PRIMARY HEALTH CARE LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

For the year ended 30 June 2003

SECTION	PAGE

PRIMARY HEALTH CARE LIMITED
APPENDIX 4E – PRELIMINARY FINAL REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2003

	% Change	CONSOLIDATED 2003 $000	2002 $000
Sales revenue		126,817	102,931
Proceeds from the sale of development property		52,924	10,618
Other revenue		231	145
Revenue from ordinary activities	58.3%	**179,972**	**113,694**
Earnings before interest, tax, depreciation and amortisation (EBITDA)			
Operating activities		41,649	30,653
Development property		3,190	(328)
EBITDA		**44,839**	**30,325**
Depreciation of plant and equipment		8,993	6,567
Earnings before interest, tax, and amortisation (EBITA)		**35,846**	**23,758**
Amortisation of goodwill		9,350	7,314
Borrowing costs		5,277	3,982
Share of net loss of associate		201	170
Profit from ordinary activities before income tax expense		**21,018**	**12,292**
Income tax expense relating to ordinary activities		8,428	5,963
Profit from ordinary activities after income tax expense	98.9%	**12,590**	**6,329**
Net profit attributable to members	98.9%	**12,590**	**6,329**
Normalised net profit attributable to members (pre amortisation)		21,940	13,643

	Cents	Cents
Basic earnings per share	12.55	6.93
Normalised Basic earnings per share (pre amortisation)	21.88	15.10
Final dividend - Amount per security	7.50	4.00
Interim dividend - Amount per security	5.00	3.50

All dividends are fully franked at the corporate income tax rate (2003 30%, 2002 30%)
The record date for determining entitlement to the final dividend is 17 October 2003.
The final dividend is payable on 3 November 2003.

COMMENTARY ON RESULTS
For the year ended 30 June 2003

Segment analysis	**CONSOLIDATED 2003 $000**	**2002 $000**
Revenue		
Medical Centres	75,666	52,993
Pathology operations	56,526	52,263
Development property	52,924	10,618
Total of all segments	**185,116**	**115,874**
Interest income	58	111
Intersegment eliminations	(5,202)	(2,291)
Total revenue	**179,972**	**113,694**
EBITDA		
Medical Centres	31,936	22,399
Pathology operations	9,655	8,143
Development property	3,190	(328)
Total of all segments	**44,781**	**30,214**
Interest income	58	111
Total EBITDA	**44,839**	**30,325**

	%	%
Margin (EBITDA/Revenue)		
Medical Centres	42.2	42.2
Pathology operations	17.1	15.6
Total before Development Property	**31.5**	**29.0**
Development property	6.0	-
Total of all segments	**24.2**	**26.1**

COMMENTARY ON RESULTS
For the year ended 30 June 2003

Highlights

The directors of Primary Health Care are pleased to announce the results for the financial year ended 30 June 2003, the highlights of which are:

Increase in net profit after tax of 99% to $12.6m.
Increase in normalized earnings per share (pre amortization) from 15.10 to 21.88.
Increase in basic earnings per share from 6.93 to 12.55.
Increase in revenue (excluding property) of 23% to $127.0m.
Increase in earnings before tax, depreciation and amortisation of 48% to $44.8m.
Increase in earnings before tax, depreciation and amortisation (excluding property) of 36% to $41.6m.
Increase in EBITDA/Revenue margin (excluding property) from 29% to 31.5%.

Primary Health Care Managing Director, Dr Edmund Bateman said "the last twelve months have continued the successful growth in profitability of both new medical centres opened (11 in the past 18 months) and the 10 longer established centres. This centre profile will continue to provide growth to the group, especially over the next two years. In addition, pathology operations have seen improvements in both operating margin and revenue growth.

The results reflect the continued success of the Primary Health Care model of health care delivery.

With the successful completion of the medical centre sale and leaseback programme, the underlying strength of the operations can now be seen more clearly.

Primary continues to believe bulk billing to be the most efficient and effective form of health care delivery with equality of access to all. The reduction in general community bulk billing and future government incentives to bulk bill will further advantage Primary.

Competition remains fragmented. Negotiations for further new sites in South Australia and Victoria are in progress".

Revenue Growth

Revenue, excluding property, has grown 23% over the prior corresponding period.

Medical centre revenue grew overall by 43%. Same centre medical centre revenue growth contributed 65% of that growth and the five medical centres that have been opened since the prior corresponding period contributed 35% of that growth.

Pathology revenue growth at 8% was in excess of market growth.

The property revenue includes the sale of seven centres. The sale and leaseback programme is now complete and there are no medical centres held on the statement of financial position as assets at 30 June 2003.

The year has seen the roll-out of new medical centres continue with centres opened at Wentworthville, Dapto and Wyoming in New South Wales and Elizabeth and Marion in South Australia.

Margin Analysis

EBITDA margin after head office costs, excluding property, for the group improved from 29% to 31.5% over the prior corresponding period.

Operating margins from the medical centres have been maintained during a year in which 5 new centres were opened. There were improvements in older centres and a quicker than budgeted ramp up of new centres opened in the year.

The pathology margins were 17% compared to 16% for prior year with further improvements anticipated.

COMMENTARY ON RESULTS
For the year ended 30 June 2003

GP Patient Attendances

There was a 34% increase in the year for GP patient attendances. As at 30 June 2003, Primary Health Care had 21 (16 as at 30 June 2002) large multidisciplined medical centres across New South Wales and South Australia.

GP Monthly Attendances exceeded 200,000 in total for the Group for the first time in June 2003.

('000)	2003	Growth	2002	Growth	2001
GP Patient Attendances	2,145	34%	1,596	29%	1,240

Depreciation of plant and equipment

Depreciation has increased 38% as a result of the continued investment by the company in new centres, equipment and Information Technology systems.

Amortisation of Goodwill

The company continues to amortise goodwill over 20 years in line with the requirements of accounting standards. It is the company's view that the carrying value of goodwill significantly exceeds the written down value as at 30 June 2003.

Borrowing costs

Interest expense has increased 33% as a result of the continued capital requirements in relation to the roll-out of medical centres. The strong cash flows now being generated gives the company the capacity to maintain roll-out without recourse to further shareholder funds.

Share of net loss of Associate

This relates to a 20% holding in Digital Diagnostic Imaging Ltd. The product is now in use at Primary Health Care Centres and is being marketed externally.

Cash generated from operations

The strong cash flow generated in the year highlights the high quality of the earnings.

Final Dividend

The directors propose a final dividend of 7.5 cents per share payable on 3 November 2003. The total dividend for the year is 12.5 cents (2002 7.5 cents).

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2003

	Note	CONSOLIDATED 2003 $000	2002 $000
Revenue from ordinary activities	2a	179,972	113,694
Expenses from ordinary activities, excluding borrowing costs and share of net loss of associate	2b	153,476	97,250
Borrowing costs	2c	5,277	3,982
Share of net loss of associate	12	201	170
Profit from ordinary activities before income tax expense		**21,018**	**12,292**
Income tax expense relating to ordinary activities	4	8,428	5,963
Profit from ordinary activities after income tax expense		**12,590**	**6,329**
Net Profit attributable to members		**12,590**	**6,329**
Total changes in equity other than those resulting from transactions with owners as owners		**12,590**	**6,329**

		Cents per share	Cents per share
Basic earnings per share	6	**12.55**	**6.93**
Diluted earnings per share	6	**12.44**	**6.91**

Notes to the financial statements are included on pages 8 to 14.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2003

		CONSOLIDATED	
	Note	2003 $000	2002 $000
Current assets			
Cash		40	45
Receivables		19,808	16,033
Consumables		2,265	1,585
Development property		-	48,744
Total current assets		**22,113**	**66,407**
Non-current assets			
Receivables		81	-
Investment in associate	12	211	412
Property, plant and equipment		96,533	68,487
Intangibles		172,415	148,048
Future income tax benefit		978	-
Total non-current assets		**270,218**	**216,947**
Total assets		**292,331**	**283,354**
Current liabilities			
Trade payables		5,382	4,248
Income tax payable		3,899	2,509
Provisions		1,922	5,484
Bank overdraft		1,259	2,760
Convertible notes		-	1,023
Finance lease liabilities		4,002	2,134
Total current liabilities		**16,464**	**18,158**
Non-current liabilities			
Deferred tax liability		-	553
Provisions		947	1,303
Commercial bills		68,000	78,500
Finance lease liabilities		20,633	12,301
Total non-current liabilities		**89,580**	**92,657**
Total liabilities		**106,044**	**110,815**
Net assets		**186,287**	**172,539**
Equity			
Contributed equity	5	175,596	171,530
Retained profits	7	10,691	1,009
Total equity		**186,287**	**172,539**

Notes to the financial statements are included on pages 8 to 14.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2003

	Note	CONSOLIDATED 2003 $000	2002 $000
Cash flows from operating activities			
Receipts from customers		131,658	108,739
Payments to suppliers and employees		(90,650)	(77,857)
Income tax paid		(8,569)	(5,730)
Interest received		58	111
Interest paid		(5,277)	(3,982)
Net cash provided by operating activities	9b	**27,220**	**21,281**
Cash flows from investing activities			
Payment for property plant and equipment		(22,439)	(32,551)
Payment for development property		(14,888)	(23,334)
Payment for businesses purchased	9d	(33,484)	(31,242)
Proceeds from sale of property plant and equipment		173	34
Proceeds from sale of development property		49,024	10,300
Net cash used in investing activities		**(21,614)**	**(76,793)**
Cash flows from financing activities			
Proceeds from issues of shares		1,032	59,534
Payments for share issue costs		(12)	(1,222)
Repayment of borrowings		(13,854)	(3,965)
Dividends paid		(4,830)	(4,850)
Proceeds from finance leases		13,554	7,202
Net cash (used in) provided by financing activities		**(4,110)**	**56,699**
Net increase in cash held		**1,496**	**1,187**
Cash at beginning of financial year		**(2,715)**	**(3,902)**
Cash at end of financial year	9a	**(1,219)**	**(2,715)**

Notes to the financial statements are included on pages 8 to 14.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2002 annual financial report.

	CONSOLIDATED	
	2003 $000	**2002 $000**
2. Profit from ordinary activities		
(a) Revenue		
Operating:		
Sales revenue – rendering of services	126,817	102,931
Interest income	58	111
Non-operating:		
Proceeds from sale of development property	52,924	10,618
Proceeds from sale of plant and equipment	173	34
	179,972	**113,694**
(b) Expenses, excluding borrowing costs and share of net loss of associate		
Depreciation of plant and equipment	8,993	6,567
Amortisation of goodwill	9,350	7,314
Transfer to provision for doubtful debts	402	424
Employee benefits expense	42,070	35,599
Operating lease expense	11,021	7,835
Property expense	1,981	1,056
Communication expense	1,476	1,282
Advertising and marketing expense	980	609
Cost of development properties sold	49,734	10,946
Net book value of plant and equipment sold	165	37
Plant and equipment written off	-	127
Medical and laboratory supplies	13,867	12,576
Movement in consumables	(680)	(1,005)
Other expenses	14,117	13,883
	153,476	**97,250**
(c) Borrowing costs		
Finance lease finance charges	1,672	851
Interest – convertible notes	-	168
Interest – other	4,301	4,342
	5,973	**5,361**
Amount capitalised	696	1,379
	5,277	**3,982**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

	CONSOLIDATED 2003 $000	2002 $000
3. Sale of assets		
Net profit (loss) on sale of plant and equipment	8	(3)
Net profit (loss) on the sale of development properties	3,190	(328)
4. Income tax		
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows;		
Profit from ordinary activities before income tax expense	21,018	12,292
Income tax calculated at 30%	6,305	3,688
Tax effect of permanent differences;		
Non-assessable income	-	(3)
Amortisation of goodwill	2,805	2,194
Share of net loss of associate	60	51
Other	(238)	18
Income tax adjusted for permanent differences	8,932	5,948
Future income tax benefit not bought to account	-	15
(Over) provision in prior years	(504)	-
Income tax expense relating to ordinary activities	**8,428**	**5,963**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

5. Contributed equity

Details of movements in fully paid ordinary shares are shown in the table below. Fully paid ordinary shares carry one vote per share and the right to dividends.

Unissued ordinary shares of the Company under option at 30 June 2003 were 5,547,000 (30 June 2002 1,480,000). No options were exercised during the financial year. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

	CONSOLIDATED		CONSOLIDATED	
	2003 No. of shares 000's	2002 No. of shares 000's	2003 $000	2002 $000
Balance at beginning of year	98,653	83,093	171,530	110,084
Capital raising	-	12,500	-	58,125
Shares issued via Dividend Reinvestment Plan	602	230	2,023	889
Shares issued via Bonus Share Plan	645	212	-	-
Other share issues	260	303	1,032	1,409
Conversion of convertible notes to ordinary shares paid to $0.97	1,054	2,315	1,023	2,245
Capital raising/share issue costs	-	-	(12)	(1,222)
Balance at end of year	**101,214**	**98,653**	**175,596**	**171,530**

6. Earnings per share

Basic earnings per share The weighted average number of ordinary shares on issue and earnings used in the calculation. Basic earnings equal Net Profit.	**100,288**	**91,330**	**12,590**	**6,329**
Adjustment for potential ordinary shares* and notional interest on convertible notes	**907**	**1,054**	**-**	**59**
Diluted earnings per share The weighted average number of ordinary shares and potential ordinary shares on issue and earnings used in the calculation	**101,195**	**92,384**	**12,590**	**6,388**

* Potential ordinary shares include convertible notes (2003: nil, 2002:1,054,000) and share options, but only to the extent that they are considered dilutive (2003: 907,000, 2002: nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

	CONSOLIDATED	
	2003 $000	2002 $000
7. Retained profits		
Balance at beginning of year	1,009	1,249
Net profit	12,590	6,329
Dividends provided or paid	(10,499)	(6,569)
Net effect of changes in accounting policies - reversal of provision for the final dividend (on adoption of AASB1044 "Provisions, Contingent Liabilities and Contingent Assets")	7,591	-
Balance at end of year	**10,691**	**1,009**

	CONSOLIDATED		CONSOLIDATED	
	2003 Cents per share	2002 Cents per share	2003 $000	2002 $000
8. Dividends				
Interim	5.00	3.50	5,027	2,624
Final*	7.50	4.00	-	3,945
Dividend reinvested under the BSP			(2,161)	-
Under provision in prior year			42	
Dividends provided or paid	**12.50**	**7.50**	**2,908**	**6,569**
All dividends are fully franked at 30%				

* The financial statements do not include a provision for the final dividend because it was declared after balance date. This is in accordance with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which became effective on 1 July 2002.

The record date for determining entitlement to the final dividend is 17 October 2003.

The final dividend is payable on 3 November 2003.

The company offers a Dividend Reinvestment (DRP) and a Bonus Share (BSP) plan. The last date for the receipt of an election notice for participation in these plans is 17 October 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

	CONSOLIDATED	
	2003	**2002**
	$000	**$000**
9. Notes to the statement of cash flows		
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash	40	45
Bank overdraft (included in current interest bearing liabilities)	(1,259)	(2,760)
Total cash	**(1,219)**	**(2,715)**
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Operating profit after income tax	12,590	6,329
Depreciation of plant and equipment	8,993	6,567
Amortisation of goodwill	9,350	7,314
Net (profit) loss on sale of development properties	(3,190)	328
Net (profit) loss on sale of plant and equipment	(8)	3
Share of net loss of associate	201	170
Plant and equipment written off	-	127
Increase (decrease) in;		
Trade payables and accruals	295	180
Tax liabilities	(141)	234
Decrease (increase) in;		
Receivables	(190)	1,034
Consumables	(680)	(1,005)
Net cash provided by operating activities	**27,220**	**21,281**

(c) Non Cash Investing and Financing

During the financial year 1,054,126 convertible notes were converted to ordinary shares and 601,555 and 645,044 shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

	CONSOLIDATED	
	2003 $000	2002 $000
(d) Businesses acquired		
During the year, 115 medical practices and 1 controlled entity were acquired (2002 – 120 medical practices and 1 controlled entity). Details of the acquisitions are as follows;		
Consideration		
Cash paid	33,484	31,242
Cash deferred	-	-
Shares granted	-	-
Fair value of net assets acquired	-	-
Goodwill on acquisition	**33,484**	**31,242**
(e) Financing facilities		
Secured lease facility		
Amount used	24,635	14,435
Amount unused	17,365	27,565
Secured multi-option facility		
Amount used	69,259	81,260
Amount unused	13,741	1,740
	125,000	**125,000**

The Company has provided the bank with security over the consolidated entity's assets and undertakings. All amounts drawn by the consolidated entity under the lease facility must be repaid by monthly installments over the term of lease being five to seven years.

The multi-option facility existing at 30 June 2003 has been extended to 30 October 2004 subject to satisfactory annual reviews and compliance with all conditions. The next annual review date is 30 October 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

10. Control gained over entities having material effect

Not applicable

11. Loss of control of entities having material effect

Not applicable

12. Investment in associate

The company has an investment in Digital Diagnostic Imaging Pty Ltd. This investment is accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associate is set out below;

	CONSOLIDATED 2003	2002
Ownership interest	20%	20%
Contribution to net profit (loss)	(201)	(170)
Carrying value	211	412

13. NTA backing

	2003	2002
Net tangible asset backing per share	14 cents	25 cents

14. Annual general meeting

The AGM will be held at 12 noon on Friday 28 November 2003 at 30 – 38 Short St, Leichhardt NSW 2040.

PRIMARY HEALTH CARE LIMITED
APPENDIX 4E – PRELIMINARY FINAL REPORT

COMPLIANCE STATEMENT
For the year ended 30 June 2003

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: 20 August 2003
(Company Secretary)

Print name: ....ANDREW DUFF..