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 2016

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Results for announcement to the market
For the year ended 30 June 2016

$m	% change 2016 vs 2015	2016 Total	2015 Total
Revenue	**3.6%**	**1,636.9**	1,579.7
Profit for the year after tax from continuing operations	**(67.3%)**	**38.2**	116.9
Profit for the year after tax	**(41.4%)**	**74.7**	127.5
Profit attributable to members of the parent entity	**(41.3%)**	**74.9**	127.5
Underlying profit for the year after tax [1]	**(6.7%)**	**104.0**	111.5

CENTS PER SHARE	2016 Total	2015 Total
Basic and diluted earnings per share from continuing operations	**7.4**	22.8
Basic and diluted earnings per share from continuing operations and discontinued operations	**14.4**	24.9
Final dividend [2, 3]	**6.4**	11.0
Interim dividend [4]	**5.6**	9.0
	12.0	20.0

[1] Underlying profit excludes the impact of one-off and non-cash items such as gains on the disposal of non-current assets including the sale of subsidiaries, the finalisation of the ATO settlement, impairment charges against specific assets, accelerated depreciation and amortisation and expenses associated with the implementation of previously announced restructuring and strategic initiatives. A full reconciliation between statutory profit and underlying profit is contained in the Review of Operations on page 8.

[2] The 2016 final dividend will be 100% franked at the corporate income tax rate (2015: 50% franked).

[3] The record date for determining entitlement to the final dividend is 2 September 2016 and is payable on 19 September 2016.

[4] The 2016 interim dividend was 50% franked (2015: 100%).

KEY HIGHLIGHTS

$m	FY 2016	FY 2015	FY 2016	FY 2015
Performance	**Underlying [1]**		**Reported [2]**	
Revenue	**1,651.0**	1,599.3	**1,714.6**	1,617.9
EBIT	**206.6**	225.8	**164.9**	86.5
NPAT	**104.0**	111.5	**74.7**	127.5
Financial position				
Net debt			**(816)**	(1,155)
Gearing % [3]			**25.2%**	32.4%
Dividend cps			**12.0**	20.0

Performance

- The results for Primary Health Care ("Primary" or the "Group") for the year ended 30 June 2016 ("FY 2016") are set out in this review of operations in comparison to the year ended 30 June 2015 ("FY 2015").
- Primary's underlying results were in line with the company's latest trading update and down 6.7% on FY 2015, after taking into account the impact of the balance sheet impairment and the sale of MedicalDirector six weeks earlier than previously forecast. Key trading highlights were as follows:
  - Medical Centres delivered flat revenue and reduced EBIT, with lower than anticipated GP numbers. The new recruitment packages resulted in a 35% increase in general practitioner ("GP") retention and reduced capital costs.
  - Pathology delivered an increase in revenue and EBIT, despite difficult market conditions.
  - Imaging reported a stronger second half, up 43% on 1H16, underpinned by site and labour cost savings.
  - Corporate costs increased as Primary invested in new capabilities, providing a platform for growth.
- Primary's reported results reflect significant business changes including the impact of the balance sheet review and strategic initiatives, partially offset by the profit on sales of assets.
- In FY 2016, reduced capital expenditure, a stronger cash flow and a successful $328 million capital recycling program delivered a stronger balance sheet, with net debt down from $1.2 billion to $816 million and gearing reducing from 32.4% to 25.2%.
- Final dividend of 6.4 cps was declared, 100% franked, taking total dividends for the year to 12 cps, representing a payout ratio of 60% of Underlying NPAT ("UNPAT").

Strategy

- Primary's core aim is to deliver high quality health services to patients and growth to shareholders, with the aspiration of making the company a preferred place for healthcare practitioners ("HCPs") and staff to work and for patients to come for treatment.
- In FY 2016, Primary delivered on its strategic review initiatives of investing for growth, strengthening the balance sheet, improving returns on capital and improving stakeholder engagement. In particular the company introduced new HCP recruitment packages and strengthened its balance sheet.
- In FY 2017, transformation of the Group will continue, with further cultural and technological changes and capability-build, as the company focuses on its core businesses and uses its stronger balance sheet to invest and grow.

Outlook

- While clarity is required on near-term Government policy, long-term drivers of the business remain positive.
- Primary aims to cement its position as a leading, quality healthcare provider, combining this with diversified revenue streams, a more flexible cost base, lower leverage, and greater focus on returns on investment.

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[1] Underlying performance properly reflects Primary's trading performance and excludes the impact of one-off items, refer section titled "Reconciliation of reported and underlying performance".

[2] Reported performance in Appendix 4E is based on continuing operations and separately discloses the trading result and the profit on sale of MedicalDirector as profit from discontinued operations.

[3] Gearing is expressed as the ratio of net debt to net debt plus equity.

GROUP PERFORMANCE

This review of operations focuses on the FY 2016 underlying results which properly reflect Primary's trading performance. For FY 2016 UNPAT of $104 million was in line with the company's forecast and down 6.7% on FY 2015, after taking into account the impact of the balance sheet impairment in July 2016 and the sale of MedicalDirector six weeks earlier than previously forecast. Underlying results can be analysed as follows:

FY 2016

$m	Medical Centres	Pathology	Imaging	Corporate	Continuing	Medical Director	Group
Revenue [4]	323.7	994.4	326.9	1.6	1,613.5	37.5	1,651.0
EBITDA	166.8	161.5	62.2	(41.2)	349.3	14.9	364.2
Depreciation	(20.0)	(19.1)	(25.6)	(1.6)	(66.3)	(0.4)	(66.7)
Amortisation	(60.9)	(7.5)	(11.4)	(6.9)	(86.7)	(4.2)	(90.9)
EBIT	85.9	134.9	25.2	(49.7)	196.3	10.3	206.6
Finance Costs	-	-	-	-	-	-	(58.0)
PBT	-	-	-	-	-	-	148.6
Tax	-	-	-	-	-	-	(44.6)
UNPAT	-	-	-	-	-	-	104.0

FY 2015

$m	Medical Centres	Pathology	Imaging	Corporate	Continuing	Medical Director	Group
Revenue [4]	323.8	934.5	330.8	3.1	1,561.1	38.2	1,599.3
EBITDA	172.8	151.7	72.4	(37.7)	359.2	20.2	379.4
Depreciation	(20.6)	(17.1)	(26.2)	(0.8)	(64.7)	(0.4)	(65.1)
Amortisation	(55.8)	(7.2)	(11.9)	(7.7)	(82.6)	(5.9)	(88.5)
EBIT	96.4	127.4	34.3	(46.2)	211.9	13.9	225.8
Finance Costs	-	-	-	-		-	(66.5)
PBT	-	-	-	-		-	159.3
Tax	-	-	-	-		-	(47.8)
UNPAT	-	-	-	-		-	111.5

Appendix 4E sets out the reported results for Primary for FY 2016. The reported results were impacted by several one-off items which Primary consider to be unrelated to the underlying performance of the business including, in particular, items associated with:

- Gains on sales of MedicalDirector, Transport Health insurance ("THI"), Primary's shareholding in Vision Eye Institute ("VEI"), and non-cash gains on dissolution of a Joint Venture;
- Adjustment to the Australian Tax Office ("ATO") settlement relating to potential HCP tax liabilities (in both FY 2016 and FY 2015);
- Balance sheet review (refer below); and
- Non-cash adjustments and one-off items associated with restructuring and strategic initiatives.

A reconciliation of the reported results in Appendix 4E and the underlying results discussed here, together with an explanation of the key adjustments, is set out below in the section titled "Reconciliation of reported and underlying performance".

In addition, the Appendix 4E reported results are defined as results from continuing operations and exclude the trading result and the profit on sale of MedicalDirector. These two items are reported separately as profit from discontinued operations.

[4] $33.1 million of inter-company revenue/ expenses has been eliminated at the group level (FY 2015 $31.1 million).

DIVISIONAL PERFORMANCE

Medical Centres

	FY 2016 $m	FY 2015 $m	Movement %
Revenue	**323.7**	323.8	0.0
EBITDA	**166.8**	172.8	(3.5)
Depreciation	**(20.0)**	(20.6)	2.9
Amortisation	**(60.9)**	(55.8)	(9.1)
EBIT	**85.9**	96.4	(10.9)

Revenue for Medical Centres was broadly flat at $323.7 million, with an increase in revenue for dental, specialist, surgery and IVF offsetting a reduction in GP revenue. The latter was impacted by starting the year with fewer than expected GPs and not meeting recruitment targets in the second half of the year.

The new recruitment models have now been implemented with over 50% of new starters in the second half of the period joining on "no up-front" models and an increase of 35% in retention. The new model is designed to broaden Primary's appeal to a wider cohort of GPs and to provide a sustainable model for the future. The company receives a lower share of GP Revenue (service fee) offset by lower up-front payments, increasing free cash flow and reducing capital demand. (Refer section titled "Strategic Initiatives" below.)

Costs were impacted by an increase in spend on GP recruitment, the costs associated with opening the Victorian IVF practice, an increase in labour awards and a lower level of capitalised costs on projects. This, together with flat revenue, drove a 3.5% compression in EBITDA margin. Engagement initiatives, such as the Primary Health Care Training Institute, Lead Doctor program and the establishment of a clinical council for Medical Centres while increasing costs in the short term, are an important investment in the future of our Medical Centres.

Amortisation increased due to changed treatment of HCP acquisition costs with 100% of these acquisitions now subject to amortisation, whereas previously only 80% were amortised.

Pathology

	FY 2016 $m	FY 2015 $m	Movement %
Revenue	**994.4**	934.5	6.4
EBITDA	**161.5**	151.7	6.5
Depreciation	**(19.1)**	(17.1)	(11.7)
Amortisation	**(7.5)**	(7.2)	(4.2)
EBIT	**134.9**	127.4	5.9

Despite the challenging operating environment which remains below long term growth rates, Pathology achieved above-market revenue growth of 6.4%. This was driven by an increase in volumes which grew at 6.5%, ahead of the 3.2% growth in Medicare volumes. The average fee per episode was broadly maintained in FY 2016, assisted by investment in niche specialties, which offset the impact of 12 months Vitamin D, B12 and Folate cuts compared with 8 months in FY 2015.

In view of the continuing difficult macro operating environment, the division implemented a cost saving program to reduce operating costs both in laboratories and Approved Collection Centres ("ACCs"). This included the closure or exit from over 200 underperforming ACC sites. Pleasingly, EBIT increased by 5.9% to $134.9 million, supported by the cost saving program and the roll out of procurement efficiencies.

The Coalition Government announced a potential moratorium on ACCs licences in May 2016, as part of an agreement between it and the industry body, Pathology Australia, in connection with ACC rent regulation and bulk-billing incentive cuts. This announcement led to an increase in new ACCs signings by Primary, in advance of this potential moratorium. Primary will look to reset its strategy once government policy around the moratorium is finalised. (Refer section titled "Strategic Initiatives" below.)

Imaging

	FY 2016	FY 2015	Movement
	$m	$m	%
Revenue	**326.9**	330.8	(1.2)
EBITDA	**62.2**	72.4	(14.1)
Depreciation	**(25.6)**	(26.2)	2.3
Amortisation	**(11.4)**	(11.9)	4.2
EBIT	**25.2**	34.3	(26.5)

Imaging operated in a difficult external backdrop and experienced a 1.2% decline in revenue for the year. Medicare growth rates in FY 2016 have been significantly lower than the long-term trend of 7%, driven by regulatory uncertainty and rhetoric around potential funding cuts. However, after adjusting for lost hospital contracts and new immigration visa medical contracts, Imaging delivered volume growth of 3.3%, in line with the market, and increased its average fee by 0.7% assisted by a selective launch of co-payments.

The loss of private hospital contracts at Epworth, Westmead and Buderim impacted the result. These losses were partially offset by strong performances at the high-end centre of Bridge Road, and the transfer of MRI licenses from Westmead to Liverpool, and from Buderim to Caloundra.

During the year, the division also successfully commenced the National Capital hospital contract and expanded the Knox Private hospital contract. It opened its high-value Bridge Road clinic in Victoria, Varsity Lakes in Queensland and Dubbo in NSW, which was previously run in Joint Venture.

Site and labour rationalisation in the second half of the year saw a stronger second half performance, up 43% on the first half, and the successful reset of the cost base. This rationalisation included the closure of eight sub-scale, loss-making community sites and two imaging operations in Primary's medical centres, as the business continued to focus on performance improvement.

The business also broadened its options in terms of revenue streams, with the implementation of selective private billings within private hospitals.

Corporate

	FY 2016	FY 2015	Movement
	$m	$m	%
Revenue	**1.6**	3.1	(48.4)
EBITDA	**(41.2)**	(37.7)	(9.3)
Depreciation	**(1.6)**	(0.8)	n/a
Amortisation	**(6.9)**	(7.7)	10.4
EBIT	**(49.7)**	(46.2)	(7.6)

Corporate costs for FY 2016 were up on the prior comparative period, as the business increased its investment in new capabilities, in order to provide a scaleable platform to support the sustainability of the existing business and the growth agenda for the future. This has included the establishment of Group Strategy, Human Resources, Government Relations and Corporate Affairs teams, and an Internal Audit function. Additionally a Project Management Office is being set up to provide the necessary infrastructure to drive the delivery of the transformation program which is underway.

FINANCE COSTS

Reported (and underlying) finance costs of $58.0 million were incurred in FY 2016, compared with $66.5 million in the prior comparable period. Net debt reduced by $340 million during the year which, together with a reduced weighted average cost of debt, delivered the 13% saving in total finance costs.

TAX EXPENSE

Group income tax expense for FY 2016 is set out below in comparison to FY 2015, both on an underlying and a reported basis.

$m	**FY 2016 Reported**	FY 2015 Reported	**FY 2016 Underlying**	FY 2015 Underlying
PBT	**106.9**	20.0	**148.6**	159.3
Income tax	**(32.2)**	107.5	**(44.6)**	(47.8)
NPAT	**74.7**	127.5	**104.0**	111.5

The reported tax expense for the period of $32.2 million equates to an overall effective tax rate of 30%. For FY 2015, the income tax credit of $107.5 million included a $155 million refund from the ATO for the deductible costs of acquiring HCPs.

For underlying results, an effective tax rate of 30% has been adopted.

DIVIDENDS

The directors have declared a fully franked final dividend of 6.4 cents per share. In the first half of the year, the directors declared and paid an interim dividend of 5.6 cents per share, 50% franked.

Total dividends of 12.0 cents per share equate to a payout ratio of 60% of UNPAT. This payout ratio has been set during FY 2016 to better reflect the company's growth strategy.

RECONCILIATION OF REPORTED AND UNDERLYING PERFORMANCE

Appendix 4E sets out the reported results for Primary for FY 2016. The reported results are impacted by several one-off items which Primary consider to be unrelated to the underlying performance of the business. These include the impact of the following items:

- Gains on sales of MedicalDirector, Transport Health Insurance ("THI"), Primary's shareholding in Vision Eye Institute ("VEI"), and non-cash gains on dissolution of a Joint Venture;
- Adjustment to the ATO settlement relating to potential HCP tax liabilities;
- Balance sheet review (refer below); and
- Non-cash adjustments and one-off items associated with restructuring and strategic initiatives.

As previously announced, the balance sheet review was undertaken as part of the finalisation of the FY 2016 results. In particular it included:

- Property related impairments, including reduction in estimated useful life of leasehold improvements;
- Write-off of capitalised costs associated with legacy IT systems; and
- Write-off of various assets including assets under construction, other fixed assets, HCP intangibles and inventory.

As a result of the review, Primary identified $136.0 million ($98.3 million after-tax) in non-cash write offs. Of this amount, $91.7 million impacted FY 2016 and $44.3 million impacted prior periods. Note 2 to Appendix 4E sets out the rationale for and the analysis of prior period adjustments. Of the $91.7 million impact on FY 2016, $5.8 million is underlying and $85.9 million was unrelated to underlying performance of the business and has been adjusted below.

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

$m	Reported	Gain on sale/ dissolution	ATO settlement	Balance Sheet review	Restructuring & strategic initiatives	Underlying
Revenue	1,714.6	(63.6)	0.0	0.0	0.0	1,651.0
EBITDA	326.2	(63.6)	(13.5)	83.2	31.9	364.2
Depreciation	(70.5)	0.0	0.0	2.8	1.0	(66.7)
Amortisation	(90.8)	0.0	0.0	(0.1)	0.0	(90.9)
EBIT	164.9	(63.6)	(13.5)	85.9	32.9	206.6
Finance costs	(58.0)	0.0	0.0	0.0	0.0	(58.0)
PBT	106.9	(63.6)	(13.5)	85.9	32.9	148.6
Tax	(32.2)	-	-	-	-	(44.6)
NPAT	74.7	-	-	-	-	104.0

In order to provide comparatives on a consistent basis, results for FY 2015 have also been adjusted to exclude the impact of the non-underlying items as follows:

- ATO settlement relating to potential HCP tax liabilities;
- Non-underlying impairments etc. adjusted in FY 2015 results;
- Balance sheet review non-underlying items relating to FY 2015; and
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives in FY 2015.

The reconciliation of FY 2015 reported results to underlying results is as follows:

$m	Reported	ATO settlement	FY 15 adjustments	Balance Sheet review	Restructuring & strategic initiatives	Underlying
Revenue	1,617.9	0.0	5.4	0.6	(24.6)	1,599.3
EBITDA	251.6	110.5	30.6	8.4	(21.7)	379.4
Depreciation	(72.0)	0.0	5.1	0.2	1.6	(65.1)
Amortisation	(93.1)	0.0	4.6	0.0	0.0	(88.5)
EBIT	86.5	110.5	40.3	8.6	(20.1)	225.8
Finance costs	(66.5)	0.0	0.0	0.0	0.0	(66.5)
PBT	20.0	110.5	40.3	8.6	(20.1)	159.3
Tax	107.5					(47.8)
NPAT	127.5					115.5

CASH FLOW

Group cash flow for FY 2016 is set out below in comparison to FY 2015.

$m	2016	2015	Movement
Net cash provided by operating activities	**285.1**	239.4	45.7
Net cash provided by/ (used) in investing activities	**122.4**	(268.2)	390.6
Net cash provided by/ (used) in financing activities	**(375.3)**	50.9	(426.2)
Net increase in cash held	**32.2**	22.1	10.1
Cash at the beginning of the year	**50.0**	27.5	22.5
Effect of exchange rate movements on cash held in foreign currencies	**0.1**	0.4	(0.3)
Cash at the end of the year	**82.3**	50.0	32.3

Net cash provided by operating activities improved due to better cash conversion and the net ATO refund received in the period.

Net cash provided by/ (used) in investing activities improved significantly from an outflow of $268 million in FY 2015 to an inflow of $122 million in FY 2016. Cash flow benefitted from the successful capital recycling program during the year which saw the following non-core assets divested, (with gross proceeds):

- MedicalDirector ($156 million);
- Barangaroo property ($40 million);
- VEI ($37 million); and
- THI ($27 million, or $19 million net of cash in the business).

The Primary Health Care Property Trust ("PHPT") was established in December 2015 and acquired $23 million of existing assets from Primary's balance sheet, including the imaging centre in Bridge Road, Richmond, Victoria and the Corrimal site in NSW. In addition, the sale and operating lease back of a significant portion of the company's imaging equipment in June 2016 provided $60 million of gross proceeds.

During the year the company also achieved a reduction in its overall spend on property, plant and equipment ("PP&E"), HCP acquisitions and IT investment. This included savings in HCP capex from the introduction of capital-light recruitment models, coupled with benefits stemming from tax deductibility. In addition, the Group spent $41 million less on its PP&E, notwithstanding investment in IVF and Imaging centres.

In terms of financing activities, Primary made an overall net repayment of borrowings and finance lease liabilities of $311 million in FY 2016, compared to an increase in borrowings in FY 2015 of $112 million. This included the redemption of the $152.3 million Retail Bonds which matured in September 2015. The bonds carried an interest rate of 8.75%. In addition the company paid $64 million in dividends to its shareholders during the year, compared to $54 million in FY 2015.

BALANCE SHEET

The Group has a strong financial position with $3.6 billion in assets underpinned by $2.4 billion of shareholders equity. Group net debt at 30 June 2016 was $816 million compared to $1.2 billion in FY 2015.

It can be analysed as follows:

As at $m	**30 June 2016**	30 June 2015	Movement
Bank and finance debt	**898.3**	1,205.5	307.2
Cash	**(82.3)**	(50.0)	32.3
Net debt	**816.0**	1,155.5	339.5
Gearing (net debt: net debt + equity)	**25.2%**	32.4%	-
Bank gearing ratio (covenant <3.5x)	**2.3x**	3.0x	-

Gearing (expressed as the ratio of net debt to net debt plus equity) improved from 32.4% to 25.2%, as a result of the capital recycling program. (Refer section titled "Cash Flow").

The bank gearing ratio for the syndicated financing agreement in FY 2016 is 2.3x, compared with a covenant ceiling of 3.5x. This is subject to finalisation of the compliance certificate. At 30 June 2016, Primary had available headroom on its banking facilities of over $360 million. The first tranche of two facilities is due to mature in November 2018 and the second in April 2020.

At 30 June 2016, Primary had a net current asset deficiency of $30.5 million (2015: $118.5 million). As noted above, the Group has access to over $360 million of financing facilities which can be drawn down if required.

STRATEGIC INITIATIVES

Overview

The core aim of Primary's strategy is to deliver good health outcomes to patients and growth to shareholders**,** with the aspiration of making Primary a preferred place for healthcare practitioners and staff to work and for patients to come for treatment.

Primary announced a strategic review in 2015 which identified the following key focus areas:

- Investing for growth
- Strengthening the balance sheet
- Improving returns on capital
- Improving stakeholder engagement

During the period Primary successfully rolled out a range of initiatives to deliver these objectives.

Investing for growth

- Medical Centres expanded its IVF footprint and commenced development on a pipeline of five medical centres. The new Private Billing model is also under development.
- Imaging expanded its high-value imaging sites including Bridge Road and Varsity Lakes.
- Pathology invested in dermatopathology with the establishment of Kossard Pathology.

Strengthening the balance sheet

- Primary delivered a $328 million capital inflow from its successful recycling program, together with the establishment of the PHPT and the imaging equipment sale and leaseback.
- An important achievement was the roll out of capital-light HCP recruitment models which improved free cash flow, GP retention rates and return on capital.

Improving returns on capital

- Pathology optimised its laboratory infrastructure and improved its procurement process.
- Imaging closed a number of sites and reduced staffing levels.

Improving stakeholder engagement

- The business sought to improve its engagement with internal stakeholders, implementing a number of activities to support HCPs and employees.
- Primary engaged with external parties including government, professional bodies and the market.

In FY 2017, the transformation of the Group will continue, with further cultural and technological changes and capability-build, as the company refocuses on its core businesses and uses its stronger balance sheet to invest and grow.

Operating divisions

Medical Centres - Bulk Billing

Medical Centres represent the core of Primary's business model and drives value to the rest of the Group. Throughout the year, Government-funded healthcare continued to come under pressure as policies including the MBS freeze, impacted the healthcare sector.

At Primary, flexible, capital-light recruitment models were introduced, which focused on improving recruitment and retention of healthcare professionals. Launched in November 2015, with a second tranche released in May 2016, these new packages aim to attract a wider cohort of practitioners by offering a range of upfront and revenue sharing options.

Healthcare practitioners who contract for five years can receive an upfront payment of up to a maximum of their annual billings and a 50% share of revenue they generate. Alternatively, they can receive a higher share of revenue they generate with no upfront payment over a shorter contract period. The latter package better aligns costs to revenue generated, while increasing the return on invested capital and delivering an EBIT neutral outcome. In between these two 'book-ends' a range of bespoke options are available across key interlinked variables including percentage of billings, hours worked and extent of after-hours commitment, allowing Primary to align the interests of the company and its practitioners.

While these new offerings have only been in market for a relatively short period of time, the early outcomes are positive, with over 50% of new starters in the second half of the year joining on the no-upfront models.

However, the key aim of FY 2017 is to recruit more GPs. The company has completed a review of its recruiting program and is implementing new initiatives to drive significant growth in recruiting. The company is also focused on rolling out engagement initiatives to foster an enhanced work environment and improve its brand and reputation. Initiatives include the establishment of the Clinical Councils, which offer healthcare practitioners a forum to provide high-level feedback to executives, suggest improvements to the delivery and standards of Primary's clinical services and input into the Group's strategy.

Primary is increasing the support services available to GPs, which has seen the expansion of the Primary Health Care Training Institute, a key learning resource for Primary's cohort of health practitioners. Likewise, the company is growing its Registrar program which is key to building a wider GP talent pool, and investing in communications to deliver better engagement.

Primary also continues to focus on investing for growth and optimising its footprint. Four large-scale medical centres, and one super centre are in the pipeline, including the Corrimal Medical and Dental Centre in NSW, which is due to open in early calendar year 2017. These centres will all be predominantly funded by the PHPT. Further a program designed to improve utilisation of currently unused space in existing centres is underway, along with a focus on re-designing future centres to better meet the needs of patients and HCPs.

As well as growing its pipeline of centres, the business is looking to expand its Medical Home model's suite of services. This includes launching IVF services in new geographic locations, with the Preston IVF site in Melbourne opened during the period, and a further two sites slated for opening in FY 2017.

The business is also focused on diversifying its revenue stream via an increase in non-MBS funded services including dental and chronic care services. Furthermore, Medical Centres is piloting an integrated care service, capitalising on industrial medicine options and trialling home doctor visits. The division is investing in next generation systems through its service agreement with MedicalDirector.

Looking forward, Medical Centres is committed to establishing Primary as a preferred brand for HCPs and staff to work for, and for patients to trust.

Medical Centres - Private Billing

Primary announced the diversification of its Medical Centres business into a new Private Billing business in March 2016, as it looks to grow in an environment where Government-funded healthcare is under constant pressure.

The Private Billing business will give Primary the opportunity to lead trend in the consolidation of the GP market from its currently fragmented base and access an untapped part of the market. It will provide Primary a diversified revenue stream and increased resilience, bringing a new brand into the company's stable of services.

The Private Billing business will offer patients a differentiated proposition to Primary's traditional bulk billing service. It will leverage Primary's scale to deliver a model that is patient centric and focused on quality outcomes while retaining the elements both GPs and patients value from traditional practices. To do this, the business will build capability in innovative healthcare, which will include a strong focus on digital health and technology.

Primary expects the new model will be rolled out progressively via a mix of acquisitions, utilisation of existing assets and green field developments. The division aims to have a number of sites in operation by the end of calendar year 2016.

Pathology

The Pathology division enjoys strong-state based brand recognition, and is a market leader in Queensland, Victoria and Western Australia.

While the Pathology market in Australia offers little opportunity for growth through acquisitions, the business is working hard to deliver further efficiencies, with a focus on reviewing underperforming ACCs, streamlining laboratory infrastructure, and reducing duplication in back-office operations.

Approximately 200 underperforming ACCs were either closed or exited during FY 2016; around 24% more than in FY 2015. In tandem, the business tightened hurdle-rates for both new collection sites and re-signed sites. The company has flexibility in its lease portfolio with approximately 64% of leases able to be renegotiated in the next 18 months, providing a strong platform to reset the ACC cost base.

The Coalition Government announced a potential moratorium on ACC licences in May 2016, as part of an agreement between it and the industry body, Pathology Australia, in connection with ACC rent regulation and bulk-billing incentive cuts. This announcement led to an increase in new ACC signings by the industry, in advance of this potential moratorium. Primary itself was active in signing up new ACCs with 85% of its second half openings occurring in June. Primary will look to reset its strategy once government policy around the moratorium is crystallised.

In FY 2017 Primary will begin a process to progressively divest a number of ex-Healthscope ACCs which were acquired in December 2014. The divestment was the result of a review undertaken by the Australian Competition and Consumer Commission ("ACCC"), which found that the transaction lessened competition in Queensland and NSW. While Primary did not consider the transaction impacted or lessened competition, the company entered into a sale and purchase agreement with MedLab Pathology in order to address the ACCC's concerns. While the impact on annual profit is not material, the business is nevertheless working through a number of mitigation activities.

Another facet of the division's cost saving program involved improved procurement and productivity initiatives, along with an optimisation of laboratory infrastructure. Within the Pathology division, there is also a strong focus on investing in technology, with the introduction of greater analytics at the collection centre level which will serve to boost efficiencies and drive productivity.

Primary is focused on growing Pathology's revenue stream by diversifying its activities and harnessing new growth opportunities. In February 2016 the business expanded its specialist service offering with the launch of the Kossard Dermatopathology unit. Led by Professor Steven Kossard, the unit is one of the largest of its kind in Australia.

Pathology also rolled out private billing trials for selected specialties with the potential to extend the trials to other niche services in FY 2017. The division remains focused on securing outsourcing opportunities provided by state governments, and diversifying into Southeast Asia via capital-light joint ventures with local partners.

Imaging

Imaging is on a transformative path, as it looks to realign its portfolio, optimise its asset base and diversify its revenue stream.

The business is focusing on hospital contracts, high-value, large-scale imaging centres and its presence in Primary's medical centres, to deliver growth on its capital intensive asset base. During the year, the division successfully commenced the National Capital hospital contract and expanded the Knox Private hospital contract. It also announced the award of the 488-bed Northern Beaches Hospital contract in NSW which will commence in 2018.

The division opened its high-value Bridge Road clinic in Victoria, Varsity Lakes in Queensland and Dubbo in NSW, which was previously run in Joint Venture. Looking forward, Imaging is investing in several centres, including the new Primary medical centres and a number of high-end imaging sites in Queensland.

Importantly, the business executed on its cost saving and profit enhancement program, with the closure of eight sub-scale community sites and two imaging operations in Primary's medical centres, the reduction in staffing levels to better fit operational needs, and improved radiologist coverage in large-scale sites to drive revenue.

Given the capital intensive nature of the business, exploration of funding models for new imaging equipment is underway, as the division looks to drive flexibility in its cost base and gain maximum equipment productivity.

Internally, there continues to be a focus to improve engagement with healthcare professionals and staff, with the business introducing new contract models for radiologists. Imaging is offering contracts with no-upfront payments and bespoke options to better suit lifestyle, foster a more productive work environment and improve its service delivery to healthcare practitioners. The division will replace its key software systems over the next 18 months to enable it to deliver further operational efficiencies.

Furthermore, private billing has been rolled out in selective private hospitals, in order to diversify revenue options.

GOVERNMENT REVIEWS

Australia's bulk-billing environment has been fundamental to the growth of the company. During the year, Primary experienced revenue pressure from the Medicare rebate freeze, while ongoing health policy uncertainty, negative media around waste in the health system and the recent Federal election campaign exacerbated matters. Overall there was a drop in Medicare growth rates in Pathology and Imaging below long-term averages.

After the election and the many promises made by the Coalition, the industry is seeking clarity on the duration of the Medicare rebates freeze (currently extended until 2020), the MBS review, the potential regulation of ACC rents in the pathology sector, and the potential removal of bulk-billing incentives in both imaging and pathology, raised as part of the 2015 Mid-year Economic and Fiscal Outlook.

To address the complex funding environment and provide growth, the Group is focused on diversifying its revenue stream to include private billing clinics and looking to potential offshore expansion in its Pathology division. Primary is also working to expand and improve its Medical Home model and develop patient-centric care options, supported by high-end IT investments and an innovative approach to e-health technologies.

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.

As state governments look to manage public hospital costs, the opportunity for the private sector to partner with government is gaining traction, highlighted by the NSW Government's Public Private Partnership initiatives, which has seen the running of the Northern Beaches Hospital outsourced to the private sector.

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 already developed comprehensive, multi-disciplinary medical centres where patients can see their GP and general practice nurse, have pathology and diagnostic imaging tests undertaken, and visit specialists, allied health experts, and the pharmacy.

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 and continuity of patients' care.

Primary aims to be at the forefront of the efficiency drive in the health sector, and cement its position as a leading quality healthcare provider. It aims to become the preferred place where healthcare practitioners and staff want to work and where patients want to come for treatment. Combining this with more diversified revenue streams, a more flexible cost base, lower leverage, and greater focus on returns on investment, the Group has the pathway for growth and expects to see an improvement in both reported and underlying performance in FY 2017.

Statement of profit or loss *for the year ended 30 June 2016*

	Note	CONSOLIDATED 2016 $m	Restated 2015 $m
Revenue [1]		**1,636.9**	1,579.7
Employee benefits expense	4	**717.1**	683.1
Property expenses	4	**214.8**	195.2
Consumables		**169.1**	160.9
ATO settlement		**(13.5)**	110.5
IT expenses		**12.2**	12.4
Significant items	4	**84.8**	38.0
Other expenses		**181.3**	148.2
EBITDA		**271.1**	231.4
Depreciation [1]	8	**70.1**	71.6
Amortisation of intangibles	9	**86.6**	87.2
EBIT		**114.4**	72.6
Finance costs	4	**58.0**	66.5
Profit before tax		**56.4**	6.1
Income tax expense/ (benefit)	5	**18.2**	(110.8)
Profit for the year from continuing operations		**38.2**	116.9
Profit for the year from discontinued operations	16(e)	**36.5**	10.6
Profit for the year [2]		**74.7**	127.5
Attributable to:			
Equity holders of Primary Health Care Limited		**74.9**	127.5
Non-controlling interest		**(0.2)**	-
Profit for the year		**74.7**	127.5

	Note	CONSOLIDATED 2016 Cents Per Share	2015 Cents Per Share
Basic and diluted earnings per share from continuing operations	14	**7.4**	22.8
Basic and diluted earnings per share from continuing and discontinued operations	14	**14.4**	24.9

Where applicable, comparative information has been restated to correct prior period errors (refer Note 2) and to reclassify the results for Health Communication Network Limited ("HCN") which is classified as a discontinued operation in the current and comparative period (refer Note 16(e)).

[1] Refer Note 4 for details of the significant items included within this balance.

[2] Underlying profit for the year is $104.0 million (2015: $111.5 million). Refer to the Review of Operations on pages 8 and 9 for a reconciliation of reported profit after tax to underlying profit after tax.

Statement of comprehensive income *for the year ended 30 June 2016*

	CONSOLIDATED	
	2016 **$m**	Restated 2015 $m
Profit for the year	**74.7**	127.5
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) on cash flow hedges	**(3.6)**	(14.4)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**11.3**	9.3
Fair value (loss) on available-for-sale financial assets	**-**	(4.3)
Reclassification adjustments relating to available-for-sale financial assets disposed in the period	**(5.4)**	-
Exchange differences arising on translation of foreign operations	**(0.2)**	-
Income tax relating to items that may be reclassified subsequently to profit or loss	**(0.7)**	2.8
Other comprehensive income/ (loss) for the year, net of income tax	**1.4**	(6.6)
Total comprehensive income for the year	**76.1**	120.9
Attributable to:		
Equity holders of Primary Health Care Limited	**76.3**	120.9
Non-controlling interest	**(0.2)**	-
	76.1	120.9

Statement of financial position as at 30 June 2016

	Note	CONSOLIDATED 30 June 2016 $m	Restated 30 June 2015 $m	Restated 30 June 2014 $m
Current assets				
Cash	16(a)	**82.3**	50.0	27.5
Receivables	6(a)	**136.8**	145.3	148.5
Consumables		**25.5**	28.2	27.3
Other financial assets		**-**	3.2	-
Tax receivable		**5.7**	44.3	-
		250.3	271.0	203.3
Assets classified as held for sale		**-**	39.2	-
Total current assets		**250.3**	310.2	203.3
Non-current assets				
Receivables	6(b)	**4.4**	4.1	4.1
Goodwill	7	**2,772.2**	2,832.1	2,798.2
Property, plant and equipment	8	**342.2**	435.7	400.5
Other intangible assets	9	**220.7**	285.3	271.2
Other financial assets		**1.3**	34.2	25.7
Investment in joint ventures		**-**	2.0	1.9
Deferred tax asset		**33.5**	14.5	16.0
Total non-current assets		**3,374.3**	3,607.9	3,517.6
Total assets		**3,624.6**	3,918.1	3,720.9
Current liabilities				
Payables	10(a)	**181.0**	185.1	156.9
Tax liabilities		**-**	-	31.6
Provisions	11(a)	**87.2**	76.4	55.8
Other financial liabilities		**10.6**	11.7	8.4
Interest bearing liabilities	12(a)	**2.0**	155.5	3.1
Total current liabilities		**280.8**	428.7	255.8
Non-current liabilities				
Payables	10(b)	**7.8**	7.1	13.1
Provisions	11(b)	**11.2**	9.6	3.6
Other financial liabilities		**0.8**	7.3	5.6
Interest bearing liabilities	12(b)	**896.3**	1,050.0	1,094.6
Total non-current liabilities		**916.1**	1,074.0	1,116.9
Total liabilities		**1,196.9**	1,502.7	1,372.7
Net assets		**2,427.7**	2,415.4	2,348.2
Equity				
Issued capital	13	**2,422.8**	2,407.3	2,366.3
Reserves		**(5.2)**	(5.9)	8.0
Retained earnings		**8.5**	12.2	(27.9)
Equity attributable to equity holders		**2,426.1**	2,413.6	2,346.4
Non-controlling interest		**1.6**	1.8	1.8
Total equity		**2,427.7**	2,415.4	2,348.2

Where applicable, comparative information has been restated to correct prior period errors (refer Note 2).

Statement of changes in equity *for the year ended 30 June 2016*

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 (Restated)	**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 13)	**15.5**	**-**	**-**	**-**	**-**	**-**	**15.5**	**-**	**15.5**
Balance at 30 June 2016	**2,422.8**	**-**	**(8.0)**	**0.7**	**2.1**	**8.5**	**2,426.1**	**1.6**	**2,427.7**

CONSOLIDATED $m	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 1 July 2014 as previously reported	2,366.3	6.8	(9.8)	0.9	10.1	(4.9)	2,369.4	1.8	2,371.2
Restatement (refer Note 2)	-	-	-	-	-	(23.0)	(23.0)	-	(23.0)
Balance at 1 July 2014 (Restated)	2,366.3	6.8	(9.8)	0.9	10.1	(27.9)	2,346.4	1.8	2,348.2
Profit for the year	-	-	-	-	-	127.5	127.5	-	127.5
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-
Fair value (loss) on available-for-sale investments	-	(4.3)	-	-	-	-	(4.3)	-	(4.3)
Fair value (loss) on cash flow hedges	-	-	(14.4)	-	-	-	(14.4)	-	(14.4)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	-	-	9.3	-	-	-	9.3	-	9.3
Income tax relating to components of other comprehensive income	-	1.3	1.5	-	-	-	2.8	-	2.8
Total comprehensive income	-	(3.0)	(3.6)	-	-	127.5	120.9	-	120.9
Payment of dividends	-	-	-	-	-	(94.8)	(94.8)		(94.8)
Share-based payment	-	-	-	-	0.1	-	0.1	-	0.1
Transfers	-	-	-	-	(7.4)	7.4	-	-	-
Movement in share capital (refer Note 13)	41.0	-	-	-	-	-	41.0	-	41.0
Balance as at 30 June 2015	2,407.3	3.8	(13.4)	0.9	2.8	12.2	2,413.6	1.8	2,415.4

Where applicable, comparative information has been restated to correct prior period errors (refer Note 2).

Statement of cash flows *for the year ended 30 June 2016*

	Note	CONSOLIDATED 2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers		**1,737.5**	1,637.6
Payments to suppliers and employees		**(1,383.6)**	(1,269.6)
Gross cash flows from operating activities		**353.9**	368.0
Interest paid		**(59.6)**	(66.9)
Net income tax paid		**(10.6)**	(62.4)
Interest received		**1.4**	0.7
Net cash provided by operating activities	16(b)	**285.1**	239.4
Cash flows from investing activities			
Payment for property, plant and equipment		**(94.0)**	(134.9)
Payment for Medical Centres healthcare practitioners		**(60.6)**	(79.9)
Payment for Pathology healthcare practices		**(14.0)**	-
Payment for Imaging healthcare practitioners		**(10.3)**	(4.1)
Payment for subsidiaries acquired		**-**	(9.5)
Payment for other intangibles		**(26.0)**	(34.5)
Net proceeds from sale of/ (payments for) investments		**36.7**	(5.5)
Proceeds from the sale of property, plant and equipment		**118.6**	0.2
Net proceeds from sale of discontinued operations		**152.7**	-
Net proceeds from sale of controlled entity		**19.3**	-
Net cash provided by/ (used in) investing activities		**122.4**	(268.2)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(577.6)**	(187.8)
Proceeds from borrowings		**267.3**	300.0
Dividends paid		**(64.4)**	(53.7)
Other finance costs		**(0.6)**	(7.6)
Net cash (used in)/ provided by financing activities		**(375.3)**	50.9
Net increase in cash held		**32.2**	22.1
Cash at the beginning of the year		**50.0**	27.5
Effect of exchange rate movements on cash held in foreign currencies		**0.1**	0.4
Cash at the end of the year	16(a)	**82.3**	50.0

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 2016 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 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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. PRIOR PERIOD RE-STATEMENT – CORRECTION OF ERROR

Following a detailed review of the balance sheet a number of adjustments were identified whereby certain assets were impaired and provisions were understated. Where these adjustments arose as a result of information that existed in prior periods but was incorrectly taken into consideration when assessing the carrying amount of assets and the adequacy of liabilities the errors are prior period errors that have been corrected by restating each of the affected financial statement line items for the prior periods as set out below. There is no impact on the Statement of Cash Flows for the prior period arising from the correction of the prior period errors.

Impact on the income statement for the Year ended 30 June 2015 (Extract)

	Note	Restated 30 June 2015 $m	Restatement increase/ (decrease) $m	As reported 30 June 2015 [1] $m
Revenue		1,579.7	(0.6)	1,580.3
Significant items		38.0	7.8	30.2
EBITDA		231.4	(8.4)	239.8
Depreciation		71.6	3.0	68.6
EBIT		72.6	(11.4)	84.0
Profit before tax		6.1	(11.4)	17.5
Income tax (benefit)/ expense		(110.8)	2.4	(108.4)
Profit for the period		116.9	(9.0)	125.9

Impact on the balance sheet as at 30 June 2015 (Extract)

	Note	Restated 30 June 2015 $m	Restatement increase/ (decrease) $m	As reported 30 June 2015 $m
Current receivables		145.3	(2.0)	147.3
Tax receivable		44.3	2.2	42.1
Property, plant and equipment		435.7	(33.2)	468.9
Other intangibles assets		285.3	(4.7)	290.0
Deferred tax asset		14.5	10.1	4.4
Current payables		185.1	4.4	180.7
Net assets		2,415.4	(32.0)	2,447.4
Retained earnings		12.2	(32.0)	44.2
Total equity		2,415.4	(32.0)	2,447.4

[1] After adjusting to exclude the operations of HCN that have been classified as discontinued in the current year (refer Note 16(e)).

2. PRIOR PERIOD RE-STATEMENT – CORRECTION OF ERROR (CONTINUED)

Impact on the balance sheet as at 30 June 2014 (Extract)

	Note	Restated 30 June 2014 $m	Restatement increase/ (decrease) $m	As reported 30 June 2014 $m
Current receivables		148.5	(1.4)	149.9
Property, plant and equipment		400.5	(27.4)	427.9
Other intangibles assets		271.2	(1.2)	272.4
Deferred tax asset		16.0	8.6	7.4
Current payables		156.9	2.9	154.0
Tax liabilities		31.6	(1.3)	32.9
Net assets		2,348.2	(23.0)	2,371.2
Retained earnings		(27.9)	(23.0)	(4.9)
Total equity		2,348.2	(23.0)	2,371.2

Impact on earnings per share for the Year ended 30 June 2015

Earnings per share (Consolidated)	Note	Restated 2015 Cents per share	Restatement increase/ (decrease) Cents per share	As reported 2015 [1] Cents per share
Basic and diluted earnings per share from continuing operations		22.8	(1.8)	24.6
Basic and diluted earnings per share from continuing and discontinued operations		24.9	(1.8)	26.7

[1] After adjusting to exclude the operations of HCN that have been classified as discontinued in the current year (refer Note 16(e)).

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 three major operating segments, described below:

Medical Centres – This division provides a range of services and facilities to general practitioners, specialists and other healthcare providers.

Pathology – This division provides pathology services.

Imaging – This division provides imaging and scanning services from stand-alone imaging sites and from within the consolidated entity's medical centres.

During the current period the entities comprising the Health Technology segment were sold (primarily Health Communication Network Limited – refer note 16(e) for further details). The results of the Health Technology segment are classified and disclosed as a discontinued operation in this financial report including the segment information below.

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 2016 exclude the impact of non-underlying items relating to:

- Gains on sale of MedicalDirector, Transport Health Insurance, 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.

In order to provide comparatives on a consistent basis, as underlying profit was not reported for the year ended 30 June 2015, non-underlying adjustments have been recognised in the disclosures below. Underlying results for the comparative period exclude the impact of the following items:

- ATO settlement relating to potential HCP tax liabilities;
- Non-underlying impairments etc. adjusted in FY 2015 results;
- Balance sheet review non-underlying items relating to FY 2015; and
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives in FY 2015.

3. SEGMENT INFORMATION (CONTINUED)

Underlying

30 June 2016	**Medical Centres $m**	**Pathology $m**	**Imaging $m**	**Other $m**	**Total Continuing Operations $m**	**HCN $m**	**Underlying $m**
Segment Revenue	**323.7**	**994.4**	**326.9**	**1.6**	**1,646.6**	**37.5**	**1,684.1**
Intersegment sales					(33.1)		(33.1)
Total Statutory Revenue					**1,613.5**	**37.5**	**1,651.0**
EBITDA	**166.8**	**161.5**	**62.2**	**(41.2)**	**349.3**	**14.9**	**364.2**
Depreciation	(20.0)	(19.1)	(25.6)	(1.6)	(66.3)	(0.4)	(66.7)
Amortisation of intangibles	(60.9)	(7.5)	(11.4)	(6.9)	(86.7)	(4.2)	(90.9)
EBIT	**85.9**	**134.9**	**25.2**	**(49.7)**	**196.3**	**10.3**	**206.6**
Finance costs					(58.0)		(58.0)
Profit before tax					**138.3**	**10.3**	**148.6**
Income tax expense [1]							44.6
Profit for the year							**104.0**

The reconciliation of Statutory Profit before tax to Underlying Profit before tax for the year ended 30 June 2016 can be found on page 8 of the Review of Operations.

30 June 2015	Medical Centres $m	Pathology $m	Imaging $m	Other $m	Total Continuing Operations $m	HCN $m	Underlying $m
Segment Revenue	323.8	934.5	330.8	3.1	1,592.2	38.2	1,630.4
Intersegment sales					(31.1)		(31.1)
Total Statutory Revenue					1,561.1	38.2	1,599.3
EBITDA	172.8	151.7	72.4	(37.7)	359.2	20.2	379.4
Depreciation	(20.6)	(17.1)	(26.2)	(0.8)	(64.7)	(0.4)	(65.1)
Amortisation of intangibles	(55.8)	(7.2)	(11.9)	(7.7)	(82.6)	(5.9)	(88.5)
EBIT	96.4	127.4	34.3	(46.2)	211.9	13.9	225.8
Finance costs					(66.5)		(66.5)
Profit before tax					145.4	13.9	159.3
Income tax expense [1]							47.8
Profit for the year							111.5

The reconciliation of Statutory Profit before tax to Underlying Profit before tax for the year ended 30 June 2015 can be found on page 8 of the Review of Operations.

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

4. EXPENSES

	CONSOLIDATED	
	2016 $m	2015 $m
Employee benefits expense		
Other employee benefits	**664.2**	631.3
Defined contribution superannuation	**52.3**	51.7
Share-based payments	**0.6**	0.1
	717.1	683.1
Property expenses		
Operating leases	**192.7**	170.8
Other property expenses	**22.1**	24.4
	214.8	195.2
Finance costs		
Interest expense	**53.6**	61.9
Amortisation of borrowing costs	**4.6**	5.4
Capitalised interest	**(0.2)**	(0.8)
	58.0	66.5

Significant items

The significant items relate to previously announced asset impairments and non-cash write-offs identified through the balance sheet review undertaken as part of the finalisation of the results for the year ended 30 June 2016. The amount disclosed as a significant item in the Statement of Profit or Loss is reconciled below. The amounts included in the comparative period include prior period errors identified as part of the balance sheet review (refer note 2) and amounts previously reported.

	CONSOLIDATED	
	2016 $m	2015 $m
Revenue	**2.5**	0.6
Included within the significant item are the following asset impairment and non-cash charges by expense type:		
Employee benefits expense	**8.0**	5.5
Property expenses	**1.1**	6.6
Consumables	**0.4**	-
Impairment of assets	**66.0**	17.4
Other expenses	**9.3**	8.5
Total significant item	**84.8**	38.0
EBITDA	**87.3**	38.6
Depreciation	**4.4**	3.0
Profit before tax	**[1] 91.7**	41.6
Income tax benefit	**(25.4)**	(11.4)
Profit after tax	**66.3**	30.2

[1] Includes $5.8 million of underlying items and $85.9 million of non-underlying items.

5. INCOME TAX EXPENSE

	NOTE	CONSOLIDATED 2016 $m	2015 $m
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		**56.4**	6.1
Income tax calculated at 30% (2015: 30%)		**16.9**	1.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
ATO settlement of healthcare practitioner tax liabilities		**(4.1)**	33.1
Amortisation of contractual relationship intangible		**14.7**	16.5
Other items		**(0.5)**	(4.1)
		10.1	45.5
(Over) provision in prior years		**(7.0)**	(2.4)
		20.0	44.9
ATO settlement for the cost of acquiring healthcare practices now deductible		**(1.8)**	(155.7)
Income tax expense/ (benefit)		**18.2**	(110.8)

Amortisation of healthcare practitioner contractual relationships intangible

On 30 June 2015, the Deputy Commissioner of Taxation ("ATO") advised Primary that the cost of acquiring medical and healthcare practices was tax deductible.

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 was recognised in relation to the intangible assets and the amortisation expense on these acquisitions 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 ordinarily increases the effective tax rate for Primary above 30% throughout the period the intangible assets continue to be amortised. Once these intangible assets have been fully amortised (which will occur progressively over the next 4 years) these historical practice acquisitions will have no ongoing impact on the effective tax rate for Primary.

Primary's expectation is that the Group's long term effective tax rate will approximate 30% (based on the current structure and nature of our business).

6. RECEIVABLES

	CONSOLIDATED	
	2016 $m	2015 $m
Measured at amortised cost		
(a) Current		
Trade receivables	**99.2**	94.7
Allowance for doubtful debts	**(12.6)**	(7.6)
	86.6	87.1
Prepayments	**21.9**	14.4
Accrued revenue	**18.5**	14.9
Other receivables	**9.8**	28.9
	136.8	145.3
(b) Non-current		
Other receivables and prepayments	**4.4**	4.1
	4.4	4.1

7. GOODWILL

	CONSOLIDATED	
	2016 $m	2015 $m
(a) Carrying value		
Opening balance	**2,832.1**	2,798.2
Acquisition of subsidiaries	**2.8**	9.9
Acquisition of businesses	**9.5**	24.0
Disposal of subsidiaries	**(72.2)**	-
Closing balance	**2,772.2**	2,832.1
(b) Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Medical Centres	**849.6**	855.6
Pathology	**1,581.0**	1,572.5
Imaging	**341.6**	338.9
Health Technology	**-**	65.1
	2,772.2	2,832.1

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:

- the FY 2017 Board approved budget as year one in the five year cash flow;
- for FY 2018 – FY 2019 the business plans as discussed with the Board as years two and three in the five year cash flow; and
- for FY 2020 – FY 2021, the Group assumes a long term growth rate consistent with the historic industry trend levels.

7. GOODWILL (CONTINUED)

The key assumptions in the Group's Discounted Cash Flow model as at 30 June 2016 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast Revenue	Forecast revenue has been calculated assuming FY 2018 – FY 2021 growth rates as follows: • Medical Centres: 7.9% (30 June 2015: 7.8%) • Pathology: 5.1% (30 June 2015: 5.5%) • Imaging: 7.5% (30 June 2015: 6.0%) Changes to forecast revenue in the current year have been determined with reference to historical company experience, industry data and scheduled centre openings.
Terminal value growth rate	The terminal value growth rate assumed for all CGUs is 3.0% (30 June 2015: 3.0%).
Weighted Average Cost of Capital (WACC)	Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU. 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: • Medical Centres: 8.5% (30 June 2015: 8.8%) • Pathology: 8.5% (30 June 2015: 8.5%) • Imaging: 8.8% (30 June 2015: 8.9%)

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 following table sets out the change in each of the key assumptions that would be required in order for the carrying value of the CGU to equal the recoverable amount.

CGU	Increase/ (decrease) in assumptions required for recoverable amount to equal carrying amount	
	Revenue growth per annum	WACC
Medical Centres	(4.0%)	2.8%
Imaging	(3.2%)	3.0%
Pathology	(1.4%)	1.4%

Following the recent federal election there is uncertainty in relation to the Federal Government's proposed changes to healthcare regulation as it relates to bulk billing incentives for pathology and diagnostic imaging services and proposed reregulation of pathology collection centre rents. As a result of this uncertainty the company's forecast cash flows do not incorporate any adjustments for potential changes to bulk billing incentives or reregulation of collection centre rents.

8. PROPERTY, PLANT AND EQUIPMENT

2016 $m	Freehold Land and Buildings	Assets Under Construction	Leasehold Improvements	Plant and Equipment	TOTAL
Net book value					
Opening balance	**4.0**	**54.0**	**196.5**	**181.2**	**435.7**
Additions	**0.4**	**31.0**	**8.0**	**42.3**	**81.7**
Subsidiary acquired	**-**	**2.2**	**-**	**-**	**2.2**
Capitalised borrowing costs	**-**	**-**	**-**	**-**	**-**
Capitalisation of Assets Under Construction	**19.8**	**(68.3)**	**40.1**	**8.4**	**-**
Disposals	**(22.2)**	**-**	**(2.4)**	**(57.1)**	**(81.7)**
Impairment	**-**	**-**	**(6.6)**	**(19.0)**	**(25.6)**
Depreciation expense	**-**	**-**	[1] **(29.3)**	**(40.8)**	**(70.1)**
Closing balance	**2.0**	**18.9**	**206.3**	**115.0**	**342.2**
Cost	**2.3**	**18.9**	**399.3**	**469.8**	**890.3**
Accumulated depreciation	**(0.3)**	**-**	**(193.0)**	**(354.8)**	**(548.1)**
Closing balance	**2.0**	**18.9**	**206.3**	**115.0**	**342.2**

Restated 2015 $m	Freehold Land and Buildings	Leasehold Land and Buildings	Assets Under Construction	Leasehold Improvements	Plant and Equipment	TOTAL
Net book value						
Opening balance	0.8	-	39.5	183.6	176.7	400.6
Additions	3.5	39.4	70.7	5.7	31.4	150.7
Capitalised borrowing costs	-	-	-	0.7	-	0.7
Capitalisation of Assets Under Construction	-	-	(56.2)	35.6	20.6	-
Disposals	-	-	-	(2.6)	-	(2.6)
Impairment	-	-	-	-	(2.9)	(2.9)
Reclassified as held for sale	-	(39.2)	-	-	-	(39.2)
Depreciation expense	(0.3)	(0.2)	-	[2] (26.5)	(44.6)	(71.6)
Closing balance	4.0	-	54.0	196.5	181.2	435.7
Cost	4.3	-	54.0	367.8	537.2	963.3
Accumulated depreciation	(0.3)	-	-	(171.3)	(356.0)	(527.6)
Closing balance	4.0	-	54.0	196.5	181.2	435.7

[1] Includes $4.4 million of accelerated depreciation
[2] Includes $3.0 million of accelerated depreciation

9. OTHER INTANGIBLE ASSETS

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**
Capitalisation of Intangible Assets Under Construction	**-**	**18.9**	**-**	**(18.9)**	**-**
Disposals	**(1.7)**	**(0.2)**	**-**	**-**	**(1.9)**
Impairment	**(3.6)**	**(20.6)**	**(3.1)**	**-**	**(27.3)**
Amortisation expense	**(66.9)**	[1] **(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	**688.9**	**143.0**	**35.5**	**8.5**	**872.5**
Accumulated amortisation	**(524.0)**	**(104.2)**	**(27.0)**	**-**	**(651.8)**
Closing Balance	**164.9**	**38.8**	**8.5**	**8.5**	**220.7**

The copyright in computer software programs with a written down value of $nil as at 30 June 2015 was disposed of during the current year as part of the disposal of Health Communication Network Limited.

Restated 2015 $m	HCP Contractual Relationships	IT Software	Licences	Intangibles Under Construction	TOTAL
Net book value					
Opening balance	156.9	88.7	6.4	19.2	271.2
Additions	73.0	6.0	12.8	18.9	110.7
Capitalisation of Intangible Assets Under Construction	-	18.6	-	(18.6)	-
Impairment	(3.5)	-	-	-	(3.5)
Amortisation expense	(62.5)	[2] (26.3)	(4.3)	-	(93.1)
Closing balance	163.9	87.0	14.9	19.5	285.3
Cost	544.7	223.6	43.4	19.5	835.9
Accumulated amortisation	(380.8)	(136.6)	(28.5)	-	(550.6)
Closing balance	163.9	87.0	14.9	19.5	285.3

[1] Includes $4.2 million of amortisation included within discontinued operations
[2] Includes $5.9 million of amortisation included within discontinued operations and accelerated amortisation of $5.2 million

10. PAYABLES

	CONSOLIDATED	
	2016	2015
	$m	$m
(a) Current		
Trade payables and accruals	**156.5**	139.0
Payables and accruals relating to acquisitions	**15.7**	23.9
Accrued interest	**2.3**	6.7
Deferred revenue	**6.5**	15.5
	181.0	185.1
(b) Non-current		
Trade payables and accruals	**6.8**	3.5
Payables and accruals relating to acquisitions	**1.0**	3.6
	7.8	7.1

11. PROVISIONS

	CONSOLIDATED	
	2016	2015
	$m	$m
(a) Current		
Provision for employee benefits	**77.6**	70.4
Self-insurance provision	**4.2**	3.2
Insurance provision	**-**	2.8
Other provisions	**5.4**	-
	87.2	76.4
(b) Non-current		
Provision for employee benefits	**6.9**	7.9
Self-insurance provision	**0.8**	1.7
Other provisions	**3.5**	-
	11.2	9.6

12. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2016 $m	2015 $m
Measured at amortised cost		
(a) Current		
Gross bank loans	**1.9**	3.0
Finance lease liabilities	**0.1**	0.2
Retail Bonds	**-**	152.3
	2.0	155.5
(b) Non-current		
Gross bank loans	**905.0**	1,061.9
Finance lease liabilities	**-**	0.0
	905.0	1,061.9
Unamortised borrowing costs	**(8.7)**	(11.9)
	896.3	1,050.0
Total interest bearing liabilities	**898.3**	1,205.5

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

	CONSOLIDATED	
	2016 $m	2015 $m
Financing facilities		
Current		
Secured Loan Facility		
Amount used	**1.9**	3.0
Amount unused	**-**	-
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**905.0**	1,060.0
Amount unused	**345.0**	190.0
Secured Loan Facility		
Amount used	**-**	1.9
Amount unused	**18.1**	15.1
Total amount used	**906.9**	1,064.9
Total amount unused	**363.1**	205.1
Total financing facilities	**1,270.0**	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.

13. ISSUED CAPITAL

	2016 No. of Shares 000'S	2015 No. of Shares 000'S	**2016 $m**	2015 $m
Opening balance	**515,999**	505,660	**2,407.3**	2,366.3
Shares issued via Dividend Reinvestment Plan	**3,899**	8,881	**15.5**	41.0
Shares issued via Bonus Share Plan	**1,535**	1,458	**-**	-
Closing balance – Consolidated	**521,433**	515,999	**2,422.8**	2,407.3

Share options on issue

As at 30 June 2016, the company has 2,272,500 (2015: 5,035,000) share options on issue, exercisable on a 1:1 basis for 2,272,500 (2015: 5,035,000) ordinary shares of Primary at an average exercise price of $5.91 (2015: $5.91). The options expire between November 2016 and May 2019 (2015: August 2015 and May 2019) and carry no rights to dividends and no voting rights.

14. EARNINGS PER SHARE

	CONSOLIDATED	
EARNINGS	**2016 $m**	Restated 2015 $m
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	**74.9**	127.5
Profit for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	**(36.5)**	(10.6)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**38.4**	116.9

WEIGHTED AVERAGE NUMBER OF SHARES	**2016 000's**	2015 000's
The weighted average number of shares used in the calculation of basic and diluted earnings per share	**520,215**	511,412

EARNINGS PER SHARE	**2016 Cents**	Restated 2015 Cents
Basic and diluted earnings per share from continuing operations	**7.4**	22.8
Basic and diluted earnings per share from continuing and discontinued operations	**14.4**	24.9

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.

15. DIVIDENDS ON EQUITY INSTRUMENTS

	2016 Cents Per Share	2015 Cents Per Share	**2016 $m**	2015 $m
Recognised amounts				
Final dividend - previous financial year	**11.0**	11.0	**56.8**	55.6
Interim dividend - this financial year	**5.6**	9.0	**29.2**	41.9
Dividend forgone under the Bonus Share Plan	**-**	-	**(6.1)**	(2.7)
	16.6	20.0	**79.9**	94.8
Unrecognised amounts				
Final dividend - this financial year	**6.4**	11.0		

In respect of FY 2016:

- An interim dividend of 5.6cps (50% franked), was paid to the holders of fully paid ordinary shares on 29 March 2016; and
- The Directors have approved the payment of a final dividend of 6.4cps (100% franked), to the holders of fully paid ordinary shares, the record date being 2 September 2016, payable on 19 September 2016.

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 2015 was 50% franked.

16. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED	
	2016 $m	2015 $m
(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	**82.3**	50.0
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	**74.7**	127.5
Depreciation of plant and equipment	**70.1**	71.6
Amortisation of intangibles	**86.6**	87.2
Amortisation of borrowing costs	**4.6**	5.4
Net (profit)/ loss on sale of property plant and equipment	**(0.2)**	2.6
(Profit) on sale of investments	**(60.5)**	(1.0)
Impairment and non-cash write-offs	**87.3**	38.0
Non-controlling interest	**(0.2)**	-
Increase/ (decrease) in:		
Trade payables and accruals	**9.9**	(21.2)
Provisions	**2.0**	20.1
Deferred revenue	**1.6**	2.5
Tax balances	**19.3**	(74.4)
Share option reserve	**0.7**	0.1
Decrease/ (increase) in:		
Consumables	**(2.5)**	(1.0)
Receivables and prepayments	**(8.3)**	(18.0)
Net cash provided by operating activities	**285.1**	239.4

(c) Non-cash investing and financing

During the financial year, 3,899,358 (2015: 8,881,468) and 1,534,600 (2015: 1,457,533) 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 12.

16. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(e) Subsidiaries disposed and discontinued operations

On 18 May 2016 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 both the current and comparative period.

Gain on disposal	**2016 $m**
Cash consideration net of transaction costs	**149.9**
Carrying amount on disposal	**109.7**
Net gain on disposal of controlled entities before tax	**40.2**
Carrying value of assets and liabilities disposed	
Cash	**1.0**
Receivables	**5.7**
Goodwill	**65.1**
Property, plant and equipment	**0.9**
Intangibles	**38.8**
Deferred tax asset	**7.3**
Payables	**(6.1)**
Provisions	**(3.0)**
Net assets disposed	**109.7**
Cash flows resulting from sale	
Cash consideration net of transaction costs [1]	**153.7**
Cash disposed	**(1.0)**
Net cash inflow	**152.7**

[1] Certain transaction costs are accrued as at 30 June 2016 and are therefore not included within the net cash inflow.

16. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(e) Subsidiaries disposed and discontinued operations (continued)

The financial performance and cash flow information for HCN presented below are for the period 1 July 2015 to 18 May 2016 and the year ended 30 June 2015. The comparative profit and cash flows from discontinued operations have been re-presented to include the operations of HCN that have been classified as discontinued in the current year.

	2016 $m	2015 $m
Profit for the period from discontinued operations		
Revenue	**37.5**	38.2
Expenses	**27.2**	24.3
Profit before tax and before gain on sale of discontinued operations	**10.3**	13.9
Gain on sale of discontinued operations	**40.2**	-
Profit before tax	**50.5**	13.9
Income tax expense from discontinued operations before gain on sale of assets	**0.7**	3.3
Income tax expense on gain on sale of assets	**13.3**	-
Profit for the year from discontinued operations	**36.5**	10.6
Cash flows from discontinued operations		
Net cash from operating activities	**10.3**	19.7
Net cash (used in) investing activities	**(11.8)**	(13.1)
Net cash from/ (used in) financing activities	**-**	-
Net cash flow for the year	**(1.5)**	6.6

17. 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.

18. NET TANGIBLE ASSET BACKING

	2016 $	Restated 2015 $
Net tangible asset backing per share	**(1.16)**	(1.39)

Compliance Statement *for the year ended 30 June 2016*

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)

☐	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 *not* 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: Date: 17 August 2016

(Managing Director)
Print name: Peter Gregg