

ASX Announcement (ASX: PRY)

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Primary Health Care Limited receives ATO approval for tax deductibility of medical practice acquisitions

Tax Refund

Primary Health Care Limited ("PRY") has been advised by the Deputy Commissioner of Taxation ("ATO") that the payments made by PRY for medical and healthcare practices in FY 2010 are tax deductible and PRY now expects to receive a cash refund of approximately \$18 million for this period. Previously, these payments had been treated by PRY as being capital in nature for taxation purposes.

PRY is now finalising applications for similar deductions for the tax years FY 2011 – FY 2014. If granted, which is PRY's expectation based on the FY 2010 decision, PRY estimates it will be due a total cash refund for the FY 2010 – FY 2014 period of approximately \$130 million.

PRY may also be eligible for similar tax deductions back to FY 2003 although this is subject to the ATO's sole discretion in allowing PRY to lodge an out-of-time objection. If the ATO allows those objections to be lodged out-of-time, PRY estimates it would then be due a total cash refund for the period FY 2003 – FY 2014 of approximately \$190 million.

FY 2015 Financial Statements

PRY expects to bring to account the approximately \$130 million cash refund in the FY 2015 financial statements. The significant majority of this will be accounted for as a credit to income tax expense in FY 2015. Given the uncertainty associated with refunds for out-of-time objections, no amount will be recognised in respect to the period from FY 2003 to FY 2007¹ in the FY 2015 financial statements. PRY will ensure the cash refund is separately identified in the financial statements so as not to obscure its underlying financial performance.

PRY's accounts will now also reflect the full tax deductibility of payments made during FY 2015 for medical and other healthcare practices.

Healthcare Practitioners

The ATO decision relates to the position of tax deductibility to PRY only, and it does not necessarily follow that the ATO will reconsider the tax position of healthcare practitioners whose practices were acquired by PRY.

¹ PRY was in a loss making position for tax purposes during FY 2008 and FY 2009.

At this stage, PRY is not able to form a view as to the financial implications the ATO decision may have for individual healthcare practitioners, nor whether this in turn has any implications for itself. PRY will be working closely with healthcare practitioners, its tax advisers, and the ATO to clarify these matters as quickly as possible.

PRY notes that while it is able to obtain tax deductions back to FY 2010, and potentially back to FY 2003, the legal power of the ATO to amend tax assessments for most individual doctors and other healthcare practitioners typically only covers their two most recent tax assessments (although a period of up to four years is possible for some individuals with complex tax structures).

PRY values the relationship that it has with all the healthcare practitioners working in its facilities and will work closely with them on this matter.

PRY sees demand for healthcare services continuing to grow and therefore will expand its medical centre footprint to meet this demand, particularly its large-scale multi-disciplinary clinics. These clinics provide a broad range of healthcare services in one location, and give healthcare practitioners the ideal setting to deliver high-quality healthcare outcomes in a convenient and affordable manner for patients. As part of this expansion, the increasingly varied needs of the healthcare practitioners working in its facilities, and the now tax deductibility of payments made for medical and healthcare practices, PRY intends to adopt more flexible commercial arrangements with healthcare practitioners. PRY believes this will enhance the attractiveness of its medical centre model and support its continued expansion.

Use of Proceeds

The cash refund from the ATO, when received, will be applied to pay down debt.

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Yours faithfully



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