8	53.4
Amortisation of borrowing costs	3.3	4.6
	43.1	58.0

Notes to Appendix 4E for the year ended 30 June 2017

4. INCOME TAX EXPENSE

	CONSOLIDATED	
	2017 \$m	2016 \$m
The prima facie income tax expense on pre-tax accounting (loss) / profit reconciles to the income tax expense in the financial statements as follows:		
(Loss) / profit before tax	(512.8)	56.4
Prima facie income tax calculated at 30% (2016: 30%)	(153.8)	16.9
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
ATO settlement of healthcare practices and practitioner liabilities	(0.1)	(5.9)
Amortisation of pre FY15 contractual relationship intangibles	13.3	14.7
Goodwill impairment	140.6	-
Other items	4.3	(0.5)
	158.1	8.3
(Over) provision in prior years	(0.2)	(7.0)
Income tax expense	4.1	18.2

ATO objection decision – years 2003-2007

Primary's appeal in the Administrative Appeals Tribunal ("Tribunal") against a decision of the Commissioner of Taxation ("Commissioner") not to exercise his discretion to allow objections for the years ended 30 June 2003 to 2007 in relation to medical practice acquisitions was decided in favour of Primary on 29 March 2017. On 26 April 2017, the Commissioner filed an appeal to the Full Federal Court of Australia ("Court") against the Tribunal's decision. The appeal was heard on 15 August 2017 and Primary is awaiting the Court's judgement. No amounts have been recognised in relation to this matter in either the current or comparative periods.

5. RECEIVABLES

	CONSOLIDATED	
	2017 \$m	2016 \$m
Measured at amortised cost		
(a) Current		
Trade receivables	100.2	99.2
Allowance for doubtful debts	(13.6)	(12.6)
	86.6	86.6
Prepayments	15.8	21.9
Accrued revenue	20.8	18.5
Other receivables	13.0	9.8
	136.2	136.8
(b) Non-current		
Other receivables and prepayments	3.8	4.4
	3.8	4.4

6. GOODWILL

	CONSOLIDATED	
	2017 \$m	2016 \$m
(a) Carrying value		
Opening balance	2,772.2	2,832.1
Acquisition of subsidiaries	11.8	2.8
Acquisition of businesses	-	9.5
Disposal of subsidiaries	-	(72.2)
Impairment charge	(468.5)	-
Closing balance	2,315.5	2,772.2
(b) Impairment tests		
Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:		
Medical Centres	392.9	849.6
Pathology	1,580.9	1,580.9
Imaging	341.7	341.7
	2,315.5	2,772.2

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 cross checked to available market data. The five year discounted cash flow uses:

- year one cash flows derived from the FY 2018 Board approved budget;
- years two and three cash flows derived from the FY 2019 – FY 2020 business plans; and
- for FY 2021 – FY 2022, the Group assumes a long term growth rate consistent with historic industry trend levels.

The impairment loss recognised in the current year relates to Medical Centres and is due to the repositioning of the division to deliver a sustainable business model which is taking longer than expected and has not yet translated into an uplift to Medical Centre's profit performance. The key assumptions in the Group's discounted cash flow models as at 30 June 2017 are set out in the table below.

Notes to Appendix 4E for the year ended 30 June 2017

6. GOODWILL (CONTINUED)

ASSUMPTION	HOW DETERMINED
Forecast revenue	<p>Cumulative average revenue growth rates for FY 2018 – FY 2022 are as follows:</p> <ul style="list-style-type: none"> • Medical Centres: 4.4% (30 June 2016: 7.9%) • Pathology: 5.0% (30 June 2016: 5.1%) • Imaging: 8.3% (30 June 2016: 7.5%) <p>Changes to forecast revenue in the current year have been determined with reference to historical company experience, industry data and scheduled centre openings.</p>
Terminal value growth rates	<p>The terminal value growth rates assumed are:</p> <ul style="list-style-type: none"> • Medical Centres: 2.5% (30 June 2016: 3.0%) • Pathology: 3.0% (30 June 2016: 3.0%) • Imaging: 3.0% (30 June 2016: 3.0%) <p>The terminal value growth rates have been determined with reference to historical company experience for the CGU and expectations of long-term operating conditions. The growth rates do not exceed long-term industry growth rates for the business in which the industry operates.</p>
Discount rates	<p>Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU.</p> <p>In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital ("WACC") for the Group adjusted for business risks specific to that CGU. The post-tax discount rate for each CGU is:</p> <ul style="list-style-type: none"> • Medical Centres: 8.5% (30 June 2016: 8.5%) • Pathology: 8.5% (30 June 2016: 8.5%) • Imaging: 8.5% (30 June 2016: 8.8%)

6. GOODWILL (CONTINUED)

Sensitivity analysis

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

The following table sets out the change in revenue growth rates and discount rates that would be required in order for the carrying value of the Pathology and Imaging CGU's to equal the recoverable amount.

CGU	Increase / (decrease) in assumptions required for recoverable amount to equal carrying amount	
	Revenue growth per annum	Discount rate
Pathology	(0.5%)	0.8%
Imaging	(3.8%)	4.8%

As Medical Centres recoverable amount equals its carrying value, any adverse movement in key assumptions may lead to a further impairment.

The recoverable amount of Medical Centres is sensitive to movements in the following key assumptions as set out in the table below:

Movement in key assumption	Impact on recoverable amount Increase / (Decrease) \$M
Discount rate – increase of 0.25%	(24.5)
Discount rate – decrease of 0.25%	26.6
Terminal value growth – increase of 0.5%	45.7
Terminal value growth – decrease of 0.5%	(38.7)
Revenue growth – increase of 0.5%	29.2
Revenue growth – decrease of 0.5%	(29.1)

Notes to Appendix 4E for the year ended 30 June 2017

7. PROPERTY, PLANT AND EQUIPMENT

2017 \$m	Assets Under Construction	Leasehold Improvements	Plant and Equipment	TOTAL
Net book value				
Opening balance	18.9	208.3	115.0	342.2
Additions	50.6	0.7	23.9	75.2
Transfers	(38.9)	27.7	11.2	-
Disposals	(0.1)	(9.7)	(3.2)	(13.0)
Impairment	-	(29.7)	(16.5)	(46.2)
Depreciation expense	-	(25.0)	(34.2)	(59.2)
Closing balance	30.5	172.3	96.2	299.0
Cost				
Cost	30.5	400.3	416.3	847.1
Accumulated depreciation	-	(198.3)	(303.6)	(501.9)
Impairment	-	(29.7)	(16.5)	(46.2)
Closing balance	30.5	172.3	96.2	299.0

2016 \$m	Assets Under Construction	Leasehold Improvements	Plant and Equipment	TOTAL
Net book value				
Opening balance	54.0	200.5	181.2	435.7
Additions	33.2	8.4	42.3	83.9
Transfers	(68.3)	59.9	8.4	-
Disposals	-	(24.6)	(57.1)	(81.7)
Impairment	-	(6.6)	(19.0)	(25.6)
Depreciation expense	-	(29.3)	(40.8)	(70.1)
Closing balance	18.9	208.3	115.0	342.2
Cost				
Cost	18.9	401.6	469.8	890.3
Accumulated depreciation	-	(193.3)	(354.8)	(548.1)
Closing balance	18.9	208.3	115.0	342.2

Notes to Appendix 4E for the year ended 30 June 2017

8. OTHER INTANGIBLE ASSETS

2017 \$m	HCP Contractual Relationships	IT Software	Licences	Intangibles Under Construction	TOTAL
Net book value					
Opening balance	164.9	38.8	8.5	8.5	220.7
Additions	37.3	2.8	-	9.5	49.6
Transfers	-	9.1	-	(9.1)	-
Disposals	(4.9)	-	(0.1)	(1.0)	(6.0)
Impairment	(20.0)	(0.3)	-	-	(20.3)
Amortisation expense	(61.9)	(14.5)	(1.0)	-	(77.4)
Closing balance	115.4	35.9	7.4	7.9	166.6
Cost					
Cost	318.3	119.8	35.5	7.9	481.5
Accumulated amortisation	(182.9)	(83.6)	(28.1)	-	(294.6)
Impairment	(20.0)	(0.3)	-	-	(20.3)
Closing Balance	115.4	35.9	7.4	7.9	166.6

2016 \$m	HCP Contractual Relationships	IT Software	Licences	Intangibles Under Construction	TOTAL
Net book value					
Opening balance	163.9	87.0	14.9	19.5	285.3
Additions	73.2	13.1	-	7.9	94.2
Transfers	-	18.9	-	(18.9)	-
Disposals	(1.7)	(0.2)	-	-	(1.9)
Impairment	(3.6)	(20.6)	(3.1)	-	(27.3)
Amortisation expense	(66.9)	(20.6)	(3.3)	-	(90.8)
Disposal of subsidiary	-	(38.8)	-	-	(38.8)
Closing balance	164.9	38.8	8.5	8.5	220.7
Cost					
Cost	512.9	143.0	35.5	8.5	699.9
Accumulated amortisation	(348.0)	(104.2)	(27.0)	-	(479.2)
Closing Balance	164.9	38.8	8.5	8.5	220.7

Notes to Appendix 4E for the year ended 30 June 2017

9. PAYABLES

	CONSOLIDATED	
	2017 \$m	2016 \$m
(a) Current		
Trade payables and accruals	203.3	156.5
Deferred consideration	14.4	15.7
Accrued interest	0.8	2.3
Deferred revenue	6.7	6.5
	225.2	181.0
(b) Non-current		
Trade payables and accruals	4.0	6.8
Deferred consideration	3.9	1.0
	7.9	7.8

10. PROVISIONS

	CONSOLIDATED	
	2017 \$m	2016 \$m
(a) Current		
Provision for employee benefits	82.1	77.6
Self-insurance provision	4.2	4.2
Onerous lease provision	5.0	1.9
Other provisions	14.0	3.5
	105.3	87.2
(b) Non-current		
Provision for employee benefits	8.8	6.9
Self-insurance provision	1.2	0.8
Onerous lease provision	10.7	2.1
Other provisions	5.4	1.4
	26.1	11.2

Notes to Appendix 4E for the year ended 30 June 2017

11. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2017 \$m	2016 \$m
Measured at amortised cost		
(a) Current		
Gross bank loans	-	1.9
Finance lease liabilities	0.3	0.1
	0.3	2.0
(b) Non-current		
Gross bank loans	885.0	905.0
Unamortised borrowing costs	(5.6)	(8.7)
	879.4	896.3
Total interest bearing liabilities	879.7	898.3

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

	CONSOLIDATED	
	2017 \$m	2016 \$m
Financing facilities		
Current		
Secured Loan Facility		
Amount used	-	1.9
Amount unused	-	-
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	885.0	905.0
Amount unused	365.0	345.0
Secured Loan Facility		
Amount used	-	-
Amount unused	-	18.1
Total amount used	885.0	906.9
Total amount unused	365.0	363.1
Total financing facilities	1,250.0	1,270.0

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 2017

12. ISSUED CAPITAL

	2017 No. of Shares 000'S	2016 No. of Shares 000'S	2017 \$m	2016 \$m
Opening balance	521,433	515,999	2,422.8	2,407.3
Shares issued via Dividend Reinvestment Plan	-	3,899	-	15.5
Shares issued via Bonus Share Plan	-	1,535	-	-
Closing balance – Consolidated	521,433	521,433	2,422.8	2,422.8

Share options on issue

As at 30 June 2017, the company has 1,120,000 (2016: 2,272,500) share options on issue, exercisable on a 1:1 basis for 1,120,000 (2016: 2,272,500) ordinary shares of Primary at an average exercise price of \$5.91 (2016: \$5.91). The options expire between July 2017 and May 2019 (2016: November 2016 and May 2019) and carry no rights to dividends and no voting rights.

Rights on issue

As at 30 June 2017, the company has 68,681 (2016: nil) service rights on issue, exercisable on a 1:1 basis for 68,681 (2016: nil) ordinary shares of Primary at an exercise price of \$nil. The service rights will vest around 26 October 2018 subject to the satisfaction of applicable service conditions and carry no rights to dividends and no voting rights.

As at 30 June 2017, the company has 2,328,522 (2016: nil) performance rights on issue, exercisable on a 1:1 basis for 2,328,522 (2016: nil) ordinary shares of Primary at an exercise price of \$nil. The performance rights will vest around 26 October 2018 subject to the satisfaction of applicable service and performance conditions and carry no rights to dividends and no voting rights.

Notes to Appendix 4E for the year ended 30 June 2017

13. EARNINGS PER SHARE

	CONSOLIDATED	
	2017 \$m	2016 \$m
EARNINGS		
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the statement of profit or loss as follows:		
(Loss) / profit attributable to equity holders of Primary Health Care Limited	(516.8)	74.9
Profit for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	-	(36.5)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	(516.8)	38.4
The earnings used in the calculation of underlying basic and diluted earnings per share are the same and can be reconciled to the statement of profit or loss as follows:		
Underlying profit for the year from continuing operations	92.1	96.8
WEIGHTED AVERAGE NUMBER OF SHARES		
	2017 000's	2016 000's
The weighted average number of shares used in the calculation of basic earnings per share	521,433	520,215
The weighted average number of shares used in the calculation of diluted earnings per share	521,479	520,215
EARNINGS PER SHARE		
	2017 Cents	2016 Cents
Basic and diluted (loss) / earnings per share from continuing operations	(99.1)	7.4
Underlying basic and diluted earnings per share from continuing operations	17.6	18.6
Basic and diluted (loss) / earnings per share from continuing and discontinued operations	(99.1)	14.4

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.

The performance rights on issue are contingently issuable shares for which the conditions have not been met as at 30 June 2017 and are therefore excluded from the weighted average number of shares for the purposes of diluted earnings per share.

Notes to Appendix 4E for the year ended 30 June 2017

14. DIVIDENDS ON EQUITY INSTRUMENTS

	2017 Cents Per Share	2016 Cents Per Share	2017 \$m	2016 \$m
Recognised amounts				
Final dividend - previous financial year	6.4	11.0	33.4	55.6
Interim dividend - this financial year	4.8	5.6	25.0	41.9
Dividend forgone under the Bonus Share Plan	-	-	-	(2.7)
	11.2	16.6	58.4	94.8
Unrecognised amounts				
Final dividend - this financial year	5.8	6.4		

In respect of FY 2017:

- An interim dividend of 4.8cps (100% franked), was paid to the holders of fully paid ordinary shares on 28 March 2017; and
- The Directors have approved the payment of a final dividend of 5.8cps (100% franked), to the holders of fully paid ordinary shares, the record date being 1 September 2017, payable on 18 September 2017.

The Dividend Reinvestment Plan and a Bonus Share Plan were suspended effective 16 February 2016 until further notice.

The final dividend for the year ended 30 June 2016 was 100% franked. The interim dividend for the year ended 30 June 2016 was 50% franked.

Notes to Appendix 4E for the year ended 30 June 2017

15. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2017 \$m	2016 \$m
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks.		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	95.5	82.3
(b) Reconciliation of (loss) / profit from ordinary activities after related income tax to net cash flows from operating activities		
(Loss) / profit	(516.9)	74.7
Depreciation of plant and equipment	59.2	70.1
Amortisation of intangibles	77.4	86.6
Amortisation of borrowing costs	3.3	4.6
Share based payment expense	3.5	0.6
Impairment of goodwill	468.5	-
Impairment of other intangibles	20.3	27.3
Impairment of property, plant and equipment	46.2	25.6
Net (profit) / loss on sale of property plant and equipment	-	(0.2)
(Profit) on sale of investments	-	(60.5)
Other non-cash write-offs	2.8	34.4
Increase / (decrease) in:		
Trade payables and accruals	32.1	9.8
Provisions	35.2	2.0
Deferred revenue	0.2	1.6
Income tax and deferred taxes	(21.3)	19.3
Decrease / (increase) in:		
Consumables	0.4	(2.5)
Receivables and prepayments	1.3	(8.3)
Net cash provided by operating activities	212.2	285.1

(c) Non-cash investing and financing

During the financial year, nil (2016: 3,899,358) and nil (2016: 1,534,600) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

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

(d) Financing facilities

Details of financing facilities available to the Group are provided at note 11.

Notes to Appendix 4E for the year ended 30 June 2017

15. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(e) Subsidiaries disposed and discontinued operations

In the prior year the Group disposed of 100% of its shareholding in Health Communication Network Limited (“HCN”). The operations of HCN comprised the Health Technology segment and have been classified as a discontinued operation and disclosed as such in the Statement of Profit or Loss in the comparative period. Details of this transaction are set out in the 2016 Annual Report.

16. SUBSEQUENT EVENTS

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

17. NET TANGIBLE ASSET BACKING

	2017	2016
	\$	\$
Net tangible asset backing per share	(1.27)	(1.16)

Compliance Statement for the year ended 30 June 2017

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/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

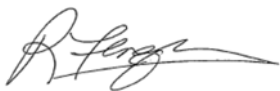
This report is based on ⁺accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

If the audit report or review by the auditor is not attached, details of any qualifications ~~are attached~~/will follow immediately they are available* (*delete one*).

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

Sign here:



Date: 18 August 2017

Print name:

(Director)
Robert Ferguson