Annual Report *for the year ended 30 June 2013*

PRIMARY
HEALTH CARE LIMITED

Contents

Chairman's report for the year ended 30 June 2013

Dear Shareholder,

I am pleased to report that your company, Primary Health Care Limited ("Primary"), continued its track record of strong performance in financial year ended 30 June 2013 ("FY2013"), demonstrating the strength and resilience of Primary's business model.

Despite an uncertain economic environment (impacting patient choices when it comes to healthcare) and increased funding pressures impacting our healthcare professionals, Primary has continued to demonstrate strong organic growth and margin improvements.

Performance

Financial highlights for FY2013 included:

- Earnings before interest, tax and amortisation (EBITDA) of $385.1 million, up 9.7%;
- Net profit after tax (NPAT) of $150.1 million, up 29%; and
- Cash flow from operating activities of $269m, up 18%.

This excellent result was the outcome of robust pathology revenue gains, sustained growth in large-scale medical centres, increasing contribution from allied services, and improved diagnostic imaging margins.

Primary continues to strengthen its balance sheet and maintains flexibility to build further scale, taking advantage of opportunities to acquire general practice, pathology, radiology, dental, and allied health businesses. Your Board and management team will continue to assess opportunities for fit within Primary's model, with the objective of maximising returns from existing operations, leveraging scale, and delivering growth for shareholders.

Governance

Primary's Board has undergone steady transformation in recent years as part of ongoing renewal and succession planning. Your Board comprises 5 independent Non-executive Directors and 4 Executive Directors who bring a diverse range of skills, perspectives, experience, and ideas to the Board and its committees.

Your Board is proud to report that Primary has made further investments in its diversity program this year, with highlights including:

- the establishment of 'Primary Women', a networking program to develop the talent pipeline for Primary's future female leaders; and
- the commencement of an Indigenous Employment program, a logical next step for Primary which is already a committed provider of Indigenous healthcare.

Dividend and outlook

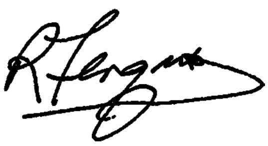
Your Directors have declared fully franked dividends of 17.5 cents per share for the year, representing a significant uplift on 2012. The increased dividend reflects the stability and maturity of the business and your Board's confidence in Primary's forward strategy.

Primary is forecasting 7% to 13% earnings per share (EPS) growth for FY2014 and EBITDA in the range of $395 million to $410 million.

Management continues to focus first and foremost on supporting healthcare practitioners in their critical roles – providing the scale and infrastructure for an affordable and accessible healthcare system that benefits all Australians.

On behalf of all directors, I would like to thank Primary's team of leaders, medical professionals, and hardworking staff for their dedication and performance.

Yours sincerely,



Rob Ferguson
Chairman

Chief Executive Officer's report

Dear Shareholder,

Primary's reported results for the year ended 30 June 2013 ("FY2013") indicate an outstanding performance. I would like to thank the individual managers responsible. I also thank the more than 11,000 team members of Primary that continue to tirelessly support our medical professionals and their patients. Thank you to my fellow medical practitioners for their loyalty, their dedication and the critical role they play in our communities.

I would like to cover some of the less reported aspects of Primary's decades of development and dedication.

Affordable and accessible healthcare

Primary, for more than 27 years, continues to be the catalyst and leader in the provision of affordable and accessible healthcare for all Australians.

On a background of Australia's universal healthcare cover, Primary has invested significantly in healthcare infrastructure combined with a policy of bulk-billing Medicare services. The outcome of this focus and implementation has been a financial cap on the cost of care for the whole Australian community. While essential to allow the community to meet increasing needs, it is equally important in providing individuals access to affordable care, a prerequisite for good healthcare outcomes.

Indigenous communities

Lack of affordability and access denies care to all. It more seriously affects the most disadvantaged in our society, as seen in the health outcomes in Indigenous communities. Primary has made an effort in respect of these communities. Primary has the largest private medical centre caring for the second-largest Indigenous community in Australia, at Dubbo in NSW.

During FY2013, Primary expanded its Alice Springs pathology laboratory services to broaden our local range of testing services and increase our remote-community coverage. As a result, our Western Diagnostic Pathology practice services an area the size of Western Europe. Our Alice Springs laboratory is the only private pathology provider servicing remote Aboriginal communities — extending from Elliot in the north, to the Pitjantjatjara communities in the south, to the Ngaatjatjarra lands just over the NT border in WA, and to the Alyawarre lands in the east.

Medical centres

Primary's 72 medical centres are located in all mainland States and the ACT, and are found not only in metropolitan centres but also in regional areas and remote towns.

Of the 72 medical centres 58 are "large scale" centres that have multiple full-time family general practitioners, full radiology and pathology services, ancillary healthcare professionals, and specialists — all working as a team in the one community-based facility.

Importantly, these centres are open every Saturday, every Sunday, every public holiday, and every evening, so that individuals and their families can be seen when they actually need care. Of equal importance, Primary's after-hours care is provided by the same full-time family GPs who provide care in normal hours — not the less- experienced doctor of many after-hours services.

While Primary medical centres currently provide 6% of the total GP care in Australia, Primary GPs are the leading provider of after-hours care for the Australian community, providing 23.15% of the after-hours care. Significantly, this continues to take the load off emergency and outpatient departments of local hospitals. Primary GPs do the "hard yards" as well as the usual weekday comprehensive care. These GPs should be acknowledged as part of the backbone of healthcare in the Australian community.

Education and training

Primary always looks for improvement. Examples of Primary's commitment to education and training are:

- Primary, over the last year, has put in place new educational program for our GPs. Three of Primary's best qualified and most experienced general practitioners have become full-time clinical educators to head a team of 21 lead doctors in providing in-house educational and clinical support to our GPs. This program is in addition to Primary's continuing professional development (CPD) program.
- In addition, Primary facilitates and supports those of its doctors who wish to undertake the training of GP Registrars.
- Over the last four years, Primary had provided University Scholarships to assist students in Medicine and allied healthcare courses.
- Over the last seven years, Primary has had a University Graduate Program employing six to twelve university graduates each year in diverse fields including law, accounting, arts, and medicine. These graduates have an 18-month rotation through the business to give them experience and background for future management opportunities.
- As part of normal business, Primary's pathology remains focussed on offering continuing professional development (CPD) activities to the wider medical community, having sponsored, hosted or conducted over one hundred separate CPD events, symposia, and continuing education programs for Australian doctors over the course of the year.
- Our "Primary Training Institute" recently gained external accreditation expanding its offering to include certification level training to nearly 200 enrolees. We continue to train more Pathology Registrars than any other pathology laboratory.

Diagnostic imaging

Primary has more than 150 Diagnostic Imaging practices situated in medical centres, public hospitals, private hospitals, and dedicated community sites, throughout Australia.

Again, implementation of our bulk-billing for Medicare services and no-gap care provision is combined with the best innovation which, in the last 12 months, has included:

– The first private provider of PET scanners in public hospital facilities at each of Wollongong Hospital (NSW) and Northern Hospital (VIC), allowing our practitioners to fuse MRI images with molecular images.
– Expansion of the comprehensive imaging services at all our major medical sites including full helical CT scanning, ultrasound, general X-ray, and OPG.
– Provision of electronic imaging delivery supported by a 24-hour helpline service for our referrers.
– Installation of world-class Cardiac Scanning facilities at each of Westmead Private Hospital (NSW), Epworth Hospital (VIC), and St. George Hospital (NSW).

This is all part of our significant investment in the future of your company and in community care.

Pathology

With world-class major laboratories in all mainland States and more than 1,500 Licensed Pathology Collection Centres throughout Australia, our pathology practices now provide services to more than one-third of the Australian community. Only a small percentage of our pathology services is sourced from our medical centres. The vast bulk of our pathology services comes from non-Primary GPs, specialists, and within hospitals.

We were particularly proud to receive feedback during the year that Primary had delivered savings of 50% on outsourced pathology services to public hospitals. Realising these savings for public hospitals frees-up funding for these hospitals to provide more patient beds and better intensive-care units. This reinforces our business model and continues to improve healthcare affordability.

Conclusion

Primary's investment in leadership, innovation, use of technology, healthcare education, and significant capital application, provides measurable outcomes of affordable and comprehensive care for Australians. This is a major contribution to the Australian healthcare system which, while not perfect, is the envy of the rest of the world.

Yours sincerely,

Dr Edmund Bateman
Chief Executive Officer

Review of operations *for the year ended 30 June 2013*

$000	2013 TOTAL	2012 TOTAL
Revenue	**1,456,279**	1,392,067
EBITDA	**385,121**	351,059
Depreciation	**61,879**	60,928
EBITA	**323,242**	290,131
Interest expense	**72,029**	82,049
Amortisation of borrowing costs	**4,529**	14,709
Amortisation of intangibles	**28,818**	24,938
Income tax expense	**65,858**	49,493
Profit for the year after tax	**152,008**	118,942
Attributable to non-controlling interest	**1,897**	2,327
Profit attributable to members of the parent entity	**150,111**	116,615

CENTS PER SHARE	2013 TOTAL	2012 TOTAL
Basic earnings per share – total[1]	**29.9**	23.3
Final dividend[2,3]	**11.0**	6.0
Interim dividend[2]	**6.5**	5.0
	17.5	11.0

1 Diluted earnings per share is materially consistent with basic earnings per share.

2 All dividends paid were 100% franked at the corporate income tax rate (2013: 30%; 2012: 30%).

3 The record date for determining entitlement to the final dividend is 20 September 2013, and the dividend is payable on 8 October 2013.

Review of operations *for the year ended 30 June 2013*

The Directors of Primary Health Care Limited ("Primary") announce the results for the financial year ended 30 June 2013 ("FY2013").

Key points of the results are:

- EBITDA up 9.7% to $385.1m (2012: $351.1m)
- EBITA up 11.4% to $323.2m (2012: $290.1m)
- Net profit after tax up 28.7% to $150.1m (2012: $116.6m)
- Significant margin gains in Medical Centres (80bps), Pathology (80bps) and Imaging (400bps)
- 18% improvement in cash flows from operating activities from $229m to $269m
- EPS up 28% to 29.9 cps (2012: 23.3 cps)
- Final dividend up 83% to 11.0 cps (2012: 6.0 cps).

Operating overview

Primary has delivered a strong trading result for FY2013 with 9.7% EBITDA growth and 28% EPS growth.

This result has been driven by organic revenue gains and strong margin improvements. The strength of the trading result is reflected by the following key indicators:

- Medical Centres EBITDA growth of 8.5% in the 58 large-scale centres
- Medical Centres EBITDA margin up 80bps to 56.0%
- Pathology EBITDA growth of 11.6% to $147.8m and revenue growth of 6.5%
- Pathology EBITDA margin up 80bps to 17.7%
- Imaging EBITDA growth of 21.4% to $72.0m
- Imaging EBITDA margin up 400bps to 23.3%.

Complementing this strong trading result, free cash flow has improved in FY2013 with net cash provided by operating activities improving by $40m to $269m in FY2013 compared to $229m in FY2012.

Primary's operating model of achieving organic revenue growth supported by incremental margin gains, as a result of economies of scale and operating efficiencies, has delivered continually improving financial results for both FY2013 and the previous financial year.

The Primary model is well suited to the current environment of Federal funding pressures in healthcare. Service providers must rely on scale to deliver benefits to patients and shareholders, whilst maintaining quality of healthcare delivery.

All of Primary's divisions are in sound operational shape. Primary is looking forward to continued organic growth as a result of the underlying strength of the operating divisions, positive healthcare industry dynamics, and long-term increasing demand for health-care services.

Primary has a substantial infrastructure footprint in place in Australia with significant growth capacity.

Primary will continue to consider acquisitions that can be integrated into its model and provide immediate benefits. The last two financial years have seen minimal activity in this regard. However, current experience is that acquisitions may be more attractive in the current financial year as vendor price expectations are moderating.

Outlook

EBITDA for FY2014 is expected to be in the range of $395m to $410m resulting in EPS growth of 7% to 13%.

This earnings guidance for FY2014 includes an adjustment for the adoption of AASB11 *Joint Arrangements* from 1 July 2013, which will reduce reported EBITDA by approximately $4m, with no effect on reported EPS.

Division analysis

$M	YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011
Operating Revenue			
Medical Centres	**300.8**	290.0	274.6
Pathology	**836.3**	785.4	740.1
Imaging	**309.6**	307.9	285.0
Health Technology	**37.0**	35.9	36.0
Corporate	**1.6**	1.2	3.0
Intersegment	**(29.0)**	(28.3)	(25.8)
Total	**1,456.3**	1,392.1	1,312.9
Operating EBITDA			
Medical Centres	**168.4**	160.0	150.4
Pathology	**147.8**	132.4	118.6
Imaging	**72.0**	59.4	43.4
Health Technology	**20.2**	19.9	19.5
Corporate	**(23.3)**	(20.6)	(13.3)
Total	**385.1**	351.1	318.6
Margin			
Medical Centres	**56.0%**	55.2%	54.7%
Pathology	**17.7%**	16.9%	16.0%
Imaging	**23.3%**	19.3%	15.2%
Health Technology	**54.6%**	55.4%	54.2%
Total	**26.4%**	25.2%	24.3%

Medical Centres

EBITDA for the Medical Centres division was $168.4m, compared with $160.0m for the prior year. The EBITDA margin for FY2013 was 56.0%, compared with 55.2% for the prior year. EBITDA contribution from large-scale centres increased by 8.5% from $161.1m to $174.8m.

One new medical centre was opened in FY2013. A total of 72 medical centres, including 58 large-scale Primary centres, are now in operation. Currently it is not anticipated that Primary will add to its 58 large-scale centres in FY2014, but Primary will continue to add services to its current centres which have significant capacity into the future.

GPs and other professionals continue to join the Group on a consistent basis. 2HFY2013 has seen a decrease in the average acquisition cost of practices to Primary.

Pathology

EBITDA for the Pathology division was $147.8m, compared with $132.4m for the prior year. The EBITDA margin for FY2013 was 17.7%, compared with 16.9% for the prior year. The Pathology division's revenue and EBITDA improvement in the financial year reflect both organic revenue growth and operating cost efficiencies.

The five-year Pathology Funding Agreement ("MOU"), signed in April 2011 between the Australian Government and pathology industry associations, has brought increased certainty to the industry. Volume growth has remained strong for all Primary pathology operations across Australia and revenue growth for FY2013 was 6.5%. This growth was pleasing, incorporating as it does, a negative 1.3% funding adjustment effective 1 January 2013 under the MOU.

The improvement in the operating performance of the Pathology division over the past two financial years has been strong and sustained, delivering a Compound Annual Growth Rate (CAGR) of 11.6% EBITDA and a 170bps margin gain.

Imaging

EBITDA for the Imaging division was $72.0m, compared with $59.4m for the prior year. The EBITDA margin for FY2013 was 23.3%, compared with 19.3% for the prior year.

Actual exam volumes for FY2013 grew 5%. The continued recruitment and conversion of radiologists to a percentage fee-for-service model, combined with upgraded technology and cost control, are the basis of the Imaging division's continued improvement. The improvement has been across all of the division's operations including community, hospital and medical centre sites.

The improvement in the operating performance of the Imaging division over the past two financial years has been strong and sustained, delivering a CAGR rate of 28.8% EBITDA and a 810bps margin gain.

Health Technology

EBITDA for the Health Technology division was $20.2m, compared with $19.9m for the prior year. The EBITDA margin for FY2013 was 54.6% compared with 55.4% for the prior year. Subscription renewal rates remain sound for all general practitioner and specialist software products. Primary is currently focused on improving the products and services for both external and internal users.

Depreciation and amortisation

Depreciation expense was up 2% at $61.9m for the year compared to $60.9m for the prior year. This is consistent with the Group's strategy of utilising its current infrastructure footprint to grow revenues organically.

Amortisation of intangibles was $28.8m compared to $24.9m for the prior year. This increase reflects the Group's continued investment in its information technology software platforms to both aid organic revenue growth and obtain operating efficiencies across the Group.

Finance costs

Primary's $1.02bn banking debt facility has a maturity profile as follows:

- $770m three year four month non-amortising facility, maturing in February 2015;
- $100m three year four month revolving working capital facility, maturing in February 2015; and
- $150m five year non-amortising facility, maturing in October 2016.

A majority of Primary's bank debt has been hedged for FY2014 and FY2015. The average fixed rates payable on hedged bank debt (excluding margin payable to bank) are 3.65% and 3.27% respectively for FY2014 and FY2015.

The interest rate payable on Primary's retail bonds of $152m is hedged to maturity in September 2015 at an all-in rate, including margin payable to bond holders, of 8.75%.

Amortisation of borrowing costs

During FY2012, unamortised borrowing costs on the previous expiring syndicated bank facility of $8.5m ($5.9m after tax) were charged to the income statement and included in amortisation of borrowing costs of $14.7m, upon the early refinance of Primary's syndicated bank debt.

Taxation

The effective tax rate on operating earnings for the year was 30.2%.

Balance sheet – financial position

The Group's net assets increased by 4.2%, compared with the previous year which is largely attributable to the current year's profit after tax.

As at 30 June 2013 Primary has two bank facility covenants, being a gearing ratio and an interest cover ratio. As at 30 June 2013 the gearing ratio, as calculated in accordance with bank facility definitions, was 2.35 times and well within the bank covenant requirement to be below 3.25 times. As at 30 June 2013 interest cover, as calculated in accordance with bank facility definitions, was 5.32 times and well within bank covenant requirement to be above 3.0 times. As at 30 June 2013, the Group has an unutilised bank facility of $100m.

Dividend

The final dividend will be 11.0 cents per share fully franked, payable on 8 October 2013. The record date for determining entitlement for the final dividend is 20 September 2013. A Dividend Reinvestment Plan and Bonus Share Plan will continue to be in place with nil discount.

This increases the dividend pay-out ratio from 47.2% in FY2012 to 58.7% in FY2013 and reflects both the improving financial results of Primary, increases in free cash flow, and the confidence of the Board in the future operations.

The Directors of Primary Health Care Limited submit their Directors' Report for the financial year ended 30 June 2013 (referred to as "the year" or "FY2013"), accompanied by the Financial Report of Primary and the entities it controlled from time to time during the year (referred to as "Primary", "the Company" or "the Group"). In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

Directors

The Directors of Primary during and since the end of FY2013 were:

- Mr Robert Ferguson
- Mr Brian Ball
- Dr Edmund Bateman
- Mr Henry Bateman
- Mr James Bateman
- Mr John Crawford (until 30 November 2012)
- Mr Andrew Duff
- Dr Paul Jones
- Dr Errol Katz
- Ms Arlene Tansey (from 31 August 2012).

Details of the qualifications and experience of each of the Directors are set out on pages 10 to 11 of this Report.

Company Secretary

Details of the qualifications and experience of Ms Yvette Cachia, the Group Company Secretary are set out on page 11 of this Report.

Directors' meetings during FY2013

The number of meetings of the Board and of each Board committee held during FY2013 (while each Director was a Director or committee member) and the number of meetings attended by each Director are set out below:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		RISK MANAGEMENT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R Ferguson	10	10	2	2	4	4	N/A	N/A
B Ball	10	10	2	2	4	4	N/A	N/A
E Bateman	10	10	1*	1*	N/A	N/A	N/A	N/A
H Bateman	10	10	1*	1*	N/A	N/A	4	4
J Bateman	10	10	N/A	N/A	N/A	N/A	4	4
J Crawford**	5	5	1	1	3	2	N/A	N/A
A Duff	10	9	2*	2*	N/A	N/A	4	4
P Jones	10	9	2	2	N/A	N/A	4	4
E Katz	10	9	1*	1*	4	3#	4	4
A Tansey**	8	8	1	1	1	0#	N/A	N/A

Notes:

* Attended a meeting by invitation.

\# Refers to a sub-committee meeting of the Nomination and Remuneration Committee with recommendations briefed to and resolved by Dr Katz and Ms Tansey by circular resolution.

** The following individuals did not serve as Directors for the full financial year:

- J Crawford (until 30 November 2012); and
- A Tansey (from 31 August 2012). Ms Tansey attended Board meetings as a casual member until her appointment at Primary's Annual General Meeting on 30 November 2012.

The Audit Committee for FY2013 comprised: Mr Brian Ball (Chair), Mr Rob Ferguson, Dr Paul Jones, Mr John Crawford (until 30 November 2012) and Ms Arlene Tansey (from 1 January 2013).

The Nomination and Remuneration Committee for FY2013 comprised: Mr Rob Ferguson (Chair), Mr Brian Ball, Dr Errol Katz, Mr John Crawford (until 30 November 2012) and Ms Arlene Tansey (from 1 January 2013).

The Risk Management Committee for FY2013 comprised: Dr Errol Katz (Chair), Mr James Bateman, Mr Henry Bateman, Mr Andrew Duff and Dr Paul Jones.

Details of committee membership and functions are further set out in the Corporate Governance Statement on pages 23 to 33 of this Report.

Significant change in the state of affairs

There was no significant change in the state of affairs of the Group during the year.

Principal activities

During the year, the principal continuing activities of the Group were:

- a medical centre operator;
- diagnostic imaging services;
- a provider of pathology; and
- a provider of health technology.

As a medical centre operator, the Group provides a range of services and facilities to general practitioners, specialists, and other health care providers who conduct their own practices and businesses at its medical centres. Further details of these activities can be found on page 51 of this Report.

Review and results of operations

A review of the operations of the Group during the year, and the results of those operations, can be found on pages 5 to 7 of this Report.

Events after the end of the year

There has not been any matter or circumstance that has arisen since the end of the financial year which, in the opinion of Directors, 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.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations other than that disclosed in this Report is likely to result in unreasonable prejudice to the Group. Accordingly, no further information is included in this Report.

Dividends

In respect of FY2013:

- an interim dividend of 6.5 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 8 April 2013; and
- the Directors have approved the payment of a final dividend of 11.0 cents per share (100% franked), to the holders of fully paid ordinary shares, the record date being 20 September 2013, payable on 8 October 2013.

Primary operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). During FY2013, shares issued pursuant to the DRP and BSP were 2,101,907 (2012: 3,840,301) and 102,720 (2012: 337,210) respectively.

Rounding off of amounts

Primary is of a kind of entity referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, or where the amount is $500 or less, zero in accordance with that Class Order.

Shares under option

Options are held by both employees and independent contractors of the Group. Details of all unissued ordinary shares of Primary under option at the date of this Report are set out below. Further details of options are set out in Note 6 to the financial statements in this Report. No option holder has any right under the options to participate in any other share issue of Primary or of any other entity.

2013	OPENING BALANCE	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE
Issue 13	**30,000**	–	(30,000)	**–**
Issue 15	**1,246,000**	–	(185,000)	**1,061,000**
Issue 16	**752,000**	–	(5,000)	**747,000**
Issue 17	**625,500**	–	(90,000)	**535,500**
Issue 106	**150,000**	–	(100,000)	**50,000**
Issue 107	**330,000**	–	(305,000)	**25,000**
Issue 108	**30,000**	–	–	**30,000**
Issue 109	**462,500**	–	(462,500)	**–**
Issue 110	**462,500**	–	(70,000)	**392,500**
Issue 111	**280,000**	–	(280,000)	**–**
Issue 112	**1,015,000**	–	(127,500)	**887,500**
Issue 113	**1,845,000**	–	(90,000)	**1,755,000**
Issue 114	**5,108,000**	–	(470,000)	**4,638,000**
Issue 115	**1,287,500**	–	(60,000)	**1,227,500**
Balance as at 30 June 2013				**11,349,000**

Shares issued on the exercise of options

No ordinary shares of Primary were issued during or since the end of FY2013 on the exercise of options.

Qualifications, experience and special responsibilities of Directors

Mr Robert Ferguson, B.Ec (Hons). Non-executive Chairman (age 67)

Mr Ferguson was appointed Non-executive Chairman of the Board on 1 July 2009. He is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.

Mr Ferguson is currently Non-executive Chairman of IMF (Australia) Limited, a Director of Moneyswitch Limited, and Chairman of GPT Management Holdings Limited. Mr Ferguson is also Deputy Chair of the Sydney Institute, and a Director of the Lowy Institute.

Mr Brian Ball, B.Ec. Non-executive Director (age 64)

Mr Ball was appointed as a Non-executive Director of the Company in 1994. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr Ball is a part-owner of the private equity management company, Advent Private Capital Pty Ltd. Mr Ball joined Advent in 1986 and was the Chairman or a Director of over 25 investee businesses receiving equity capital from funds managed by the Advent Group, as well as the Advent IV and Advent V private equity management funds.

Dr Edmund Gregory Bateman, M.B.,B.S. Chief Executive Officer (age 71)

Dr Bateman was a founding member of the Board as Chief Executive Officer since 1994. He has overseen the development of the Primary Group, from the establishment of its first 24-hour medical centre in 1985, through to the ASX-listed entity it has become today.

Mr James Bateman, MBA. Executive Director (age 45)

Mr Bateman was appointed as an Executive Director in 2011. He is the General Manager of the Primary Group's Pathology division (since 2001) and a member of the Risk Management Committee. Mr Bateman has a Masters of Business Administration in health care management from the Wharton School, University of Pennsylvania.

Mr Bateman joined the Company in 1989 and has had significant experience across the divisions of the Primary Group, including various management roles in the Medical Centres, Diagnostic Imaging, and Information Technology divisions, including as Chief Operating Officer.

Mr Bateman is a Director of a significant number of the Company's wholly-owned operational subsidiaries.

Mr Henry Bateman, LLB. Executive Director (age 37)

Mr Bateman was appointed as an Executive Director in 2011. He is General Manager of the Company's Medical Centres division (since 2008) and a member of the Risk Management Committee. Mr Bateman has a Bachelor of Laws from Bond University.

Mr Bateman joined the Company in 2000. Formerly a commercial lawyer with Norton Smith Solicitors, his experience in the Primary Group includes previous roles as Company Solicitor overseeing the development of the Primary Group's commercial litigation and contracts, and industrial relations policy and procedure. In 2004, Mr Bateman became Head of Operations, Medical Centres, establishing a management team and structure that conducted the rapid roll-out and development of large-scale medical models, before becoming General Manager of Medical Centres.

Mr Bateman is a Director of all of the Company's wholly-owned operational medical centre subsidiaries.

Mr John David Crawford, ANZIIF (Senior Associate), FAICD. Non-executive Director (age 75) (Until 30 November 2012)

Mr Crawford joined the Board in 1998 as a Non-executive Director. He was a member of the Audit Committee and the Nomination and Remuneration Committee.

Mr Crawford has had extensive insurance and management experience including as Deputy Group Chief Executive Officer of GIO Australia, Chairman of AA-GIO Insurance (NZ) and Freemans Australia and Deputy Chairman of RAA Insurance Ltd and RACQ Insurance Ltd. He is also a former Director of Northern Medical Research Foundation and a former Deputy Chairman of Manly Warringah Area Health Service.

Mr Andrew Duff, ACA, Finance Director (age 52)

Mr Duff was appointed as an Executive Director in 2011. He is the Company's Finance Director. Mr Duff is a Member of the Institute of Chartered Accountants in Australia. He is a member of the Risk Management Committee.

Mr Duff joined the Company following its public listing in 1998. Prior to joining the Company, Mr Duff was Chief Accountant of Medical Defence of Australia from 1995 to 1998, an Insolvency Manager from 1993 to 1995, and a Senior Audit Manager at Deloitte Touche Tohmatsu in both London and Sydney from 1985 to 1993. Mr Duff's responsibilities include managing all aspects of the Primary Group's financial affairs, capital management, taxation matters, and liaison with external shareholders, investors, analysts and regulators.

Mr Duff is a Director of a significant number of the Company's wholly-owned operational subsidiaries.

Dr Paul Francis Jones, M.B., B.S., F.A.M.A. Non-executive Director (age 58)

Dr Jones was appointed as a Non-executive Director in 2010. He is a member of the Audit Committee and the Risk Management Committee.

Dr Jones has over 30 years' experience in a broad range of general medical practice, including six years' experience in the Primary Group's medical centres. Dr Jones originally trained at the Repatriation and General Hospital, Concord NSW and subsequently at Calvary Public Hospital, Bruce ACT. He has been a Director and Federal Councillor of the Australian Medical Association ("AMA"), a past President of AMA ACT and a member of the Federal AMA Council of General Practice. He was formerly a general practitioner adviser to Calvary Public Hospital and held roles as GPVMO and Director, Medical Education Program. Dr Jones is a former Chair of ACT GP Workforce Working Group and a member in 2009 of the ACT Health Minister's GP Task Force. In 2010 he was awarded Fellowship of the AMA.

Dr Errol Katz, M.B.,B.S. (Hons), LLB (Hons), MPP. Non-executive Director (age 43)

Dr Katz was appointed as a Non-executive Director in 2010. He is Chairman of the Risk Management Committee and a member of the Nomination and Remuneration Committee.

Dr Katz has degrees in Medicine and Law from Monash University, and a Masters in Public Policy from Harvard University, where he was a Menzies Scholar. He has worked as a doctor at The Alfred Hospital, as a strategy consultant at The Boston Consulting Group, and in strategy and operational roles at Visy Industries. More recently he has held investment management roles at Co-Investor Capital Partners. Dr Katz is a Director of Southern Health where he is chairman of the Quality Committee and a member of the Remuneration and Population Health Committee. He is also a Director of Fourtae Pty Ltd, Choosewell Pty Ltd and Apositive Cashflow Funding Pty Ltd.

Ms Arlene Tansey, Juris Doctor (JD), BBus(Admin), MBA (age 55)

Ms Tansey was appointed as a Non-executive Director in 2012. She has a Juris Doctorate (Law) from University of Southern California, a Bachelor of Business Administration from Pace University, and an MBA in finance and international business from New York University. She is a Fellow of the Australian Institute of Company Directors.

Ms Tansey was previously a Senior Executive with the ANZ Bank, most recently Managing Director, Balance Sheet Management for the Institutional Bank where she worked for ten years. Prior to that Ms Tansey was an Associate Director at Macquarie Bank in Project and Structured Finance following her move to Australia from the United States where she held positions in securities law and investment banking.

Ms Tansey is currently a Non-executive Director of Adelaide Brighton Limited, Pacific Brands Group, Lend Lease Real Estate Investments Limited, and Lend Lease Investment Management Limited.

Company Secretary

Ms Yvette Cachia, B.Ed, MA (Dist.), LLB (Hons 1), Grad. Dip. Applied Corporate Governance, MAICD General Manager, People and Governance, and Group Company Secretary

Ms Cachia was appointed to the position of Group Company Secretary in 2008 and the General Manager, People and Governance in 2011. She is a member of the New South Wales Bar Association and the Australian Institute of Company Directors. Before joining Primary, Ms Cachia worked as a Company Secretary for a range of ASX-listed entities in the technology and mining sectors, in addition to her work as a Barrister.

Directors' shareholdings

The following table sets out each current Director's relevant interest in shares (directly and indirectly owned) in Primary as at the date of this Report:

2013	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
R Ferguson	**190,800**	**–**	**–**	**190,800**
B Ball	**87,000**	**–**	**–**	**87,000**
EG Bateman	**36,210,967**	**–**	**(12,367,715)**	**23,843,252**
H Bateman	**129,810**	**–**	**847,703**	**977,513**
J Bateman	**63,936**	**–**	**754,717**	**818,653**
A Duff	**47,720**	**–**	**28,180**	**75,900**
P Jones	**14,200**	**–**	**2,020**	**16,220**
E Katz	**–**	**–**	**–**	**–**
A Tansey	**–**	**–**	**10,000**	**10,000**

Indemnification of officers and auditors

During the year, Primary paid a premium in respect of a contract insuring the Directors and Executive Officers of Primary and of any related body corporate, against liability incurred that is permitted to be covered by section 199B of the *Corporations Act 2001*. It is a condition of the insurance contract that its limits of indemnity, the nature of the liability indemnified, and the amount of the premium, not be disclosed.

The Constitution of Primary provides that each officer of Primary must be indemnified by Primary against any liability incurred by that person in that capacity. However, Primary must not indemnify that person if to do so would be prohibited by section 199A of the *Corporations Act 2001*, any other statutory provision, or judge-made law.

Non-audit services

During the year Deloitte Touche Tohmatsu, Primary's auditor, has performed certain other services in addition to their statutory duties. The Directors are satisfied that the provision of these non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with, and did not compromise, the auditor independence requirement of the *Corporations Act 2001*.

The Audit Committee reviews the non-audit services performed by the auditor on a case-by-case basis. A new policy was adopted in July 2008 which outlines when they will approve non-audit services by the auditor. Further details are outlined in the Corporate Governance Report on pages 23 to 33 of this Report.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this Annual Report. Details of amounts paid or payable to the auditor of Primary and its related bodies Corporate for audit and non-audit services provided during the year are given in Note 8 on page 56 of this Report.

Management of safety risks

Primary is committed to ensuring that the health and safety of all employees, contractors, sub-contractors, and the general public is given the highest priority. Primary's OHS performance is monitored through regular monthly reports being provided to senior management and quarterly performance reporting to the Board. Health and safety is incorporated into business planning, purchasing and contracting policies and the design of workplaces.

Primary's key strategic goal continues to be to minimise the number of incidents that result in lost time by employees, and our performance in this area is regularly monitored across all business units.

In order to improve Primary's health and safety performance, resources are allocated to the maintenance and improvement of the OHS management system. During FY2013 there was a detailed review which resulted in the re-allocation of resources to improve the effectiveness of the OHS Management System. Professional health and safety staff work very closely with the Employee Representative Committees, which have been established over a number of years, in order to incorporate employee representation and consultation into health and safety initiatives, as well as providing a forum for disseminating information to improve health and safety across all business units.

We recognise our responsibilities to contractors. As part of our health and safety procedures, contractors are required to provide evidence that they have OHS management systems in place. Workplace induction is provided to contractors prior to the commencement of any work. We also have monitoring procedures in place for addressing any health and safety issues that may arise.

Key health and safety performance indicators are as follows:

	2013	2012
Number of WorkCover prosecutions	**ZERO**	ZERO
Number of sites subject to OHS Internal Audit	**34**	29
Number of Incidents Resulting in Lost Time Injuries	**122**	109

Incidents are subject to investigation and there was no systematic breakdown in the OHS Management System during FY2013.

Primary has a comprehensive program of health and safety internal audits that were conducted over all business units during the course of the year. Audit findings may reveal either areas of non-conformance with OHS procedures, or form areas for improvement. All findings are discussed with audited parties before being finalised. The final reports are presented to senior management and include: investigation findings; resulting recommendations; key persons responsible for implementing recommendations; and implementation time-frames.

Training in health and safety is provided to staff at induction to ensure that staff perform their duties safely. Further training is provided when specific issues are identified through regular workplace supervision, hazard reporting, and inspections.

Primary is engaged in continuous improvement to raise health and safety standards. During the year Primary focused on reducing the incidence of needle-stick injuries along with dealing with abuse/aggression incidents. These health and safety initiatives are designed to reinforce key parts of the OHS management system to all business units over a 12-month cycle.

During FY2013, Primary undertook a comprehensive review of the OHS Management System in order to implement changes arising from the new Work Health Safety legislation which has been adopted in certain States and Territories. This review resulted in a revision of the WHS Manual and a re-issue of the WHS Policy. All amendments were subject to consultation with the workforce prior to release.

During FY2014, it is planned to continue the implementation of changes arising from the recent introduction of relevant legislative changes.

REMUNERATION REPORT FOR FY2013

The Directors of Primary Health Care Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for Primary and the consolidated entity for the year ended 30 June 2013.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

A. Executive remuneration

This Remuneration Report outlines Primary's remuneration policy and practices, together with details of the specific remuneration arrangements that apply to Key Management Personnel ("KMP") of the Company and the Group in accordance with the requirements of the *Corporations Act 2001*.

The Report provides:

- an overview of Primary's executive remuneration strategy and linkage between the strategy and the components of executive remuneration;
- details of the Directors and Senior Executives covered by this report; and
- details of the actual remuneration outcomes for Senior Executives.

For the purpose of this report, KMP of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. For the purpose of this report, the term "Executive" encompasses the Group Chief Executive Officer, and Senior Executives and General Managers of the Company and the Group for FY2013.

Senior Executives

Throughout this Remuneration Report, the term "Senior Executives" is used to refer to all executives who fall within the definition of Key Management Personnel of the Group, being those persons with authority and responsibility for planning, directing and controlling the activities of the Group, including the Chief Executive Officer.

KMP (2013)	TITLE
Dr Edmund Bateman	**Chief Executive Officer**
Mr James Bateman	**General Manager – Pathology**
Mr Andrew Duff	**Finance Director**
Mr Henry Bateman	**General Manager – Medical Centres**
Mr Carl Adams	**General Manager – Diagnostic Imaging**
Mr Matthew Bardsley	**General Manager – Information Innovation (from 14 November 2012)**
Mr John Frost	**Chief Executive Officer – Health Technology (until 14 November 2012)**

KMP (2012)	TITLE
Dr Edmund Bateman	Chief Executive Officer
Mr James Bateman	General Manager – Pathology
Mr Andrew Duff	Finance Director
Mr Henry Bateman	General Manager – Medical Centres
Mr John Frost	Chief Executive Officer – Health Technology
Mr Carl Adams	General Manager – Diagnostic Imaging

Board policy on remuneration

Primary recognises that remuneration is an important factor in attracting, motivating and retaining key employees, as well as providing long-term value for shareholders.

The objectives of Primary's remuneration strategy are to:

- ensure that shareholders' interests and employee interests are in alignment;
- attract and retain high-calibre employees by providing benchmarked, market-competitive remuneration; and
- fairly and responsibly reward senior management, having regard to the overall performance of Primary, and the performance of the senior manager.

Primary believes that its remuneration strategy should:

- align with business strategy and the creation of sustainable business and value for shareholders;
- recognise and reward individual performance and maintain accountability for functional responsibilities and objectives;
- align employee remuneration with specific and measurable individual and corporate objectives and targets that are linked to shareholders' interests;
- be appropriately benchmarked and market-competitive;
- integrate variable pay elements for short-term and long-term performance which link executive reward to strategic goals and Group performance;
- incorporate performance measures which drive incentive outcomes and differentiate between average and high performers;
- clearly differentiate between short-term and long-term reward levers; and
- implement mandatory deferral arrangements to encourage retention of appropriate skills and experience.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary duties. The Committee is responsible for making recommendations to the Board about:

- necessary and desirable competencies of Directors;
- Board succession planning and leadership development;
- the development of a process for the evaluation of the performance of the Board, its committees and Directors;
- the appointment and re-election of Directors;
- the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Executives;
- Senior Executives' remuneration and incentives; and
- the remuneration framework for Directors.

Membership of the Nomination and Remuneration Committee ("the Committee") is reviewed and determined on an annual basis by the Board. The Committee comprises at least three Directors, all of whom are independent. During FY2013, members of the Nomination and Remuneration Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford (until 30 November 2012)
- Ms Arlene Tansey (from 1 January 2013)
- Dr Errol Katz.

The Nomination and Remuneration Committee has the authority to seek information which is relevant to its functions, from any officer or employee of the Company. The Committee has the authority to retain legal, accounting or other advisers, consultants or experts which it considers appropriate, to assist it to meet its responsibilities in developing remuneration recommendations for the Board by providing independent advice regarding remuneration strategies, incentive plans and objective market practice of other listed companies.

Primary recognises the importance of ensuring that any recommendations given to the remuneration of KMP provided by remuneration consultants are provided independently of those to whom the recommendations relate. Further information about the parameters under which external remuneration consultants are engaged is provided below.

External consultants engaged during FY2013

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	NATURE OF ENGAGEMENT
Egon Zehnder	Nomination and Remuneration Committee	Executive search discussions
Dr John Eady	–	Executive development
Egan Associates	Nomination and Remuneration Committee	Independent remuneration review of all KMP, Senior Executives and participants in Primary's Executive Incentive Plan
Foresight Global Coaching	–	Executive and Senior Management leadership development
Johnson Executive	Nomination and Remuneration Committee	Leadership development discussions

Arrangements for engaging remuneration consultants and other external advisors

Primary has a range of protocols in place under which remuneration consultants are engaged and interact with management and the Board.

All remuneration consultants are engaged by, and report directly to, the Nomination and Remuneration Committee. Prior to selection and engagement, the Committee will consider the nature and scope of the project to be undertaken and its alignment with the skills, experience, and expertise of the consultants. The Committee also assesses the independence of consultants and any potential conflicts of interest. Once engaged, all interaction between a remuneration consultant and Primary occurs through the Committee.

All reports and recommendations provided by remuneration consultants are:

- provided directly to the Chairman of the Committee who is an independent, Non-executive Director; and
- acknowledged to be impartial and free from undue influence of any KMP members or senior management.

Primary's success depends on the capabilities of the KMP and Senior Executives who develop and implement its business strategies. The Committee will consider all recommendations provided by remuneration consultants and external advisors within the broader context of Primary's needs in relation to the strategic objectives and performance of Primary, in addition to its human capital management, talent retention, leadership development, and succession planning requirements. The Committee's objectives in relation to executive compensation are, therefore, closely aligned with the importance of attracting and retaining the appropriate individuals to lead and manage Primary's operations, which is essential to provide shareholder value over the long-term.

Details of contracts of CEO and KMP

The remuneration and other terms of employment for KMP are not generally formalised in employment and service agreements. However, each Senior Executive is entitled to leave and notice provisions in accordance with the relevant State or Commonwealth legislation.

No fees for Executive Directors

During FY2013, no Executive Director received a fee-for-service for their role as a Director.

Remuneration structure

Remuneration for Senior Executives has the following components:

Fixed annual remuneration

The terms of employment for all Senior Executives contain a fixed remuneration component expressed as a dollar amount. The Senior Executive may take this amount in a form agreed with Primary. Fixed annual remuneration ("FAR") is made up of base salary, company superannuation contributions, and benefits, including fringe benefits tax. This amount of remuneration is not "at-risk", but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications, experience, and location.

Fixed remuneration overview

Components of fixed remuneration	FAR comprising base salary, benefits (including superannuation) and applicable fringe benefits tax (as a total cost to the Company), is determined on an individual basis, depending on the size and scope of the position, functional responsibilities, the importance of the role to the Company, and the external market.
Review of fixed remuneration	Each KMP's salary is reviewed annually by the Nomination and Remuneration Committee as part of each individual's participation in the Primary Executive Incentive Plan ("PEIP"). The Committee reviews the skills, knowledge, accountability, and general performance of each KMP in line with external market reviews of comparatively benchmarked companies in Australia. Fixed remuneration remains constant throughout the year. FAR for each PEIP participant is reviewed annually, but variations remain discretionary and are not guaranteed.
Benchmarks for setting fixed remuneration	The Nomination and Remuneration Committee obtains external data based on an analysis of ASX200 entities, market capitalisation, revenue, number of employees, and industry type. The Committee also considers market comparisons for similar roles, level of responsibility, and the performance and potential of the Senior Executive.

"At-risk" remuneration

Option Plan

Options may be issued to Senior Executives under Primary's Employee Option Plan at the sole discretion of the Board. Further details of the Plan are included in Note 6 to the financial statements on page 53. The Board will not consider issuing options to Senior Executives in the normal course of events until the Senior Executive has served a minimum of two years with Primary. The options will normally be exercisable a minimum of three years after date of issue to the Senior Executive.

No offer of Options was made to any individuals defined as KMP in FY2013 (FY2012: nil). During the year, no Senior Executive exercised options that were granted to them as part of their compensation.

Primary Executive Incentive Plan

During 2010, Primary established a Primary Performance Rights Plan ("PPRP"). The PPRP was approved by shareholders at Primary's Annual General Meeting on 26 November 2010. The PPRP was initially designed to facilitate the grant of Performance Rights (conditional rights to acquire a share, subject to the achievement of specified service and performance hurdles), to eligible participants. In the first year of the PPRP's operation, being the year ended 30 June 2011, the whole-Group target linked to earnings per share ("EPS") growth was not achieved and no grant of performance rights was made under the PPRP in respect of that year.

During the following year (the year ended 30 June 2012), the Nomination and Remuneration Committee again reviewed the PPRP in the context of a range of recent regulatory changes relating to the taxation treatment of performance rights and options, as well as the high cost of administering the PPRP. Given these changes, and the ongoing costs, the Nomination and Remuneration Committee recommended that Primary's core objective in enhancing the link between performance-based compensation and actual business performance through the granting of long-term incentives ("LTIs") to eligible participants, could be effectively addressed through the award of deferred cash, rather than performance rights.

The core objectives of the Primary Executive Incentive Plan ("PEIP") continue to:

- align the remuneration of Senior Executives with shareholder value;
- encourage ongoing and sustained workplace performance;
- assist in retaining the skills and experience of key executives;
- link Senior Executive remuneration to the achievement of performance criteria and conditions over an extended period; and
- provide opportunities for Senior Executives to share in the growth and value of Primary.

The Nomination and Remuneration Committee ("the Committee") is responsible for administering the PEIP in accordance with the following framework:

- participation in the PEIP is not open to Non-executive Directors;
- Executive Directors who participate in the PEIP are not entitled to participate in Committee recommendations and Board resolutions concerning the PEIP;
- the Committee will design an annual PEIP offer for eligible Senior Executives to participate in relation to following financial year;
- the PEIP will include both a short-term incentive ("STI") and a long-term incentive ("LTI") component. Both components are awarded at the sole discretion of the Committee and are at-risk;
- both the STI and the LTI will be linked to specified Group and individual performance hurdles. The hurdles will reflect Primary's business plans, targets, budgets, and performance objectives;
- the Committee will take a number of factors into account approving the settlement of setting STI and LTI incentive hurdles, including market consensus on future earnings, revenue and EBITDA growth, and external factors such as the regulatory environment in which Primary operates;
- all offers under the PEIP will be made annually, following the announcement of Primary's full-year results;
- no STI or LTI incentive (either current or previously awarded and subject to ongoing restriction) is payable to those participants who leave employment during the assessment year or period, unless cessation of employment is due to retirement, total and permanent disablement, redundancy, or death;
- no interest is payable prior to or following any STI or LTI payment; and
- in the event of a change of control all restricted cash LTIs will be released to the relevant participant.

The PEIP – structure

The PEIP has four levels, which allow the Committee to invite eligible participants to participate on a level which correlates to the individual's position, skills, experience, and tenure.

Short-Term Incentive – "STI"

The STI is an at-risk, discretionary, and performance-based payment, awarded on an annual basis, usually in September or October each year.

The STIs awarded to KMP under the PEIP in respect of the year ended 30 June 2011 were reported in Primary's 2012 Annual Report.

For FY2013, the STI will comprise a cash incentive payment which will be linked to both Group performance and the achievement of certain key performance indicators ("KPIs") based on a range of financial measures. Under the PEIP, KPI measures are personal to each participant, but include performance hurdles such as capital and financial management, strategic financial planning, OH&S and risk management, team leadership, and succession planning. The percentage of fixed annual remuneration ("FAR") which is available for award to eligible participants varies according to the participant's level with the PEIP. The performance hurdles relevant for Primary's KMP are provided further in this Remuneration Report below.

Long-Term Incentive – "LTI"

The LTI is an at-risk, deferred cash payment which is restricted for a maximum period of 3 years (one-third of the LTI is released each year over 3 years) from the date first awarded, usually in September or October each year. At levels 1 to 3, eligible participants have opportunities to achieve LTIs as varying percentages of their fixed annual remuneration. Level 4 participants are not eligible to receive an LTI.

The incremental LTI hurdle is a Group Earnings Per Share ("EPS") growth target, selected by the Board because of its clear link to shareholder returns and Primary's overall strategic objectives. The EPS performance condition is determined by dividing the operating profit attributable to the Primary Group by the weighted average number of ordinary shares outstanding during the financial year. Growth in EPS will be measured by comparing the EPS in the base year and subsequent measurement years as adjusted for unusual items, as considered appropriate by the Board. The final determination of Primary's financial performance is determined after reviewing the Company's audited financial results for the relevant period. Financial targets are assessed quantitatively against the pre-determined targets. Where possible, non-financial targets are also assessed quantitatively and otherwise they are assessed by annual qualitative performance appraisal. At the beginning of each year the Board establishes a threshold and a maximum EPS metric for the new assessment year.

For FY2012, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share ("EPS") growth target of between 5-12%, with payment of deferred cash increasing in equal increments for each percentage of EPS growth, to a maximum of 12%. This Group EPS target was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP were awarded the relevant maximum LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2012 will be paid in September or October 2013.

For FY2013, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share ("EPS") growth target of between 10-17%, with payment of deferred cash increasing in equal increments (starting at 0% for EPS growth < 10% to 100% for EPS growth = or > 17%) for each percentage of EPS growth to a maximum of 17%. The total of this Group EPS target was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP will be awarded the relevant maximum LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2013 will be paid in September or October 2014.

The maximum STI and LTI opportunities for eligible PEIP participants are set out below:

PEIP – FY2013 – Percentage of fixed annual remuneration as STI and LTI

LEVEL	STI (% OF FAR) MAXIMUM AVAILABLE	LTI (% OF FAR) MAXIMUM AVAILABLE (RESTRICTED FOR 3 YRS)
L1 CEO	**67% (0% EPS Target/67% KPIs)**	**0%**
L1 Other	**40% (16% EPS Target/24% KPIs)**	**20%**
L2	**25% (10% EPS Target/15% KPIs)**	**18%**
L3(a),(b) & (c)	**23% (8% EPS Target/15% KPIs)** **20% (8% EPS Target/12% KPIs)** **10% (0% EPS Target/10% KPIs)**	**10% – 15%**
L4	**15% (6% EPS Target/9% KPIs)**	**0%**

Summary of fixed and at-risk remuneration structure

A summary of the components of fixed, short-term, and long-term incentives provided above are summarised in the table below:

	PRIMARY EXECUTIVE INCENTIVE PLAN	
FIXED REMUNERATION	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE
– Salary (cash), compulsory superannuation and salary sacrifice. – Reviewed annually with any changes effective from 1 January each year. – Compensation in-line with the Senior Executive's role, value and contribution to Primary. – Based on external benchmarking data targeted to be near the median of the competitive talent market. – Differentiated by a range of individual levels based on experience, performance, complexity, size and scope of business unit and market demands.	– "At-risk" cash payment made on an annual basis. – Mix of financial and non-financial targets. – Linked to key performance indicators with metrics including revenue growth, EBITDA growth, EBIT growth, operating margin and return on capital employed. – Linked to Group performance metrics such as EPS growth which is assessed on an annual basis. – Capped at a percentage of the Senior Executive's fixed remuneration. The percentage is determined on an individual basis.	– This component of compensation is "at risk" and only earned if performance metrics are achieved in the year awarded. – The LTI is subject to continued service requirements as the LTI is released in 3 equal tranches over a 3-year period, commencing one year after the date on which the LTI was first granted. – For FY2013, the Board determined to use earnings per share ("EPS") in a range of 10% to 17% as the key measure for performance-based long-term incentive awards.

Details of remuneration paid

The following information discloses the total remuneration of:

- all executives who fall within the definition of Key Management Personnel of the Group, being those persons with authority and responsibility for planning, directing and controlling the activities of the Group, including the Chief Executive Officer (excluding Non-executive Directors); and
- the division of cash salary, short-term employee benefits, and post-employment benefits (superannuation); and
- prior year comparison.

Grants made to KMP under the PEIP

An STI was granted to eligible Senior Executives in respect of the year ended FY2012 and was paid during FY2013.

Details of these grants are outlined in the table below.

Primary's Nomination and Remuneration Committee will shortly:

- assess whether eligible participants have met specified performance hurdles for FY2013;
- make a grant, where appropriate, under the PEIP in respect of applicable STI or LTI arrangements; and
- determine the Group performance hurdles and KPIs applicable to the PEIP in respect of the year ending 30 June 2014.

The tables below show the total remuneration paid to each KMP in FY2013 and prior year comparison for FY2012:

2013	FIXED REMUNERATION (SALARY/FEES)		SHORT-TERM INCENTIVE UNDER PEIP^ (STI AWARDED FOR FY2012 AND PAID IN FY2013)		LONG-TERM INCENTIVE UNDER PEIP^ (LTI AWARDED IN FY2013 FOR FY2012)^		
	1 JULY 2012 TO 30 JUNE 2013	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	TOTAL FOR FY2013
Chief Executive Officer							
E Bateman*	**1,500,000**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**1,500,000**
Key Management Personnel							
J Bateman	**576,280**	**16,470**	**220,000**	**100%**	**110,000**	**100%**	**922,750**
A Duff	**576,280**	**16,470**	**220,000**	**100%**	**110,000**	**100%**	**922,750**
H Bateman	**551,280**	**16,470**	**200,000**	**100%**	**100,000**	**100%**	**867,750**
J Frost (to 14 November 2012)	**195,422**	**8,333**	**150,400**	**94%**	**–**	**0%**	**354,155**
C Adams	**399,530**	**16,470**	**100,000**	**100%**	**72,000**	**100%**	**588,000**
M Bardsley (from 14 November 2012)	**249,706**	**16,470**	**100,000**	**100%**	**72,000**	**100%**	**438,176**
Total	**4,048,498**	**90,683**	**990,400**		**464,000**		**5,593,581**

Notes:

^ PEIP – Primary Executive Incentive Plan. Short-term incentive based on the achievement of KPIs linked to revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed. It was awarded in respect of FY2012, during FY2013. The LTI achieved in respect of FY2012 was awarded in FY2013, but the first one-third of that award is not payable until FY2014.

* The Chief Executive Officer did not participate in the PEIP in FY2012.

2012	FIXED REMUNERATION (SALARY/FEES)			SHORT-TERM INCENTIVE UNDER PPRP^ (STI AWARDED FOR FY2011 AND PAID IN FY2012)		LONG-TERM INCENTIVE UNDER PPRP^ (LTI AWARDED FOR FY2011 AND GRANTED IN FY2012)		
	PAID FROM 1 JULY 2011 TO 31 DECEMBER 2011	PAID FROM 1 JANUARY 2012 TO 30 JUNE 12	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	TOTAL FOR FY2012
Chief Executive Officer								
E Bateman*	467,113	742,112	15,775	N/A	N/A	N/A	N/A	1,225,000
Key Management Personnel								
J Bateman//	242,113	267,112	15,775	120,000	100%	–	0%	645,000
A Duff//	242,113	267,112	15,775	120,000	100%	–	0%	645,000
H Bateman//	202,113	242,112	15,775	100,800	100%	–	0%	560,800
J Frost	183,486	183,486	33,028	96,000	100%	–	0%	496,000
C Adams	172,113	192,112	15,775	54,000	100%	–	0%	434,000
Total	1,509,051	1,894,046	111,903	490,800		–		4,005,800

Notes:

^ PPRP – Primary Performance Rights Plan. Short-term incentive based on the achievement of KPIs linked to revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed. It was awarded in respect of FY2011, during FY2012. No LTI was awarded in respect of FY2011.

* The Chief Executive Officer did not participate in the PPRP in FY2011.

// These KMP are not paid a fee for their services as Executive Directors.

Review of Key Management Personnel remuneration

During FY2013, the Committee commissioned independent advice from Egan Associates in relation to the remuneration arrangements of Primary's KMP. The review considered issues around a range of factors such as:

- economic setting and workforce planning;
- Primary's challenges, performance, near and long-term growth expectations;
- criticality of retention, recruitment, and succession planning;
- comparative market positioning of KMP's current fixed annual remuneration; and
- history of remuneration adjustments and changes to reward strategy, including retrospective, prospective, influence of market adjustments in competitor companies, and the criticality of internal pay relativity.

The key findings from the independent remuneration review considered by the Committee included recognition that:

- Primary's KMP have strong continuity of effective service and are highly experienced;
- FAR should be pitched at or about the market median, with performance aligned reward delivering third quartile total reward outcome on achieving stretch performance hurdles; and
- the annualised value of long-term incentives of the Key Management Personnel at Primary is historically below that of the market generally, as is to a lesser extent the opportunity under the annual incentive program.

KMP remuneration recommendations

Having considered the external advice received from Egan Associates, including benchmarking data provided on:

- criticality of retention, recruitment, and succession-planning;
- the tenure, skills, experience, and the importance of retaining Primary's KMP;
- the importance of linking executive remuneration to reward;
- comparative market positioning of KMPs' current fixed annual remuneration;
- sustained performance of the Chief Executive Officer and the Committee's long-term strategy to ensure appropriate remuneration;
- the growth of the size, scope and complexity of Primary's operations; and
- importance of the Chief Executive Officer's role in successfully overseeing Primary's business strategy, particularly since the acquisition of Symbion Health Limited in 2008;

the Committee resolved to:

- revise the level of fixed annual remuneration of several KMP, effective 1 January 2013, as reflected in the remuneration table for FY2013 above; and
- provide the Chief Executive Officer with appropriate opportunities to participate in Primary's Executive Incentive Plan, specifically, at-risk, short-term incentives, contingent on the achievement of a range of key financial and non-financial KPIs to provide a clear link between remuneration outcomes and the key drivers of long-term shareholder value.

Based on the Chief Executive Officer's current FAR of $1.5m, the maximum STI opportunity for FY2013 will be 67% of FAR or $1.0m. The revised level of at-risk remuneration for the Chief Executive Officer brings the Chief Executive Officer's total remuneration package into line with Primary's stated remuneration positioning, having regard to peer companies in respect of sector, market capitalisation, and performance.

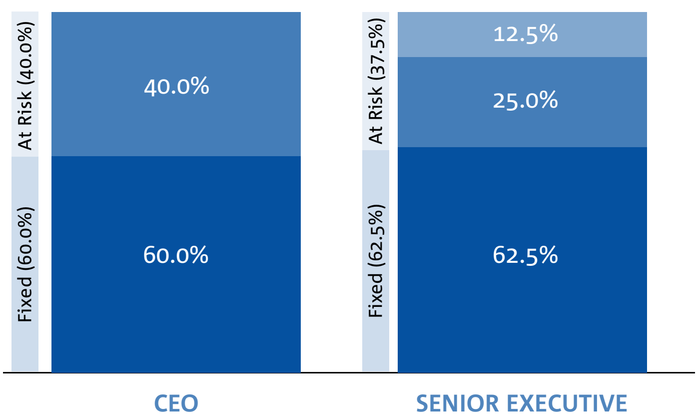
Current Key Management Personnel remuneration mix

The following table sets out the percentage of fixed and at-risk remuneration as a component of total available remuneration for those KMP who participate in the Primary Executive Incentive Plan ("PEIP") and those measures upon which recommendations are made in relation to STIs awarded under the PEIP:

KMP	FAR	STI	LTI	AT-RISK	STI MEASURES
Dr Edmund Bateman Chief Executive Officer	60.0%	40.0%	0%	40.0%	There are several key performance components to the STI for the PEIP which apply to the Chief Executive Officer: – Financial performance to budget – metrics including revenue growth, EBITDA growth, EBIT growth, operating margin and return on capital employed. – People and performance – leadership of the Senior Executive team, oversight of short and long-term strategic business division plans, effective reporting to the Board. – Effective engagement with external stakeholders. – Oversight of effective workplace programs such as occupational health and safety procedures, gender diversity initiatives, and management succession planning.
Andrew Duff Finance Director	62.5%	25.0%	12.5%	37.5%	There are several key performance components to the STI for the PEIP which apply in various combinations to each KMP: – Linked to key performance indicators with metrics including revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed. – Strategic objectives – performance against strategic objectives linked to the KMP's business unit and functional responsibility. These objectives may include business unit cost targets, market share growth, quality and efficiency initiatives, new product development, medical health professional recruitment, investor relations, and business acquisitions. – Operating margin – effective implementation of measures linked to the Company's overall financial operating margin. – Sustainability performance – including operational improvement initiatives, performance against budgeted capital cost, and identifying and managing risk. – Leadership and culture – including human capital management initiatives, succession planning, training, and development.
James Bateman General Manager – Pathology	62.5%	25.0%	12.5%	37.5%	
Henry Bateman General Manager – Medical Centres	62.5%	25.0%	12.5%	37.5%	
Carl Adams General Manager – Diagnostic Imaging	62.5%	25.0%	12.5%	37.5%	
Matthew Bardsley General Manager – Information Innovation	62.5%	25.0%	12.5%	37.5%	

The mix of fixed and at-risk remuneration of the Chief Executive Officer and KMP who participate in the Primary Executive Incentive Plan ("PEIP") are further illustrated in the diagram below:

KMP Executive remuneration mix



Performance Payment Potential for FY2013

The following table sets out the minimum and maximum performance payment potential for current Key Management Personnel for FY2013. Incentive amounts are based on fixed annual remuneration approved by the Board as part of the 2013 remuneration review process and the executive remuneration strategy outlined above, as well as the potential total STI and LTI award under the PEIP (other than option grants) for FY2013 which may be awarded and granted in FY2014.

	SHORT-TERM INCENTIVE PAID AS CASH LINKED TO GROUP EPS TARGET(1)		SHORT-TERM INCENTIVE PAID AS CASH LINKED TO KPIS(2)		LONG-TERM INCENTIVE DEFERRED CASH(3)	
	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM
Chief Executive Officer						
E Bateman	$0	$0	$0	$1,000,000	N/A	N/A
Key Management Personnel						
J Bateman	$0	$101,680	$0	$152,520	$0	$127,100
A Duff	$0	$101,680	$0	$152,520	$0	$127,100
H Bateman	$0	$101,680	$0	$152,520	$0	$127,100
M Bardsley	$0	$69,120	$0	$103,680	$0	$86,400
C Adams	$0	$69,120	$0	$103,680	$0	$86,400

(1) The STI paid as cash is based on a whole Group target of EPS between 10% and 17% and will be paid in the financial year 2014 based on performance for FY2013.

(2) The STI paid as cash is based on the achievement and assessment of personal performance targets and will be paid in FY2014 based on performance for FY2013.

(3) The maximum value for the LTI is based on the methodology in the section 'Design of long-term incentive ("LTI") for FY2013' "FY2013 LTI". Any LTI in respect of FY2013 will be awarded as deferred cash during FY2014. The first one-third of the FY2013 LTI will payable in FY2015, the next one-third will be payable in FY2016, and the final one-third payable in FY2017.

B. Non-executive Director remuneration

The remuneration of all individuals who are Non-executive Directors of the Company for their ordinary services as Directors of either the Company or any of its subsidiary entities is subject to the aggregate limit of A$1,400,000 for any calendar year (set by shareholders at the 2008 General Meeting). This limit takes account of the level of fees paid to Directors of other Australian entities of similar size and complexity, as well as the responsibilities and work requirements of Board members.

Board fees are paid to Non-executive Directors only. Fees are not linked to the performance of Primary so that independence and impartiality is maintained. Superannuation contributions are made at a rate of 9.0% in FY2013 and at a rate of 9.25% from 1 July 2013 onwards, which satisfies Primary's statutory superannuation obligations.

In addition to Board and Committee fees, Non-executive Directors are entitled to be reimbursed for all reasonable travel, accommodation, and other expenses, incurred in attending meetings of the Board, Committees, or shareholders, or while engaged on Primary business.

Non-executive Directors do not accrue separate retirement benefits in addition to statutory superannuation entitlements.

There is no share plan or other equity participation for Primary's Non-executive Directors.

During FY2013, and as part of a broader review of the fees paid to Non-executive Directors (not including the Chairman), it was recommended that the base fee paid to Non-executive Directors be increased from $100,000 to $110,000 per annum. This recommendation was considered and approved by the Board to take effect from 1 January 2013.

The table below outlines the total fees paid to the Company's Non-executive Directors for FY2013 and a prior year comparison:

2013	DIRECTORS' FEES	AUDIT COMMITTEE FEES	SUPER CONTRIBUTIONS	TOTAL
Robert Ferguson[1]	**213,530**	–	**16,470**	**230,000**
Brian Ball	**95,711**	**7,500**	**9,289**	**112,500**
John Crawford (to 30 November 2012)	**38,226**	–	**3,440**	**41,666**
Arlene Tansey (from 31 August 2012)	**80,000**	–	**8,000**	**88,000**
Errol Katz	**96,330**	–	**8,670**	**105,000**
Paul Jones	**96,330**	–	**8,670**	**105,000**
Total	**620,127**	**7,500**	**54,539**	**682,166**

2012	DIRECTORS' FEES	AUDIT COMMITTEE FEES	SUPER CONTRIBUTIONS	TOTAL
Robert Ferguson[1]	209,225	–	15,775	225,000
Brian Ball	91,124	7,500	8,876	107,500
John Crawford	91,743	–	8,257	100,000
Errol Katz	91,743	–	8,257	100,000
Paul Jones	91,743	–	8,257	100,000
Terence Smith (until 12 June 2012)	91,743	–	8,257	100,000
Total	667,321	7,500	57,679	732,500

1 Mr Ferguson's remuneration is a fixed fee inclusive of fees for his role as Chairman of the Nomination and Remuneration Committee.

Company strategy and performance

Primary's medical centre management business was formally established in 1985 with one medical centre, and Primary has been listed on the ASX since 1998. Primary has since grown to become Australia's largest medical centre operator with a network of Australia-wide large-scale medical centres. The Group now also delivers a broad range of pathology and diagnostic services, and is a leading provider of health technology services to medical practitioners.

The table below demonstrates the performance of the Group over the five years ended 30 June 2013:

	YEAR ENDED 30 JUNE				
	2013	2012	2011	2010	2009
Revenue	**1,456,279**	1,392,067	1,322,094	1,296,658	1,336,567
Profit before tax	**217,866**	168,435	113,970	180,264	149,641
Profit Attributable to Equity Holders of Primary Health Care Ltd ($000)	**150,111**	116,615	78,285	131,997	108,502
Share price at end of year ($)	**4.78**	2.95	3.43	3.56	5.25
Interim dividend (cents per share)	**6.5**	5.0	3.0	15.0	7.0
Final dividend (cents per share)	**11.0**	6.0	5.0	10.0	7.0
Basic Earnings Per Share (cents)	**29.9**	23.3	15.8	27.8	28.7

Notes:

– All dividends are franked to 100% at 30% corporate income tax rate.

– Final dividends were declared after the balance date and were therefore paid in the following financial year.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Edmund Bateman – Director
Sydney

16 September 2013

The following description of the governance arrangements of Primary Health Care Limited ("Primary") for the year ended 30 June 2013 ("FY2013") addresses those principles set out in the ASX Corporate Governance Principles and Recommendations ("ASXCGC Recommendations") published by the ASX Corporate Governance Council. Copies of Primary's charters and policies are available at Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

The following table is a summary of the ASXCGC Recommendations and Primary's compliance with these guidelines:

	RECOMMENDATION	COMPLIANCE YES/NO
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
Principle 2	**Structure the Board to add value**	
2.1	A majority of the Board should be independent Directors.	Yes
2.2	The chair should be an independent Director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
3.1.1	the practices necessary to maintain confidence in the Company's integrity;	Yes
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	Yes
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
Principle 4	**Safeguard integrity in financial reporting**	
4.1	The Board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	– consists of only Non-executive Directors:	Yes
	– consists of a majority of independent Directors;	Yes
	– is chaired by an independent chair, who is not chair of the Board; and	Yes
	– has at least three members.	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
Principle 6	**Respect the rights of shareholders**	
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	Yes

	RECOMMENDATION	COMPLIANCE YES/NO
Principle 7	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
Principle 8	**Remunerate fairly and responsibly**	
8.1	The Company should establish a remuneration committee.	Yes
8.2	The remunerations committee should be structured so that it:	Yes
	– consists of a majority of independent Directors;	Yes
	– is chaired by an independent Chair; and	Yes
	– has at least three members.	
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Principle 1: Lay solid foundations for management and oversight

The Board has adopted a formal Board Charter which outlines the Board's role and responsibilities, including its relationship with management, in line with good corporate governance principles.

Under the Charter, the Board is responsible for:

- representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of Primary;
- overseeing the financial and human resources which Primary has in place to meet its business objectives and for reviewing the performance of Management;
- protecting and optimising Group performance and building sustainable value for shareholders;
- monitoring and reviewing the effectiveness of the occupational health, safety and environment practices of Primary; and
- ensuring that shareholders are kept informed of the Group's performance and major developments affecting its state of affairs.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, an employee, or other person. However, the Board acknowledges that it retains ultimate responsibility for the exercise of such powers under the *Corporations Act 2001*.

The Board has guidelines for its Directors to address potential conflicts of interest, including a requirement that they declare their interests as required by the *Corporations Act 2001* and the ASX Listing Rules.

Board functions

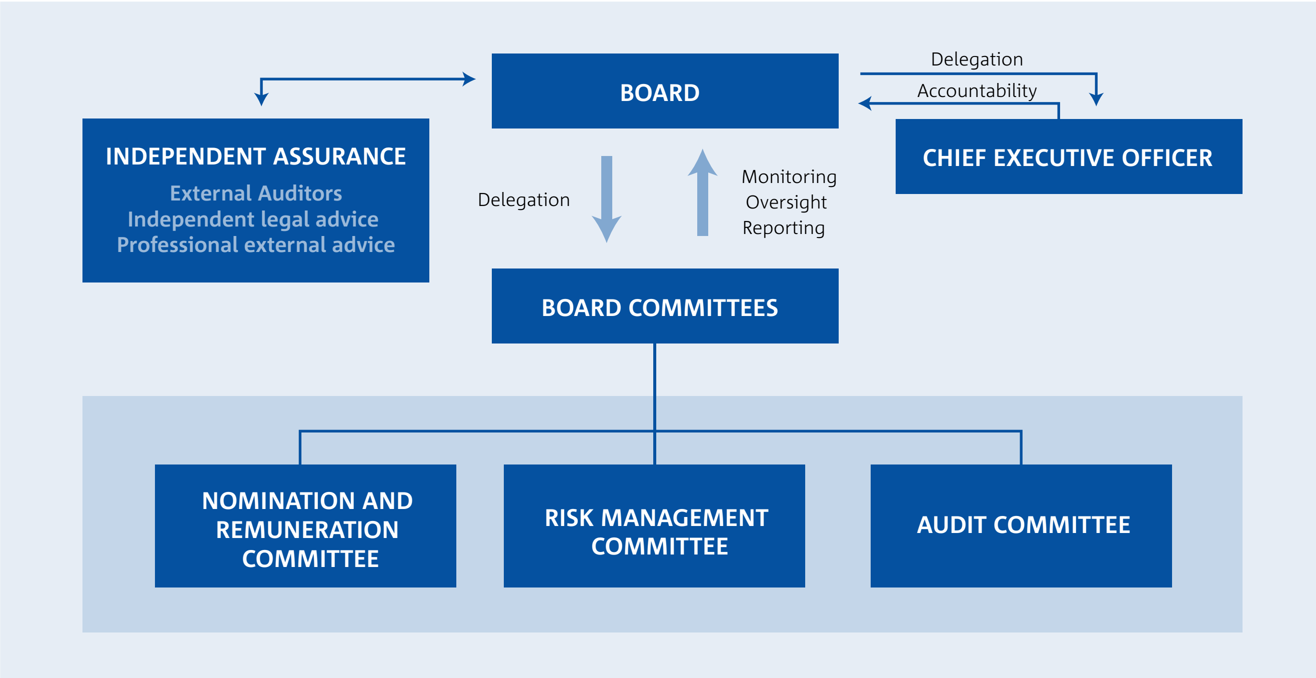
The key functions of the Board and each of the Board Committees are outlined in this Corporate Governance Statement.

The Board may, from time to time, establish Board Committees, which have delegated authority to act under Primary's Constitution and the Board Charter. Each Board Committee functions under its own Charter. During FY2013, the following Board Committees were in place:

- Audit;
- Nomination and Remuneration; and
- Risk Management.

Governance Framework

The Governance Framework illustrates the decision-making processes within the Primary Group. The Chief Executive Officer ("CEO"), in conjunction with those Senior Executives who report to the CEO, are responsible for the day-to-day management of Primary, who, in turn, report to the Board on a regular basis. Board Committees have delegated authority to monitor specific issues involving remuneration and Board selection, risk management and audit and regularly report to the Board, escalating issues as required.



General functions of the Board include:

- approving the strategic direction of Primary;
- overseeing and approving of major capital expenditure, capital management, acquisitions and divestments, to ensure the integrity of financial and other reporting;
- monitoring corporate performance and determining capital structure and dividends;
- selecting, appointing and evaluating the performance of the Chief Executive Officer and determining the remuneration and succession planning associated with that position;
- reviewing the procedures for appointing, selecting and monitoring the performance of Senior Executives and succession planning associated with those roles;
- reviewing and approving Senior Executives' development and performance objectives;
- monitoring Workplace Health and Safety ("WHS") issues in Primary and reviewing WHS reports and information;
- approving major business initiatives within Primary, and providing advice and guidance to Senior Executives;
- approving the delegation of powers to Board Committees, the CEO, and Senior Executives; and
- approving, overseeing and monitoring the Primary's governance model.

A copy of the Board and Committee Charters are available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Principle 2: Structure the Board to add value

The skills and experience of each Director on Primary's Board during FY2013 are included in the Directors' Report. Primary's Constitution provides for a minimum of three Directors. As at the date of this Report the Board comprises five independent Non-executive Directors and four Executive Directors.

The Board normally holds 12 formal Board meetings each year and will also meet wherever necessary to carry out its responsibilities. During those meetings, Directors request any relevant information, raise and discuss issues which are of concern to them and vote on any resolution based on their own judgment. Directors are required to maintain confidentiality, with the exception of decisions which require public disclosure.

Directors' independence

The size, composition, and independence of Primary's Board is determined pursuant to the Board Charter, Primary's Constitution, and is assessed on an annual basis. The Board recognises that independent Directors are important in assuring shareholders that the Board is properly able to exercise independent judgment when meeting its responsibilities under the Charter. In determining whether a Director is independent of management and generally free from any interest and any business or other relationship that could be perceived to materially interfere with the Director's ability to act in the best interests of Primary, materiality is assessed on a case-by-case basis in relation to each Director's personal circumstances, rather than a specific materiality threshold. In doing so, the Board considers whether the Director:

- is a Non-executive Director (that is, is not a member of management); and
- is not a substantial holder (that is, a person who has a substantial holding as defined by s 9 of the *Corporations Act 2001*) of Primary or an officer of, or otherwise associated directly with, a substantial holder of Primary; and
- within the last three years, has not been employed in an executive capacity by Primary or another entity in the Primary Group; and

- within the last three years, has not been a principal of a material professional adviser or a material consultant to Primary or another entity in the Primary Group, or an employee of such an adviser or consultant and materially associated with the service provided; and
- is not a material supplier to, or material customer of, Primary or another entity in the Primary Group, or an officer of, or otherwise associated directly or indirectly with, such a supplier or customer; and
- has no material contractual relationship with Primary, or another entity in the Primary Group, other than as a Director of Primary.

Having considered the various positions and relationships of each of the Non-executive Directors, and in light of the definition of independence and assessment procedures discussed below, the Board considers all current Non-executive Directors, including the Chairman, to meet the definition of independence as prescribed in the ASXCGC Recommendations.

The Board has a range of measures in place to ensure that independent judgment is maintained throughout decision-making processes where such judgment is required. Under the Company's Constitution, a Director who has a material personal interest in a matter that is being considered at a meeting of Directors must not be present while the matter is being considered at the meeting or vote on the matter. A Director who has a material personal interest in a matter that relates to the affairs of the Company must give the other Directors notice of the interest unless otherwise exempted under the Constitution (in situations where the interest arises merely in connection with the Director's ordinary obligations, duties and powers).

During FY2013 there were no circumstances in which individual Directors found it necessary to excuse themselves from consideration by the Board of specific matters because of the potential for independence to be compromised.

Matters concerning the remuneration of the Company's KMP, some of whom are also Executive Directors, are considered and reviewed by the Company's Nomination and Remuneration Committee, which is comprised wholly of Non-executive Directors, under delegation of the Board.

Composition, operation and reporting

The composition of Board Committees is reviewed annually. Members are selected on the basis of their skills and experience, as well as requirements related to independence. Each Board Committee is chaired by an independent Non-executive Director. Committees meet at least bi-annually and more often as required. Senior Executives and other senior managers may attend Committee meetings by invitation. Provided that there is no conflict of interest, all Directors can receive all Board Committee papers and can attend Board Committee meetings on request.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for making recommendations to the Board about the:

- evaluation of the performance of the Board, its committees, and Directors;
- appointment, re-election, and succession of Directors;
- remuneration, recruitment, retention, and termination policies and procedures for Group Senior Executives; and
- superannuation arrangements.

The composition of the Nomination and Remuneration Committee is reviewed on an annual basis by the Board. The Committee must comprise at least three Non-executive Directors and be chaired by, and comprise a majority of, independent Directors. Primary's Nomination and Remuneration Committee is comprised solely of Non-executive Directors.

During FY2013 members of the Nomination and Remuneration Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford (until 30 November 2012)
- Ms Arlene Tansey (from 1 January 2013)
- Dr Errol Katz.

A copy of the Nomination and Remuneration Committee Charter is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

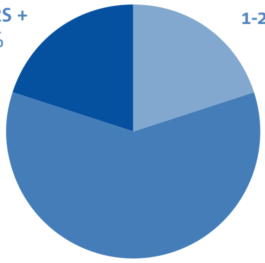
Board Selection and Membership

As part of its role in relation to the nomination of Directors, the Board devises criteria for Board membership. The key criteria for the selection of suitable candidates is their capacity to contribute to the ongoing development of the Primary Group, having regard to the Primary Group's business, the candidate's experience, and the attributes of existing Board members. Where a vacancy exists on the Board, or where it is considered that the Board would benefit from the services of a new Director with particular skills, suitable candidates are proposed for consideration. Where appropriate, the services of external consultants are also engaged.

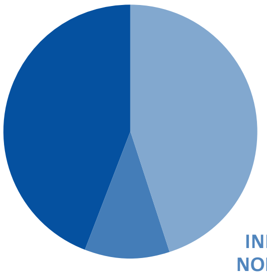
The Board also considers that its membership should comprise Directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds. The names, skills, experience, expertise, and appointment dates, of the current Directors of Primary are set out on pages 10 to 11 of this Report.

The length of tenure, and percentage, of Non-executive Directors is illustrated in the charts below:

Length of tenure of Non-executive Directors



Distribution of Non-executive and Executive Directors



The Board participates in confidential evaluation processes, involving both self and peer assessment. The evaluation is a useful tool for examining the role, composition, administration, and effectiveness of the Board and its committees. Evaluation information is used to build a skills matrix which outlines key issues in relation to Directors' experience, knowledge, and demographic details for the Nomination and Remuneration Committee to identify gaps when planning for Board succession.

The Board is also responsible for evaluating the performance of the Chief Executive Officer and for monitoring and evaluating the performance of Senior Executives on an annual basis.

The Chairman

Primary's Non-executive Chairman is Mr Rob Ferguson. Mr Ferguson is responsible for:

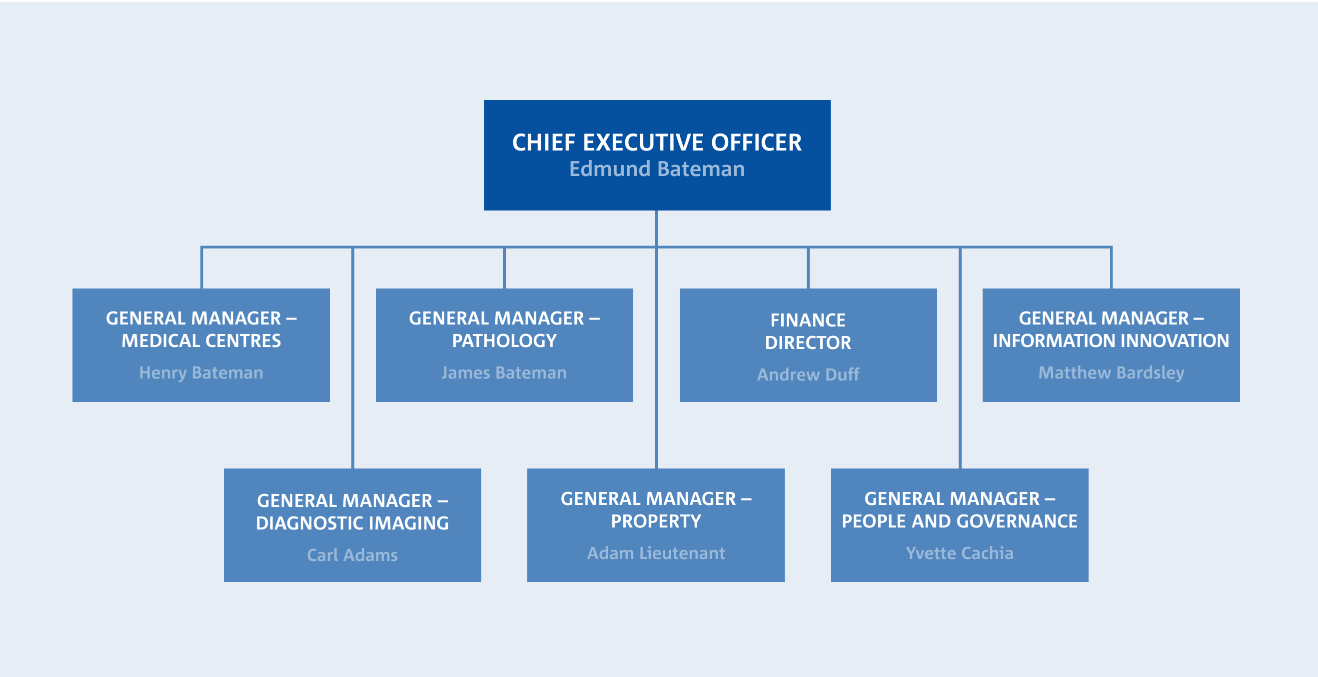
- effective leadership of the Board;
- oversight of Primary's corporate governance framework;
- oversight of Board meeting agendas, record-keeping (in conjunction with the Group Company Secretary) and Committee processes;
- Board succession planning and assessment; and
- representing the Board in communications with the public, the CEO, and with management.

The CEO

Primary's Chief Executive Officer is Dr Edmund Bateman. Dr Bateman is responsible for:

- development of strategic development initiatives for Primary;
- leadership of the Executive Management team; and
- the ongoing operations of Primary's business divisions.

The following Senior Executives report directly to Dr Bateman:



Board renewal

With the exception of the Chief Executive Officer and Executive Directors, one-third of all eligible Directors, and any other Director who has held office for more than three years since their last election, must retire in rotation at the annual general meeting, in accordance with Primary's Constitution. A retiring Director holds office until the conclusion of the meeting at which he or she retires, and may stand for re-election by shareholders at that meeting. The Board may appoint a new Director to fill a casual vacancy and that Director will hold office until the close of the next AGM, unless elected at that meeting.

The Board makes recommendations in respect of the election or re-election of each Director based on tenure, the particular skills, and experience of the Director in relation to Board composition. The details of those Directors who stand for re-election will be provided in the Notice of Meeting sent to shareholders prior to the annual general meeting. Additionally, each Director will provide a short presentation to shareholders at the meeting itself.

Board induction

All new Board members participate in an induction program individually designed to assist them to understand the Group's operations. The induction is coordinated by the Group Company Secretary and includes meetings with key management across all business divisions, visits and practical demonstrations at various sites, and information about the Group's history, operations, key stakeholders and corporate governance protocols.

Information, advice and support

All Directors have access to company records and information and receive regular reports from Executive Management. The Group Company Secretary also plays an important role in supporting Board members by monitoring adherence to policies and procedures and by providing briefing material for the Board's consideration at Board meetings. This information includes regular reports from the Group's Senior Executives, including the Chief Executive Officer, Finance Director and Group General Counsel, to ensure that the Board can discharge its duties effectively.

Each Director has entered into access and indemnity arrangements which allow access to documents for a period of seven years following resignation or retirement. With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice, at Primary's expense, concerning any aspect of Primary's operations or undertakings, in order to fulfil their duties and responsibilities as Directors.

A copy of the Board Charter is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

Primary's Code of Conduct promotes ethical and responsible decision-making throughout the Group. Application of the Code of Conduct is supported through a range of policies and management practices. It encompasses guidance to manage: compliance with law and regulations; corporate integrity and social responsibility; conflicts of interest; the maintenance of information privacy and confidentiality; inside information; improper benefits; misappropriation; and workplace conduct. Issues believed to amount to a breach of the Code are to be reported for investigation to those Senior Executives identified in the Code.

Diversity

Primary has a diverse and inclusive workforce in which all individuals, with a broad range of backgrounds, skills, experience and perspectives contribute to the success of Primary's operations. Primary's policies acknowledge the broad nature of diversity in the workplace, including age, ethnicity, gender, sexual orientation, and cultural identity.

Primary's Diversity Policy was established in 2010 and adopted ASXCGC Recommendations which require the Boards of ASX-listed entities to approve, monitor and report on diversity at all levels, including Board level, particularly in relation to gender diversity. The Diversity Policy applies to all Directors, employees and contractors of the Primary Group. The Policy is reviewed on an annual basis.

The Workplace Gender Equality Agency continues to assess Primary as compliant with the *Equal Opportunity for Women in the Workplace Act 2012*. Females wishing to take advantage of flexible working options comprise approximately 83% of Primary's part-time and casual workforce and work in a variety of roles, including senior management positions.

As at 30 June 2013, the proportion of women employed by Primary was as follows:

- Non-executive Directors: 20%
- Leadership Roles[1]: 67%
- Healthcare Professionals[2]: 60%
- IT professionals: 24%
- Legal Professionals: 33%
- Total Primary Workforce: 78%

Primary's workforce remains characterised by a high rate of female participation at all levels of the Company's operations.

1 Leadership Roles is the proportion of permanent women in people leadership roles or senior roles of influence as a proportion of all leaders across the Primary Group, including Senior Executives, General Managers, Senior Managers as direct reports to General Managers, and Practice and Area Managers.

2 Healthcare Professionals includes registered medical practitioners and senior scientists who are engaged as employees of the Primary Group.

FY2013 marked several key achievements in the further support of Primary's gender diversity initiatives, including:

– an extensive recruitment and selection search for an appropriately skilled and experienced female Non-executive Director, and her appointment on 31 August 2012;
– board succession planning encompassing an active database of suitably qualified and skilled female candidates for opportunities as Non-executive Directors, Senior Executives, and Managers;
– the establishment of 'Primary Women', a networking program to support, motivate, and develop senior women, including tailored access to in-house networking events, sponsored coaching, and executive education opportunities;
– human resources recruitment processes to ensure that candidate recruitment must include a search for suitably qualified and experienced females for senior management positions across the Primary Group;
– the establishment of improved human resource capabilities across the Group to manage a diverse workforce; and
– greater selection and participation of women in senior managerial roles as a result of management restructures targeting appropriately skilled and qualified female managers within various business divisions.

The General Manager, People and Governance is responsible for:

– researching gender diversity barriers for women in Primary's workplace and developing and implementing policies which address those barriers;
– leading Primary's Group Human Resources in best practice initiatives regarding gender diversity which include professional education about improved recruitment processes and education initiatives;
– monitoring the effectiveness of gender diversity initiatives to ensure the proper support of females who have been identified as having management and leadership potential; and
– reporting on gender diversity initiatives to the CEO, Senior Executives, and the Nomination and Remuneration Committee.

The Board's Nomination and Remuneration Committee is responsible for making recommendations to the Board in relation to:

– initiatives to support and encourage diversity throughout Primary;
– objectives for addressing gender diversity, particularly at Board level, including selection, performance evaluation, and succession planning processes; and
– annual assessment of the effectiveness of measurable objectives in relation to diversity.

When identifying candidates for vacancies on Primary's Board of Directors, the Nomination and Remuneration Committee ensures that internal and external assessments of potential candidates includes a search for suitably qualified and experienced women. At least one woman forms part of the interview and selection panel for Board appointments to promote equality and gender diversity.

Primary's Board of Directors is responsible for:

– establishing and monitoring the Primary Group's overall diversity strategy and policy; and
– setting and reviewing measurable objectives for specifically addressing gender diversity following recommendations by the Nomination and Remuneration Committee.

The General Manager, People and Governance is responsible for:

– developing, reviewing and maintaining human resource policies and procedures in accordance with the Diversity Policy and, where relevant, in line with measurable objectives for achieving diversity, particularly gender diversity at senior levels; and
– preparing and reporting to the Workplace Gender Equality Agency ("WGEA").

When developing and implementing recruitment and selection processes for employees and contractors, Primary will ensure that all candidates are considered and selected on the basis of individual skills, experience and merit, in line with all equal opportunity and anti-discrimination legislation. Primary has a Code of Conduct which promotes respect for others, integrity and fairness in the workplace. All Directors, employees and contractors must adhere to those principles within the framework of the Code of Conduct.

Primary's measurable objectives for achieving gender diversity as set by the Board for FY2013 were as follows:

FY2013 MEASURABLE DIVERSITY OBJECTIVES		GOAL	ACHIEVEMENT
1	Ensure ongoing succession planning which aims to increase the representation of women on the Board, subject to the identification of candidates with appropriate skills, qualifications and experience.	Nomination and Remuneration Committee	Complete and subject to ongoing development
2	Develop programs to identify women with management potential and implement programs to enhance their skills and experience as a pipeline for future senior/manager and executive roles.	General Manager People and Governance with Human Resources Managers	Complete and subject to ongoing development
3	Develop a Primary Women in Leadership Program targeting the retention of existing women leaders.	General Manager People and Governance	Complete and subject to ongoing development

Primary's measurable objectives for achieving gender diversity as set by the Board for FY2014 are as follows:

FY2014 MEASURABLE DIVERSITY OBJECTIVES		RESPONSIBILITY	GOAL
1	Further development and release of 'Primary Women'- an internal online information resource covering diversity issues including further education and management tools, as well as lifestyles and networking opportunities.	General Manager People and Governance with Human Resources Managers	By March 2014
2	Development of an internal mentoring program for junior to middle-management females across the Group.	General Manager People and Governance with Human Resources Managers	By 30 June 2014
3	Ongoing succession planning which aims to increase the representation of women on the Board, subject to the identification of candidates with appropriate skills, qualifications and experience.	Nomination and Remuneration Committee and General Manager People and Governance	By 30 June 2014
4	Ongoing development of a Primary Women in Leadership Program targeting the retention of existing women leaders, particularly the promotion of a women's leadership project in conjunction with an external body.	Nomination and Remuneration Committee and General Manager People and Governance	By 30 June 2014

Each year, Primary participates in the Workplace Gender Equality Agency ("WGEA") public reporting program. Those reports indicate that Primary comprises a diverse range of employees and contractors and is represented by a high number of women across the Medical Centres, Pathology and Imaging business divisions. Women comprise 78% of Primary's full-time, part-time and casual employees. The proportion of women employees throughout the Group, including Senior Executive positions and women on the Board is outlined below.

PRIMARY HEALTH CARE LIMITED	WORKPLACE GENDER PROFILE AS AT 30 JUNE 2013			
OCCUPATIONAL CATEGORY	% OF FULL-TIME WOMEN	% OF PART-TIME WOMEN	% OF CASUAL WOMEN	% OF TOTAL EMPLOYEES WOMEN
Directors	**1**	**N/A**	**N/A**	**11**
Executive Managers	**22**	**N/A**	**N/A**	**27**
Senior Managers	**42**	**100**	**N/A**	**45**
Managers	**51**	**90**	**N/A**	**53**
IT Support	**49**	**75**	**N/A**	**50**
Senior Health Professionals	**22**	**55**	**35**	**36**
Scientists	**69**	**85**	**73**	**74**
Lab Assistants/Technicians	**72**	**80**	**75**	**76**
Radiology/Ophthalmology Technicians	**57**	**83**	**65**	**67**
Nursing/Pathology Collectors	**91**	**95**	**87**	**92**
Dental Nurses	**93**	**100**	**92**	**93**
Admin & Clerical	**81**	**96**	**92**	**89**
Couriers	**38**	**49**	**32**	**42**
Ancillary	**56**	**100**	**67**	**67**

A copy of the Diversity Policy is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance". The Policy adopts the ASXCGC Recommendations which require Boards of ASX listed entities to approve, monitor and report on diversity at all levels, including Board level and particularly in relation to gender diversity.

Policy on Trading in Primary Securities by Employees and Directors

Primary recognises the importance of establishing and maintaining appropriate compliance standards and procedures to ensure that public confidence in Primary's market integrity is maintained. In accordance with ASX Listing Rule 12.9, Primary's Board adopted a revised Policy on Trading in Primary Securities by Employees and Directors. The Policy sets out the restrictions and procedures in relation to dealing in any type of Primary securities by employees and Directors, including the prohibition on trading during defined closed periods. The Policy also summarises the law in relation to insider trading.

A copy of the Policy on Trading in Primary Securities by Employees and Directors is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Principle 4: Safeguard integrity in financial reporting

Primary has systems of independent review and authorisation to ensure the integrity of its financial reporting.

The Audit Committee is a committee of the Board. The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary responsibilities. The Committee's primary role is to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the appointment, independence and remuneration of the external auditor, and to provide a link between the external auditors, the Board, and management of the Company.

The Audit Committee is comprised of at least three Non-executive Directors all of whom must be independent and an independent Chair who is not Chairman of the Board.

At least one member of the Committee should have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Audit Committee's duties and responsibilities include:

- reviewing the Company's financial reporting and disclosure processes, and ensuring the reliability and integrity of the Company's financial reporting and accounting policies;
- assessing whether the Company's external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- assessing the adequacy of the management processes supporting external reporting;
- developing and implementing procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- reviewing the performance and independence of the external auditor, including recommending for the appointment, or, if necessary, the removal of the external auditor;
- recommending to the Board in relation to the appointment, compensation, the terms of engagement and other contractual terms of the external auditor; and
- assessing the performance and objectivity of the internal audit function.

Details of the qualifications of the members of the Audit Committee are set out on pages 10 to 11 of this Report. Details of the number of Committee meetings held during FY2013 and members' attendance at those meetings are set out in the Directors' Report on page 8 of this Report.

During FY2013 the members of the Audit Committee were:

- Mr Brian Ball (Chairman)
- Mr John Crawford (until 30 November 2012)
- Mr Rob Ferguson
- Dr Paul Jones; and
- Ms Arlene Tansey (from 1 January 2013).

The Audit Committee invites the Finance Director and the external auditor to attend Audit Committee meetings. Other individuals (such as the Chief Executive Officer) may, by invitation, also attend meetings of the Audit Committee. Additionally, the Audit Committee meets with and receives reports from the external auditor concerning any matters arising in connection with the performance of its role, including the adequacy of internal controls. The external auditor has been appointed since Primary listed in 1998. Continued appointment is subject to periodic review. The Lead External Audit Engagement Partner is required to rotate at least once every five years. The latest rotation occurred at the commencement of FY2013.

A copy of the Audit Committee Charter is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Declarations of the Chief Executive Officer and the Finance Director

Each of the Chief Executive Officer and the Finance Director provides the Board with a written declaration that:

- the financial reports present a true and fair view, in all material respects, of Primary's financial condition and operational results and are in accordance with relevant accounting standards;
- this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Primary's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received the above declarations from the Chief Executive Officer and the Finance Director for FY2013.

Principle 5: Make timely and balanced disclosure

Primary has put mechanisms in place to ensure the provision of timely, balanced and accurate disclosure of material information to the market in order to comply with the continuous disclosure obligations under the *Corporations Act 2001* and Australian Securities Exchange ("ASX") Listing Rules. All investors have equal and timely access to material information. This includes the provision of information about Primary's financial situation, performance, ownership and corporate governance. Primary ensures that shareholders, regulators, ratings agencies and the general investment community have equal and timely access to material information concerning Primary, including its:

- annual and interim profit announcements;
- release of financial reports; and
- investor presentations and briefings.

Primary's Board has established procedures designed to ensure compliance with Primary's continuous disclosure obligations under the ASX Listing Rules. The identification and monitoring of matters which may require disclosure in accordance with Primary's continuous disclosure obligations occurs on a regular basis at meetings attended by Senior Executives. If a matter is identified as potentially requiring disclosure it is immediately referred to the Board by the Chief Executive Officer, Finance Director, and Group Company Secretary.

Company announcements are lodged on both the ASX Company Announcements Platform and Primary's website. Investors can elect to receive key announcements via a link on the website. In addition to recent announcements, Primary's website contains key dates for results releases and shareholder meetings, annual reports, presentations, and corporate governance policies.

Principle 6: Respect the rights of shareholders

Primary's shareholder communication strategy has been developed to provide shareholders with accurate, relevant, and timely information to enable them to exercise their rights as shareholders in an informed manner and to provide potential investors and other interested stakeholders equal and timely access to information about Primary.

Primary provides a website that includes copies of all information lodged with the ASX as well as other Group information. Shareholders are encouraged to log onto Primary's website to register to receive relevant announcements. In addition, investor briefings and the Annual General Meeting ("AGM") provide an open forum for the Board to engage in direct dialogue with Primary's shareholders and is an opportunity for shareholders to express views, ask questions, and respond to Board proposals.

Primary arranges advance notification of shareholder briefings via its investor database and its website. Teleconference arrangements are available for investors to dial-in to Group briefings and participate in question and answer sessions. Primary keeps a summary record for internal use of the issues discussed at Group briefings with investors, including a record of those present and the time and place of the meeting.

Principle 7: Recognise and manage risk

The Board is responsible for overseeing the implementation of an effective system of risk management and internal control. The responsibility for designing, implementing and maintaining Primary's system of risk management and internal control has been delegated to the Risk Management Committee. The Risk Management Committee assists the Board with its oversight responsibility be reviewing, assessing and making recommendations to the Board in relation to the risk management framework and internal control structures put in place by management. The risk identification, analysis, treatment and monitoring process implemented by Primary are in accordance with Standards Australia AS/NZS ISO 31000: 2009.

Management reports to the Risk Management Committee on Primary's key risks and the status of risk mitigation activities on a quarterly basis.

Risk management

The Risk Management Committee is a committee of the Board. The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and financial responsibilities.

Each member of the Committee is appointed by the Board. The Committee comprises at least three Directors and its composition is reviewed by the Board on an annual basis.

During FY2013 the members of the Risk Management Committee were:

- Dr Errol Katz (Chairman)
- Mr James Bateman
- Mr Henry Bateman
- Mr Andrew Duff; and
- Dr Paul Jones.

The Risk Management Committee's primary role is to assist the Board in the effective identification and management of the Company's material business risks.

The Committee has the following duties and responsibilities:

- ensure that the Company Group has identified and regularly updates the profile of each of the Primary Group's material business risks (excluding financial reporting risks);
- monitor any anticipated changes to the Group's material business risks;
- monitor and review the effectiveness of the implementation of the risk management system;
- report and provide recommendations to the Board (or the Chief Executive Officer and/or Finance Director) as and when requested by such an officer in relation to proposed financial certifications on whether the risk management system is sound, being managed and implemented effectively; and
- review and approve key policies as required in each business division of the Company, relating to the implementation of the risk management system.

The Risk Management Committee has the authority to seek at any time any information the Committee considers may be relevant to its functions from any officer or employee of the Primary Group. Such officers or employees must be instructed by the board of the entity employing them to fully cooperate in the provision of such information. The Committee also has authority to conduct or direct any investigation it considers necessary.

The Group's operations are highly regulated and subject to a range of State and Commonwealth legislation and accreditation requirements. Each of the Pathology, Medical Centres, Imaging, and Health Technology divisions operate under a range of policies which provide guidance in relation to identifying and responding to risk. An incident notification and response procedure is in place throughout the Group. Implementation of these policies is ultimately overseen by Senior Executives within each division. A comprehensive Group insurance program is in place and this is reviewed on an annual basis.

Within the risk management framework, each business unit is required to formally consider its risk environment and create a register of identified risks, controls and a risk treatment plan which are stored in a risk information management system.

Workplace Health and Safety (WHS)

The Board is responsible for:

- monitoring and reviewing all aspects of WHS risks that are relevant to the Group's operations;
- reviewing all significant WHS policies;
- ensuring adequate procedures are in place to support the Group's WHS policies;
- monitoring compliance with the Group's policies and procedures and overseeing incident investigations;
- receiving and monitoring reports from management regarding the adequacy of performance and compliance; and
- reviewing major initiatives, developments and long-term strategies in the health, safety and environment area.

Further information about Primary's management of risks to safety is provided in the Directors' Report on page 12.

Principle 8: Remunerate fairly and responsibly

The Nomination and Remuneration Committee is responsible for making recommendations to the Board about the:

- evaluation of the performance of the Board, its committees and Directors;
- appointment, re-election and succession of Directors;
- remuneration, recruitment, retention and termination policies and procedures for Group Senior Executives; and
- superannuation arrangements.

The composition of the Nomination and Remuneration Committee is reviewed on an annual basis by the Board. The Committee must comprise at least three Non-executive Directors and be chaired by an Independent Director, and comprise a majority of independent Directors.

During FY2013, members of the Nomination and Remuneration Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford (until 30 November 2012)
- Dr Errol Katz
- Ms Arlene Tansey (from 1 January 2013).

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of Primary's operations, the Nomination and Remuneration Committee seeks the advice of independent external advisers in connection with the structure of remuneration packages, where appropriate.

The Nomination and Remuneration Committee is responsible for making recommendations to the Board in relation to:

- initiatives to support and encourage diversity throughout Primary;
- objectives for addressing gender diversity, particularly at Board level, including selection, performance evaluation and succession planning processes; and
- annual assessment of the effectiveness of measurable objectives.

A copy of the Nomination and Remuneration Committee Charter is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Particulars concerning Directors' and Senior Executives' remuneration are set out in the Directors' Report on pages 12 to 22 of this Report.

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The Board of Directors
Primary Health Care Limited
30-38 Short Street
LEICHHARDT NSW 2040

16 September 2013

Primary Health Care Limited

Dear Board Members

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Primary Health Care Limited.

As lead audit partner for the audit of the financial statements of Primary Health Care Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 16 September 2013

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Independent Auditor's Report to the Members of Primary Health Care Limited

Report on the Financial Report

We have audited the accompanying financial report of Primary Health Care Limited, which comprises the balance sheet as at 30 June 2013, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 37 to 78.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Primary Health Care Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Primary Health Care Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 22 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Primary Health Care Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Gustafson

S C Gustafson
Partner
Chartered Accountants
Sydney, 16 September 2013

Directors' declaration

1. In the opinion of the Directors of Primary Health Care Limited ("Primary") the Directors declare that:
   (a) there are reasonable grounds to believe that Primary will be able to pay its debts as and when they become due and payable;
   (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Primary and the Group;
   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
   (d) there are reasonable grounds to believe that Primary and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between Primary and those controlled entities pursuant to ASIC Class Order 98/1418.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Finance Director for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors.

Edmund Bateman
Chief Executive Officer
Managing Director

16 September 2013

Income statement for the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 $000	2012 $000
Revenue	3	**1,456,279**	1,392,067
Employee benefits expense	4	**600,596**	588,035
Property expenses	5	**179,373**	167,863
Consumables		**140,520**	135,614
Other expenses		**150,669**	149,496
EBITDA		**385,121**	351,059
Depreciation	11	**61,879**	60,928
Amortisation	12	**28,818**	24,938
EBIT		**294,424**	265,193
Interest expense		**72,029**	82,049
Amortisation of borrowing costs		**4,529**	14,709
Profit before tax		**217,866**	168,435
Income tax expense	7(a)	**65,858**	49,493
Profit for the year		**152,008**	118,942
Attributable to:			
Equity holders of Primary Health Care Limited	19	**150,111**	116,615
Non-controlling interest		**1,897**	2,327
Profit for the year		**152,008**	118,942

EARNINGS PER SHARE (CONSOLIDATED)	NOTE	2013 CENTS PER SHARE	2012 CENTS PER SHARE
Basic and diluted earnings per share	19	**29.9**	23.3

Statement of comprehensive income *for the year ended 30 June 2013*

	CONSOLIDATED	
	2013 $000	**2012 $000**
Profit for the year	**152,008**	118,942
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value (losses) arising during the year	**(4,489)**	(19,977)
Reclassification adjustment for amounts recognised in profit and loss	**9,157**	(1,122)
Available-for-sale financial assets		
Net fair value gain on available-for-sale financial assets during the year	**13,424**	2,403
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	**(434)**	–
Exchange differences arising on translation of foreign operations	**114**	1,406
Income tax relating to items that may be reclassified subsequently to profit or loss	**(5,297)**	5,609
Other comprehensive gain (loss) for the year, net of income tax	**12,475**	(11,681)
Total comprehensive income for the year	**164,483**	107,261
Attributable to:		
Equity holders of Primary Health Care Limited	**162,586**	104,934
Non-controlling interest	**1,897**	2,327
	164,483	107,261

Balance sheet as at 30 June 2013

		CONSOLIDATED	
	NOTE	2013 $000	2012 $000
Current assets			
Cash	29(a)	**38,246**	10,432
Receivables	9(a)	**152,480**	158,645
Consumables		**26,013**	26,075
Income tax receivable	7(c)	**–**	1,301
Total current assets		**216,739**	196,453
Non-current assets			
Receivables	9(b)	**3,618**	2,853
Goodwill	10	**3,213,162**	3,138,713
Property, plant and equipment	11	**416,606**	407,312
Other intangible assets	12	**108,677**	91,847
Other financial assets	13	**25,197**	5,920
Deferred tax asset	7(b)	**9,639**	18,849
Total non-current assets		**3,776,899**	3,665,494
Total assets		**3,993,638**	3,861,947
Current liabilities			
Payables	14(a)	**128,010**	119,807
Tax liabilities	7(c)	**18,193**	–
Provisions	15(a)	**60,072**	61,642
Other financial liabilities		**12,068**	10,966
Interest bearing liabilities	16(a)	**3,781**	3,804
Total current liabilities		**222,124**	196,219
Non-current liabilities			
Payables	14(b)	**6,746**	4,873
Provisions	15(b)	**2,463**	5,618
Other financial liabilities		**4,721**	10,296
Interest bearing liabilities	16(b)	**1,075,487**	1,071,828
Total non-current liabilities		**1,089,417**	1,092,615
Total liabilities		**1,311,541**	1,288,834
Net assets		**2,682,097**	2,573,113
Equity			
Issued capital	18	**2,358,183**	2,349,364
Reserves	20	**9,263**	(3,529)
Retained earnings	21	**309,659**	221,951
Equity attributable to equity holders		**2,677,105**	2,567,786
Non-controlling interest	22	**4,992**	5,327
Total equity		**2,682,097**	2,573,113

Statement of changes in equity *for the year ended 30 June 2013*

CONSOLIDATED	ISSUED CAPITAL $000	INVESTMENTS REVALUATION RESERVE $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	SHARE-BASED PAYMENTS RESERVE $000	RETAINED EARNINGS $000	ATTRIBUTABLE TO OWNERS OF THE PARENT $000	NON-CONTROLLING INTEREST $000	TOTAL $000
Balance at 1 July 2012	**2,349,364**	**610**	**(14,769)**	**1,046**	**9,584**	**221,951**	**2,567,786**	**5,327**	**2,573,113**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**150,111**	**150,111**	**1,897**	**152,008**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**114**	**–**	**–**	**114**	**–**	**114**
Fair value gain on available-for-sale investments	**–**	**13,424**	**–**	**–**	**–**	**–**	**13,424**	**–**	**13,424**
Fair value (loss) on cash flow hedges	**–**	**–**	**(4,489)**	**–**	**–**	**–**	**(4,489)**	**–**	**(4,489)**
(Gain) Loss transferred to income statement	**–**	**(434)**	**9,157**	**–**	**–**	**–**	**8,723**	**–**	**8,723**
Income tax relating to components of other comprehensive income	**–**	**(3,897)**	**(1,400)**	**–**	**–**	**–**	**(5,297)**	**–**	**(5,297)**
Total comprehensive income	**–**	**9,093**	**3,268**	**114**	**–**	**150,111**	**162,586**	**1,897**	**164,483**
Payment of dividends	**–**	**–**	**–**	**–**		**(62,403)**	**(62,403)**	**(2,232)**	**(64,635)**
Share-based payment	**–**	**–**	**–**	**–**	**317**	**–**	**317**	**–**	**317**
Movement in issued capital (Note 18)	**8,819**	**–**	**–**	**–**	**–**	**–**	**8,819**	**–**	**8,819**
Balance at 30 June 2013	**2,358,183**	**9,703**	**(11,501)**	**1,160**	**9,901**	**309,659**	**2,677,105**	**4,992**	**2,682,097**
Balance at 1 July 2011	2,337,758	(1,072)	–	(360)	8,812	154,251	2,499,389	5,000	2,504,389
Profit for the year	–	–	–	–	–	116,615	116,615	2,327	118,942
Exchange differences arising on translation of foreign operations	–	–	–	1,406	–	–	1,406	–	1,406
Fair value gain on available-for-sale investments	–	2,403	–	–	–	–	2,403	–	2,403
Fair value (loss) on cash flow hedges	–	–	(19,977)	–	–	–	(19,977)	–	(19,977)
(Gain) transferred to income statement	–	–	(1,122)	–	–	–	(1,122)	–	(1,122)
Income tax relating to components of other comprehensive income	–	(721)	6,330	–	–	–	5,609	–	5,609
Total comprehensive income	–	1,682	(14,769)	1,406	–	116,615	104,934	2,327	107,261
Payment of dividends	–	–	–	–	–	(48,915)	(48,915)	(2,000)	(50,915)
Share-based payment	–	–	–	–	884	–	884	–	884
Movement in issued capital (Note 18)	11,606	–	–	–	(112)	–	11,494	–	11,494
Balance at 30 June 2012	2,349,364	610	(14,769)	1,046	9,584	221,951	2,567,786	5,327	2,573,113

DIVIDENDS (CONSOLIDATED)	2013 CENTS PER SHARE	2012 CENTS PER SHARE	2013 $000	2012 $000
Recognised amounts				
Final dividend – previous financial year	**6.0**	5.0	**30,103**	24,873
Interim dividend – this financial year	**6.5**	5.0	**32,694**	25,020
Dividend forgone under the Bonus Share Plan	**–**	–	**(394)**	(978)
	12.5	10.0	**62,403**	48,915
Unrecognised amounts				
Final dividend – this year	**11.0**	6.0		

All dividends paid were 100% franked at the corporate income tax rate (2013: 30%; 2012: 30%). The record date for determining entitlement to the final dividend is 20 September 2013. The final dividend is payable on 8 October 2013. The Company offers a Dividend Reinvestment Plan ("DRP") and a Bonus Share Plan ("BSP"). The last date for an election notice for participation in these plans is 20 September 2013.

The Directors have determined that the DRP and BSP will operate at a nil discount (30 June 2012: nil discount) based on the volume weighted average price ("VWAP") for Primary's fully paid ordinary shares on the eight-day trading period commencing one clear trading day after the record date.

Cash flow statement for the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 $000	2012 $000
Cash flows from operating activities			
Receipts from customers		**1,504,898**	1,439,905
Payments to suppliers and employees		**(1,118,064)**	(1,087,464)
Interest and other costs of finance paid		**(71,879)**	(91,480)
Net income tax paid		**(45,823)**	(26,096)
Payments against restructuring provision		**(265)**	(7,347)
Interest received		**507**	726
Dividends received		**–**	461
Net cash provided by operating activities	29(b)	**269,374**	228,705
Cash flows from investing activities			
Payments for property plant and equipment		**(74,923)**	(79,315)
Payments for businesses purchased	29(e)	**(69,833)**	(66,014)
Payments for other intangibles		**(36,706)**	(26,186)
Payments for investments		**(6,844)**	(2,270)
Payments for subsidiaries	29(e)	**–**	(1,000)
Proceeds from the sale of property plant and equipment		**815**	1,801
Proceeds from the sale of investments		**1,807**	176
Net cash (used in) investing activities		**(185,684)**	(172,808)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(197,336)**	(176,726)
Proceeds from borrowings		**195,000**	136,000
Dividends paid		**(53,559)**	(37,628)
Payment for debt issue costs		**–**	(10,600)
Proceeds from issues of shares		**–**	230
Payments for share issue costs		**(25)**	(23)
Net cash (used in) financing activities		**(55,920)**	(88,747)
Net increase (decrease) in cash held		**27,770**	(32,850)
Cash at the beginning of the year		**10,432**	43,252
Effect of exchange rate movements on cash held in foreign currencies		**44**	30
Cash at the end of the year	29(a)	**38,246**	10,432

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Primary Health Care Limited ("Primary") is a for-profit entity domiciled in Australia. The consolidated financial statements of Primary for the financial year ended 30 June 2013 comprises Primary and its subsidiaries (together referred to as ("the consolidated entity") or ("the Group")) and the consolidated entity's interest in associated and jointly controlled entities.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements are the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 16 September 2013.

Basis of preparation

The 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.

Primary is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current year accounting policy and disclosures, where considered material, are referred to separately in the financial statements or notes thereto.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by Primary. Control is the power of an entity, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control is obtained until the date that control ceases. All inter-entity transactions, balances and any unrealised gains and losses arising from inter-entity transactions have been eliminated on consolidation. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Accounts of foreign controlled entities, prepared in accordance with foreign accounting principles are, for consolidation purposes, amended to conform with A-IFRS and the policies adopted by the consolidated entity. Investments in subsidiaries are carried at their cost of acquisition in Primary's financial statements, less impairment if any.

Non-controlling interests in subsidiaries

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at either fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in the consolidated income statement or statement of comprehensive income.

(c) Foreign currency

Foreign currency transactions

Foreign currency transactions are translated to functional currency at the foreign exchange rate ruling at the transaction dates. At balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on that date. Exchange differences arising on retranslation are brought to account as exchange gains or losses in the income statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in the period in which the exchange rates change. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at exchange rates ruling at the date the fair value was determined. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are not retranslated.

Foreign statements of foreign operations

The results and financial position of foreign operations of controlled entities have been translated to Australian dollars as follows:

- assets and liabilities are translated at the closing rate ruling at balance sheet date;
- income and expenses are translated at rates approximating the foreign exchange rate ruling at the date of the transactions; and
- all foreign exchange differences arising on translation are recognised directly in a separate component of equity.

(d) Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable.

Rendering of health related services

Revenue generated from the rendering of health-related services is recognised once the services have been provided.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which they become receivable.

Software revenue

Fees and royalties paid for the use of the Group's health technology software are recognised in accordance with the relevant agreement. Where the agreement includes an identifiable amount for subsequent servicing, that amount is deferred and recognised as revenue over the period during which the service is performed. The expenses in relation to this revenue are also recognised over the period during which the service is performed. All other amounts are typically recognised as revenue immediately.

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rental income

Revenue from operating leases is recognised in accordance with the Group's accounting policy outlined in Note 1(l).

(e) Share-based payments

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimates of the number of instruments that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to reserves.

(f) Finance costs

Finance costs comprise: interest expense on finance leases, interest expense on interest-bearing liabilities and the amortisation of costs associated with arranging interest-bearing liabilities.

Finance costs are expensed as incurred, unless they relate to costs associated with arranging interest bearing liabilities or they relate to qualifying assets. Finance costs associated with arranging interest bearing liabilities are amortised on a straight line basis over the term of the interest bearing liability they relate to.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use (for example, the construction and fit-out of a new Medical Centre). In these circumstances, finance costs are capitalised to the cost of the asset using the weighted average interest rate applicable to the Group's outstanding interest-bearing liabilities during the relevant period.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Primary Health Care Limited and all of its Australian wholly-owned controlled entities have implemented the tax consolidation legislation. The head entity, Primary Health Care Limited, and the controlled entities in the Tax Consolidated Group continue to account for their own deferred tax amounts in relation to temporary differences. These tax amounts are measured as if each entity in the Tax Consolidated Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Primary Health Care Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Consumables

Consumables represent medical and laboratory supplies. They are valued at the lower of cost, on a first-in first-out basis, and net realisable value.

(j) Financial assets

The consolidated entity classifies its financial assets into the following categories: receivables, other investments, and other financial assets. The classification of the financial asset depends upon the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Receivables

Receivables are carried at amortised cost, using the effective interest rate method, less impairment losses.

Other Investments

Other investments are measured at fair value, net of transaction costs.

Other financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value less any impairment losses. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and presented in the investments revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the consolidated income statement for the period. Dividends on available-for-sale financial assets are recognised in the consolidated income statement when the Group's right to receive the dividends is unconditionally established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

Assets under construction are carried at the lower of initial cost plus capitalised development expenditure and recoverable amount.

Land and buildings, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset to its estimated residual value, over its expected useful life, or for leasehold improvements, over the period of the lease or its expected useful life, whichever is the shorter. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

– Buildings on freehold land	40 years
– Freehold land	Not depreciated
– Plant and equipment	3–20 years
– Leasehold improvements	1–40 years

(l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group entity as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Group entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed as incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment semi-annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Impairment losses arise whenever the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs). If an impairment loss arises, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGUs pro rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). Any impairment of goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(n) Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses, and are amortised on a straight-line basis over their useful lives. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The following estimated useful lives used in the calculation of amortisation:

– Copyright in computer software programs	9.5 years
– Capitalised development costs	3–10 years
– Operating rights and licences	3–15 years
– Computer software	3–10 years

(o) Useful lives

The useful life of property, plant and equipment and other intangibles are reviewed at least annually and, where changed, are accounted for as a change in accounting estimate. Where useful lives are changed, the net written down value of the asset is depreciated or amortised from the date of the change in accordance with the new useful life. Depreciation and amortisation recognised in prior financial years are not be changed, that is, the change in useful life are accounted for on a 'prospective basis'.

(p) Impairment of assets (excluding goodwill)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(r) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Primary does not maintain a superannuation fund.

Primary and its related entities meet their obligations under the *Superannuation Guarantee Charge Act 1992* by making superannuation contributions, at the statutory rate, to complying superannuation funds on behalf of their employees.

(s) Interest-bearing liabilities

Interest-bearing liabilities are recorded initially at fair value; net of transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the interest-bearing liability using the effective interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(u) Financial instruments issued by Primary

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(v) Derivatives

The Group uses derivative financial instruments to hedge its interest rate risk, predominantly arising from financing activities. The Group does not enter, hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The gain or loss on derivatives which are not part of a hedging relationship are recognised immediately in the income statement. The method of recognising the gain or loss on derivatives that are part of a hedging transaction depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The gain or loss relating to the ineffective portion of the derivative financial instrument is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, then the associated gains and losses previously recognised in equity are reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is immediately recognised in the income statement.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

(w) Parent entity disclosures

The financial information for the parent entity, Primary Health Care Limited, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except in relation to Investments in subsidiaries, which are accounted for at cost in the financial statements of Primary Health Care Limited.

(x) Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with A-IFRS requires the use of estimates and assumptions of future events to determine the carrying amount of certain assets and liabilities. Key estimates and assumptions used in the preparation of these financial statements are:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The assumptions used in this calculation of the present value of the Group's CGUs are disclosed in Note 10.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Adoption of new and revised standards

Standards affecting amounts reported in the current period (and/or prior periods)

The following Standards have been adopted in the current financial year affecting amounts reported in the financial statements:

Standards affecting presentation and disclosure

Amendments to AASB 101 *Presentation of Financial Statements*	The amendments to AASB 101 include requiring items of other comprehensive income to be Grouped into two categories in the Statement of Other Comprehensive Income: (a) items that may be reclassified subsequently to profit or loss when specific conditions are met; and (b) items that will not be reclassified subsequently to profit or loss. Income tax on items of other comprehensive income has been allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. The amendments have no impact on the reported profit or loss, other comprehensive income, or financial position of the Group for the year.

Standards affecting the reported results or financial position

AASB 119 *Employee Benefits* (2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (2011)	The Directors elected under s.334(5) of the Corporations Act (2001) to apply AASB 119 Employee Benefits (2011) for the current financial period, even though this Standard is not required to be applied until annual reporting periods beginning 1 July 2013. The financial impact in the current period was a $0.2m credit to the Income Statement (30 June 2012: $0.1m credit).

Standards on issue not yet adopted

As is always the case, at the date of authorisation of the financial statements, a number of Standards and Interpretations were on issue but not yet effective. In the Directors' opinion, the following Standards on issue but not yet effective, most likely to impact the amounts reported by the Group in future financial periods, are as follows:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 11 *Joint Arrangements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*	1 January 2013	30 June 2014

In August 2011, a package of six standards on consolidation, joint arrangements, associates and disclosures were issued, including AASB 11 and AASB 2011-7.

AASB 11 replaces AASB 131 *Interests in Joint Ventures*, and deals with how a joint arrangement of which two or more parties have joint control should be classified.

Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements, with joint ventures required to be accounted for using the equity method of accounting.

The Directors anticipate the application of AASB 11 will change the classification and subsequent accounting of the Group's Investment in Norcoray Unit Trust and Orana Services Trust. Under AASB 11 these investments will be classified as a joint venture and accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of Norcoray Unit Trust and Orana Services Trust's net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated income statement and other comprehensive income as "Investment in joint ventures" and "Share of profits (or losses) of joint ventures" respectively.

The application of AASB 11 may also result in more extensive disclosures in the Group's financial statements relating to these investments.

Besides these investments, the Group does not have any other interests in jointly controlled entities.

The Directors do not anticipate the application of the remaining four standards issued in relation to consolidation and associates to materially impact either the amounts currently reported; current financial position of the Group; or other items presently disclosed in the financial statements.

AASB 9 *Financial Instruments and the relevant amending standards*	1 January 2015	30 June 2016

AASB 9 issued in December 2009 introduces new requirements for the classification and measurement of financial assets.

AASB 9 requires all recognised financial assets that are within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value, which is consistent with the Group's current accounting policies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under AASB 9, the Group may make an irrevocable election to present subsequent changes in the fair value of equity investments held in other comprehensive income, with only dividend income generally recognised in the income statement, as opposed to the current practice of recycling gains or losses on disposal of such investments to the income statement.

The Directors do not anticipate the application of AASB 9 to have a material impact on the financial results of the Group.

At the date of authorisation of the financial statements, there are no other Standards or Interpretations on issue that will have a material impact on the amounts disclosed and reported in the Group's financial statements in future financial years.

2. SEGMENT INFORMATION

The Group operates predominantly in Australia (country of domicile). 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 following four major operating segments:

Medical Centres – This division provides a range of services and facilities to general practitioners, specialists and other health care providers who conduct their own practices and businesses at its medical centres.

Pathology – This division provides pathology services.

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

Health Technology – This division develops, sells and supports health-related software products.

Intersegment sales

All intersegment sales are eliminated on consolidation.

Medical Centres – This division charges the Group's Imaging and Pathology divisions a fee for use of its facilities and services.

2013	MEDICAL CENTRES $000	PATHOLOGY $000	IMAGING $000	HEALTH TECHNOLOGY $000	OTHER $000	TOTAL $000
Revenue	**300,784**	**836,272**	**309,593**	**37,029**	**1,594**	**1,485,272**
Intersegment sales	**(28,993)**	**–**	**–**	**–**	**–**	**(28,993)**
Total Revenue	**271,791**	**836,272**	**309,593**	**37,029**	**1,594**	**1,456,279**
EBITDA	**168,373**	**147,761**	**72,033**	**20,205**	**(23,251)**	**385,121**
Depreciation	**16,747**	**15,189**	**28,556**	**478**	**909**	**61,879**
EBITA	**151,626**	**132,572**	**43,477**	**19,727**	**(24,160)**	**323,242**
Amortisation of intangibles	**7,403**	**5,892**	**5,081**	**7,791**	**2,651**	**28,818**
Interest expense and amortisation of borrowing costs	**–**	**–**	**–**	**–**	**76,558**	**76,558**
Profit before tax	**144,223**	**126,680**	**38,396**	**11,936**	**(103,369)**	**217,866**

Due to an internal restructure, Health Technology no longer charges all other Operating Segments a fee for IT research, development or support. As of 1 July 2012, these costs are borne by the individual Operating Segments. As a result of this restructure, prior period information has been restated to be consistent with the results for the current period.

2012	MEDICAL CENTRES $000	PATHOLOGY $000	IMAGING $000	HEALTH TECHNOLOGY $000	OTHER $000	TOTAL $000
Revenue	289,969	785,413	307,926	35,892	1,150	1,420,350
Intersegment sales	(28,283)	–	–	–	–	(28,283)
Total Revenue	261,686	785,413	307,926	35,892	1,150	1,392,067
EBITDA	160,020	132,427	59,354	19,870	(20,612)	351,059
Depreciation	16,324	14,904	27,773	517	1,410	60,928
EBITA	143,696	117,523	31,581	19,353	(22,022)	290,131
Amortisation of intangibles	6,593	5,563	4,335	7,103	1,344	24,938
Interest expense and amortisation of borrowing costs					96,758	96,758
Profit before tax	137,103	111,960	27,246	12,250	(120,124)	168,435

3. REVENUE

	CONSOLIDATED 2013 $000	2012 $000
Trading revenue	**1,454,003**	1,390,880
Interest revenue	**507**	726
Other revenue	**1,769**	461
	1,456,279	1,392,067

4. EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED 2013 $000	2012 $000
Salaries and wages	**482,966**	471,318
Superannuation contributions	**41,760**	40,911
Other statutory employer obligations	**75,553**	74,921
Share-based payments	**317**	885
	600,596	588,035

Other statutory employer contributions principally relate to employee benefits (being annual leave, sick leave and long service leave), and employee related taxes.

5. PROPERTY EXPENSES

	CONSOLIDATED 2013 $000	2012 $000
Operating leases	**144,139**	132,762
Other property expenses	**35,234**	35,101
	179,373	167,863

6. SHARE-BASED PAYMENTS

(a) Overview

Primary issues share options to both independent contractors and employees of the Group.

During FY2003, Primary introduced an Employee Option Plan to formalise the issue of options to employees. Under this Plan, at the discretion of the Board, Primary may grant (without payment) share options to key long-term employees, including executives, allowing them to participate in the future growth of Primary. Each option is convertible into one ordinary share of Primary on payment of the exercise price during the two years following the vesting date, which is generally three years after the option is granted. The exercise price is the weighted average market price for the five days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. Primary does not provide any loans or guarantees to enable employees to finance the exercise of their options. Options lapse if the employee ceases to be employed by the Group.

Primary has also issued options to some of its key independent contractors. These options are not issued under a Plan. They are made from time to time at the discretion of the Board. Options issued to independent contractors to date have been issued without payment. They have vesting periods of between one and eight years. Once vested, each option is convertible into one ordinary share of Primary on payment of the exercise price. The exercise price is generally the weighted average market price for the five days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. Primary does not provide any loans or guarantees to enable independent contractors to finance the exercise of their options. Options lapse if the independent contractor ceases to have a contractual relationship with the Group or if they are not exercised before their expiry date which is generally two years after their vesting date.

A summary of options issued is set out on the following pages. Issues 13 to 17 have been issued to employees and issues 101 to 115 have been issued to independent contractors.

(b) Expenses arising from share-based payment transactions

No options were issued during FY2013 (30 June 2012: nil).

Exercise prices and expiry dates of options on issue in FY2013 are contained in the tables on the following pages. Expected volatility is based on the historical share price volatility. Given options on issue do not have any market related vesting conditions; the total fair value of options at grant date is expensed on a straight-line basis over each of the reporting periods between grant date and vesting date. That portion of the fair value of options granted in any financial year which has been allocated to the current and previous financial year is shown in the table below.

	CONSOLIDATED	
	2013 $000	2012 $000
Options issued to employees	**8**	145
Options issued to independent contractors	**309**	740
	317	885

(c) Details of option issues

	GRANT DATE	VALUE PER OPTION AT GRANT DATE	EXPIRY DATE	EXERCISE PRICE	EARLIEST DATE EXERCISABLE
Issue 13	1 Jun 2007	1.24	1 Jul 2012	$9.35	1 July 2010
Issue 15	2 Oct 2009	0.40 – 0.42	1 Oct 2015	$5.75	2 Oct 2012
Issue 16	2 Oct 2009	0.41 – 0.44	31 Aug 2018	$5.93	1 Oct 2011
Issue 17	23 Nov 2009	0.42 – 0.45	1 Oct 2015	$5.93	2 Oct 2012
Issue 101	28 Feb 2003	0.65 – 1.04	30 Dec 2013	$0.43	23 Feb 2006
Issue 103	27 Feb 2004	0.58 – 0.92	24 Sep 2012	$2.10	1 Jul 2005
Issue 106	1 Jun 2005	0.97 – 1.36	1 Jun 2014	$5.18	1 Jun 2007
Issue 107	5 Oct 2005	1.56 – 1.94	1 Nov 2013	$7.51	2 Oct 2008
Issue 109	2 May 2006	1.17 – 1.97	2 Jun 2013	$8.99	6 Jul 2007
Issue 110	31 Oct 2006	1.04 – 1.25	13 Dec 2013	$9.02	1 Aug 2009
Issue 111	1 Jun 2007	1.10 – 1.39	19 Dec 2012	$9.35	1 Oct 2009
Issue 112	2 Nov 2007	1.15 – 1.75	6 Dec 2014	$9.15	1 Nov 2009
Issue 113	2 Oct 2009	0.30 – 0.43	27 Aug 2017	$5.75	2 Oct 2010
Issue 114	2 Oct 2009	0.38 – 0.44	27 Feb 2019	$5.93	18 Feb 2012
Issue 115	25 Jan 2010	0.42 – 0.52	29 May 2019	$6.03	21 Feb 2012

6. SHARE-BASED PAYMENTS (CONTINUED)

(d) Movement in number of options outstanding

2013	OPENING BALANCE	GRANTED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE	VESTED AND EXERCISABLE AT END OF YEAR
Issue 13	**30,000**	**–**	**–**	**(30,000)**	**–**	**–**
Issue 15	**1,246,000**	**–**	**–**	**(185,000)**	**1,061,000**	**906,000**
Issue 16	**752,000**	**–**	**–**	**(5,000)**	**747,000**	**497,000**
Issue 17	**625,500**	**–**	**–**	**(90,000)**	**535,500**	**535,500**
Issue 106	**150,000**	**–**	**–**	**(100,000)**	**50,000**	**50,000**
Issue 107	**330,000**	**–**	**–**	**(305,000)**	**25,000**	**25,000**
Issue 108	**30,000**	**–**	**–**	**–**	**30,000**	**30,000**
Issue 109	**462,500**	**–**	**–**	**(462,500)**	**–**	**–**
Issue 110	**462,500**	**–**	**–**	**(70,000)**	**392,500**	**392,500**
Issue 111	**280,000**	**–**	**–**	**(280,000)**	**–**	**–**
Issue 112	**1,015,000**	**–**	**–**	**(127,500)**	**887,500**	**887,500**
Issue 113	**1,845,000**	**–**	**–**	**(90,000)**	**1,755,000**	**675,000**
Issue 114	**5,108,000**	**–**	**–**	**(470,000)**	**4,638,000**	**1,372,500**
Issue 115	**1,287,500**	**–**	**–**	**(60,000)**	**1,227,500**	**420,000**
	13,624,000	**–**	**–**	**(2,275,000)**	**11,349,000**	**5,791,000**
Weighted average exercise price	**$5.98**	**N/A**	**N/A**	**$7.29**	**$5.61**	**$6.17**

2012	OPENING BALANCE	GRANTED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE	VESTED AND EXERCISABLE AT END OF YEAR
Issue 7a	200,000	–	–	(200,000)	–	–
Issue 12	110,000	–	–	(110,000)	–	–
Issue 13	30,000	–	–	–	30,000	30,000
Issue 15	1,261,000	–	–	(15,000)	1,246,000	–
Issue 16	893,000	–	–	(141,000)	752,000	32,500
Issue 17	675,500	–	–	(50,000)	625,500	–
Issue 101	125,000	–	(70,000)	(55,000)	–	–
Issue 102	–	–	–	–	–	–
Issue 103	–	–	–	–	–	–
Issue 104	323,500	–	(50,000)	(273,500)	–	–
Issue 106	150,000	–	–	–	150,000	50,000
Issue 107	755,000	–	–	(425,000)	330,000	330,000
Issue 108	30,000	–	–	–	30,000	30,000
Issue 109	545,000	–	–	(82,500)	462,500	462,500
Issue 110	562,500	–	–	(100,000)	462,500	462,500
Issue 111	320,000	–	–	(40,000)	280,000	280,000
Issue 112	1,125,000	–	–	(110,000)	1,015,000	437,500
Issue 113	2,315,000	–	–	(470,000)	1,845,000	322,500
Issue 114	5,495,000	–	–	(387,000)	5,108,000	1,345,000
Issue 115	1,630,000	–	–	(342,500)	1,287,500	–
	16,545,000	–	(120,000)	(2,801,500)	13,624,000	3,782,500
Weighted average exercise price	$5.86	N/A	$1.56	$5.49	$5.98	$7.47

7. TAX BALANCES

(a) Income tax expense

	CONSOLIDATED 2013 $000	CONSOLIDATED 2012 $000
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	**217,866**	168,435
Income tax calculated at 30% (2012: 30%)	**65,360**	50,531
Tax effect of amounts which are not deductible in calculating taxable income	**901**	1,327
	66,261	51,858
(Over) provision in prior years	**(403)**	(2,365)
Income tax expense	**65,858**	49,493
Comprising:		
Current tax	**65,644**	39,609
Deferred tax	**617**	12,249
(Over) provision in prior years	**(403)**	(2,365)
	65,858	49,493

(b) Reconciliation of deferred tax balances

2013	1 JULY 2012 OPENING BALANCE	ACQUIRED/ (DISPOSED)	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2013 CLOSING BALANCE
Receivables	**(3,646)**	–	**139**	–	**(3,507)**
Consumables	**(7,401)**	–	**(326)**	–	**(7,727)**
Prepayments	**(176)**	–	**(234)**	–	**(410)**
Available-for-sale financial assets	**1,060**	–	–	**(5,218)**	**(4,158)**
Property, plant and equipment	**5,420**	–	**(481)**	–	**4,939**
Intangibles	**4,172**	–	**1,294**	–	**5,466**
Capitalised costs	**(13,511)**	–	**192**	–	**(13,319)**
Payables	**1,273**	–	**(20)**	–	**1,253**
Provisions	**19,667**	–	**(700)**	–	**18,967**
Other financial liabilities	**6,330**	–	**32**	**(1,401)**	**4,961**
Amortisation of share issue expenses	**1,072**	–	**(740)**	–	**332**
Net temporary differences	**14,260**	–	**(844)**	**(6,619)**	**6,797**
Tax losses – revenue	**4,589**	–	**(1,747)**	–	**2,842**
Deferred tax asset	**18,849**	–	**(2,591)**	**(6,619)**	**9,639**

2012	1 JULY 2011 OPENING BALANCE	ACQUIRED/ (DISPOSED)	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2012 CLOSING BALANCE
Receivables	(4,080)	–	434	–	(3,646)
Consumables	(7,362)	–	(39)	–	(7,401)
Prepayments	(163)	–	(13)	–	(176)
Available-for-sale financial assets	1,636	–	–	(576)	1,060
Property, plant and equipment	5,560	–	(140)	–	5,420
Intangibles	3,133	–	1,039	–	4,172
Capitalised costs	(8,282)	–	(5,229)	–	(13,511)
Payables	3,231	–	(1,958)	–	1,273
Provisions	21,389	–	(1,722)	–	19,667
Other financial liabilities	–	–	–	6,330	6,330
Lease liabilities	779	–	(779)	–	–
Amortisation of share issue expenses	6,161	–	(5,089)	–	1,072
Net temporary differences	22,002	–	(13,496)	5,754	14,260
Tax losses – revenue	12,315	–	(7,726)	–	4,589
Deferred tax asset	34,317	–	(21,222)	5,754	18,849

7. TAX BALANCES (CONTINUED)

(c) Current tax balances

	NOTE	CONSOLIDATED 2013 $000	2012 $000
Income tax payable (receivable) is attributable to:			
Entities in the Tax Consolidated Group		**18,157**	(1,500)
Other		**36**	199
		18,193	(1,301)

(d) Tax consolidation legislation

Primary Health Care Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in Note 1(g). The entities in the Tax Consolidated Group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Primary Health Care Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Primary Health Care Limited for any current tax payable assumed and are compensated by Primary Health Care Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Primary Health Care Limited under the tax consolidation legislation.

The amounts receivable/payable under the tax funding agreement are due upon demand by the head entity, which may be oral or written. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

8. REMUNERATION OF AUDITOR

	CONSOLIDATED 2013 $	2012 $
Auditing the financial report	**934,500**	890,000
Other services:		
Tax consulting	**106,600**	118,975
Advisory services	**307,790**	314,000
	1,348,890	1,322,975

9. RECEIVABLES

	CONSOLIDATED 2013 $000	CONSOLIDATED 2012 $000
Measured at amortised cost		
(a) Current		
Trade receivables	**89,719**	90,055
Allowance for doubtful debts	**(4,302)**	(3,909)
	85,417	86,146
Other receivables and prepayments	**67,063**	72,499
	152,480	158,645
(b) Non-current		
Other receivables and prepayments	**3,618**	2,853
	3,618	2,853
(c) Ageing of trade receivables		
Current	**60,791**	56,237
30–60 days	**10,033**	14,986
60–90 days	**4,694**	5,495
90 days +	**14,201**	13,337
	89,719	90,055

The ageing of trade receivables is as follows: current $60.8m (30 June 2012: $56.2m); past due $28.9m (30 June 2012: $33.3m) of which $24.6m has not been impaired (30 June 2012: $29.4m). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date.

	CONSOLIDATED 2013 $000	CONSOLIDATED 2012 $000
(d) Movement in allowance for doubtful debts		
Balance at beginning of year	**3,909**	4,400
Provision for the year	**4,678**	3,070
Doubtful debts (recovered/written off) during the year	**(4,285)**	(3,561)
	4,302	3,909

No interest is charged on trade receivables. The Group's policy requires customers to pay the Group in accordance with agreed payment terms (which on average are 14-30 day terms). All credit and recovery risk associated with trade receivables has been provided for in the balance sheet. Trade receivables have been aged according to their original due date in the above ageing analysis.

The Group has used the following basis to assess the allowance for doubtful debts:

- a collective impairment based on historical bad debt experience;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

In the event of default on the Group's Syndicated Debt Facility (Note 29(d)), the Group has pledged $89.7m of receivables as security over this liability (30 June 2012: $90.1m). The amount pledged has decreased from 30 June 2012 as it is a floating charge over the Group's receivables.

Further discussion of the credit risk associated with trade receivables is included in Note 28.

10. GOODWILL

	CONSOLIDATED	
	2013 $000	2012 $000
(a) Carrying value		
Opening balance	**3,138,713**	3,081,598
Acquisition of businesses	**74,449**	57,115
Closing balance	**3,213,162**	3,138,713
(b) Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Medical Centres	**1,230,427**	1,165,699
Pathology	**1,547,898**	1,545,813
Imaging	**369,746**	362,110
Health Technology	**65,091**	65,091
	3,213,162	3,138,713

The carrying amount of goodwill of each CGU is tested for impairment at each reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the 2014 financial year budget as year one in a five-year discounted cash flow projection model. The key assumptions used in determining value in use for 30 June 2013 are:

ASSUMPTION	HOW DETERMINED
Forecast revenues and expenses	Forecast revenues and expenses has been calculated assuming long-term growth rates as follows: – Medical Centres – 4.0% (30 June 2012: 4.0%). – Pathology – 4.4% (30 June 2012: 4.4%). – Imaging – 4.0% (30 June 2012: 4.0%). – Health Technology – 5.0% (30 June 2012: 5.0%). Terminal growth rates used for each of the CGUs (beyond year five of the cash flow projection model) are consistent with long-term growth rates disclosed above.
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk-free rate for ten-year Commonwealth Government bonds as at 30 June 2013, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is, the required increased return required over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Ten Year Commonwealth Government Bond Rate	The Ten Year Commonwealth Government Bond Rate as at 30 June 2013 was 3.76% (30 June 2012: 3.09%). The Group has used 4.50% for 30 June 2013 impairment testing purposes (30 June 2012: 4.50%).
Weighted Average Cost of Capital (WACC)	The Group's WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest-bearing liabilities over the measurement period, split by CGU as follows: – Medical Centres – 12.91% (30 June 2012: 12.91%). – Pathology – 12.55% (30 June 2012: 12.55%). – Imaging – 12.55% (30 June 2012: 12.55%). – Health Technology – 15.70% (30 June 2012: 15.70%).

10. GOODWILL (CONTINUED)

Sensitivity analysis

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2013.

11. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

2013	FREEHOLD LAND AND BUILDINGS $000	ASSETS UNDER CONSTRUCTION $000	LEASEHOLD IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	TOTAL $000
Net book value					
Opening balance	**4,079**	**24,104**	**183,979**	**190,029**	**402,191**
Additions	**289**	**29,294**	**4,334**	**43,655**	**77,572**
Capitalised borrowing costs	**–**	**–**	**562**	**–**	**562**
Capitalisation of Assets Under Construction	**–**	**(24,170)**	**19,982**	**4,188**	**–**
Disposals	**(701)**	**–**	**(37)**	**(1,102)**	**(1,840)**
Depreciation expense	**(329)**	**–**	**(17,475)**	**(44,075)**	**(61,879)**
Closing balance	**3,338**	**29,228**	**191,345**	**192,695**	**416,606**
Cost	**3,700**	**29,228**	**295,898**	**502,446**	**831,272**
Accumulated depreciation	**(362)**	**–**	**(104,553)**	**(309,605)**	**(414,520)**
Impairment provision	**–**	**–**	**–**	**(146)**	**(146)**
Closing balance	**3,338**	**29,228**	**191,345**	**192,695**	**416,606**

During the year the Group has reclassified $5.1m of Opening Assets under construction to Intangible Assets under construction (refer Note 12).

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 4.9% (30 June 2012: 6.5%).

Details of Property Plant & Equipment pledged as security against the Group's interest-bearing liabilities is disclosed in Note 16.

2012	FREEHOLD LAND AND BUILDINGS $000	ASSETS UNDER CONSTRUCTION $000	LEASEHOLD IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	TOTAL $000
Net book value					
Opening balance	3,273	24,699	187,886	185,092	400,950
Additions	846	37,923	1,808	38,737	79,314
Capitalised borrowing costs	–	–	19	–	19
Capitalisation of Assets Under Construction (Note 12)	–	(33,397)	13,750	9,949	(9,698)
Disposals	–	–	(2,315)	(30)	(2,345)
Depreciation expense	(40)	–	(17,169)	(43,719)	(60,928)
Closing balance	4,079	29,225	183,979	190,029	407,312
Cost	4,897	29,225	272,035	483,351	789,508
Accumulated depreciation	(818)	–	(88,056)	(293,176)	(382,050)
Impairment provision	–	–	–	(146)	(146)
Closing balance	4,079	29,225	183,979	190,029	407,312

12. OTHER INTANGIBLE ASSETS (CONSOLIDATED)

2013	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS $000	CAPITALISED DEVELOPMENT COSTS $000	COMPUTER SOFTWARE $000	OPERATING RIGHTS AND LICENCES $000	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL $000
Net book value						
Opening balance	**11,497**	**32,073**	**23,077**	**25,200**	**5,122**	**96,969**
Additions	**–**	**6,434**	**9,170**	**10,849**	**14,265**	**40,718**
Capitalisation of Intangible Assets Under Construction	**–**	**7,121**	**1,908**	**–**	**(9,029)**	**–**
Disposals	**–**	**–**	**(192)**	**–**	**–**	**(192)**
Amortisation expense	**(4,896)**	**(5,474)**	**(7,472)**	**(10,976)**	**–**	**(28,818)**
Closing balance	**6,601**	**40,154**	**26,491**	**25,073**	**10,358**	**108,677**
Cost	**46,500**	**54,797**	**69,933**	**68,979**	**10,358**	**250,567**
Accumulated amortisation	**(39,899)**	**(14,643)**	**(43,442)**	**(43,906)**	**–**	**(141,890)**
Closing Balance	**6,601**	**40,154**	**26,491**	**25,073**	**10,358**	**108,677**

During FY2013 the Group has reclassified $5.1m of Opening Assets under construction to Intangibles (refer Note 11).

2012	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS $000	CAPITALISED DEVELOPMENT COSTS $000	COMPUTER SOFTWARE $000	OPERATING RIGHTS AND LICENCES $000	TOTAL $000
Net book value					
Opening balance	16,393	18,864	16,848	29,354	81,459
Additions	–	13,758	2,838	9,590	26,186
Capitalisation of Intangible Assets Under Construction (Note 11)	–	156	9,542	–	9,698
Internal transfers	–	3,363	3,886	(7,249)	–
Disposals	–	–	(558)	–	(558)
Amortisation expense	(4,896)	(4,068)	(9,479)	(6,495)	(24,938)
Closing balance	11,497	32,073	23,077	25,200	91,847
Cost	46,500	40,254	66,394	58,735	211,883
Accumulated amortisation	(35,003)	(8,181)	(43,317)	(33,535)	(120,036)
Closing Balance	11,497	32,073	23,077	25,200	91,847

13. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2013 $000	2012 $000
Measured at fair value		
Shares quoted on Australian Securities Exchange (“ASX”)	**23,780**	4,574
Other investments	**1,278**	1,278
Other	**139**	68
	25,197	5,920

Certain shares held by the Group that are traded in an active market are classified as available-for-sale and are stated at fair value. Gains and losses arising from changes in the fair value of these investments are recognised in the investments revaluation reserve.

14. PAYABLES

	CONSOLIDATED	
	2013 $000	2012 $000
(a) Current		
Trade payables and accruals	**98,575**	93,609
Payables and accruals relating to acquisitions	**11,587**	6,971
Accrued interest	**6,929**	6,780
Deferred revenue	**10,919**	12,447
	128,010	119,807
(b) Non-current		
Trade payables and accruals	**6,746**	1,890
Payables and accruals relating to acquisitions	**–**	2,983
	6,746	4,873

The Group's standard external vendor payment terms are 30 days from calendar month end.

15. PROVISIONS

	CONSOLIDATED	
	2013 $000	2012 $000
(a) Current		
Provision for employee benefits	**58,048**	58,295
Self-insurance provision		
Workers compensation	**1,914**	2,560
Other	**110**	522
Restructuring and onerous contract provision	**–**	265
	60,072	61,642
(b) Non-current		
Provision for employee benefits	**1,187**	3,115
Self-insurance provision – workers compensation	**1,276**	2,503
	2,463	5,618

16. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	2013 $000	2012 $000
Measured at amortised cost		
(a) Current		
Gross bank loans	**2,550**	2,337
Finance lease liabilities (Note 17)	**1,231**	1,467
	3,781	3,804
(b) Non-current		
Gross bank loans	**927,725**	930,274
Retail bonds	**152,274**	152,274
Finance lease liabilities (Note 17)	**3,573**	1,372
	1,083,572	1,083,920
Unamortised borrowing costs	**(8,085)**	(12,092)
	1,075,487	1,071,828

All interest-bearing liabilities are secured by mortgages over the Group's freehold land and buildings, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets. A Deed of Cross Guarantee is in place (refer Note 27).

Interest rate sensitivity and liquidity analysis disclosures relating to the Group's Interest-Bearing Liabilities is disclosed in Note 28.

17. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	2013 $000	2012 $000
(a) Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
Within one year	**1,502**	1,641
Later than 1 year but not later than 5 years	**3,904**	1,505
Minimum future lease payments	**5,406**	3,146
Less future finance charges	**(602)**	(307)
Present value of minimum lease payments	**4,804**	2,839
Included in the financial statements as:		
Current (Note 16(a))	**1,231**	1,467
Non-current (Note 16(b))	**3,573**	1,372
	4,804	2,839
(b) Non-cancellable operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases not recognised as liabilities, payable:		
Within one year	**120,742**	106,238
Later than 1 year but not later than 5 years	**216,165**	176,868
Later than 5 years	**33,397**	25,429
	370,303	308,535
(c) Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**22,870**	4,286
	22,870	4,286

(d) Operating and finance lease terms

Operating leases relate to medical centres and pathology sites with lease terms of between one and twenty years. Most of these leases have options to extend. The Group does not have an option to purchase the property at the expiry of the lease term.

Finance leases are secured by the assets leased and relate to medical and pathology equipment with lease terms of up to five years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease.

(e) Investments

At balance date no capital commitments exist in respect of interests in partnerships, investments or joint ventures contracted that are not provided for the financial report.

18. ISSUED CAPITAL (COMPANY & CONSOLIDATED)

	2013 NO. OF SHARES 000'S	2012 NO. OF SHARES 000'S	2013 $000	2012 $000
Opening balance	**501,717**	497,420	**2,369,229**	2,357,623
Exercise of share options	**–**	120	**–**	230
Transfer from share-based payments reserve	**–**	–	**–**	112
Shares issued via Dividend Reinvestment Plan	**2,102**	3,840	**8,844**	11,287
Shares issued via Bonus Share Plan	**103**	337	**–**	–
Capital raising/share issue costs, net of tax	**–**	–	**(25)**	(23)
Closing balance – Company	**503,922**	501,717	**2,378,048**	2,369,229
Reverse acquisition adjustment (1994)			**(19,865)**	(19,865)
Closing balance – Consolidated			**2,358,183**	2,349,364

Issued capital consists of fully paid ordinary shares carrying one vote per share and the right to dividends.

19. EARNINGS PER SHARE

EARNINGS	CONSOLIDATED 2013 $000	2012 $000
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	**150,111**	116,615

WEIGHTED AVERAGE NUMBER OF SHARES	2013 000'S	2012 000'S
The weighted average number of shares used in the calculation of basic earnings per share	**502,814**	499,759
Potential ordinary shares	**–**	21
The weighted average number of shares used in the calculation of diluted earnings per share	**502,814**	499,780

Potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

20. RESERVES

	NOTE	CONSOLIDATED 2013 $000	2012 $000
Cash flow hedge reserve	20(a)	**(11,501)**	(14,769)
Share-based payments reserve	20(b)	**9,901**	9,584
Investments revaluation reserve	20(c)	**9,703**	610
Foreign currency translation reserve	20(d)	**1,160**	1,046
		9,263	(3,529)

(a) Cash flow hedge reserve

The effective portion of any gains or losses on the Group's cash flow hedges and forward foreign exchange contracts is recognised in the cash flow hedge reserve.

(b) Share-based payments reserve

The share-based payments reserve arises on the grant of share options in prior years to both independent contractors and employees (no grants were made in the current financial year). Amounts are transferred out of the reserve and into issued capital when options are exercised. Further information about share-based payments to both independent contractors and employees is made in Note 6 to the financial statements.

20. RESERVES (CONTINUED)

(c) Investments revaluation reserve

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a re-valued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a re-valued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

(d) Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

21. RETAINED EARNINGS

	CONSOLIDATED	
	2013 $000	2012 $000
Opening balance	**221,951**	154,251
Profit attributable to equity holders	**150,111**	116,615
Dividends paid	**(62,403)**	(48,915)
Closing balance	**309,659**	221,951

22. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2013 $000	2012 $000
Opening balance	**5,327**	5,000
Share of profit for the year	**1,897**	2,327
Dividends paid	**(2,232)**	(2,000)
Closing balance	**4,992**	5,327

23. FRANKING ACCOUNT

	CONSOLIDATED	
	2013 $000	2012 $000
Opening credit (deficit) balance as at 1 July	**2,494**	(2,220)
Tax paid during the financial year	**47,842**	26,096
Franking credits attached to dividends paid:		
– Interim	**(14,012)**	(10,721)
– Final	**(12,901)**	(10,661)
Other movements	**(4,486)**	–
Closing credit balance as at 30 June	**18,937**	2,494

24. RELATED PARTY DISCLOSURES

(a) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 25.

(b) Equity interests in related entities

Details of interests in controlled entities are shown Note 26.

Transactions within the wholly-owned Group

Loans between entities in the wholly-owned Group are repayable at call. If both parties to the loan are within the same tax consolidated Group, no interest is charged on the loan. If this is not the case, interest is charged on the loan at normal commercial rates.

During the financial year rental of premises occurred between entities within the wholly-owned Group at commercial rates.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

The Group's Key Management Personnel are as follows:

KMP (2013)	TITLE
Dr Edmund Bateman	**Chief Executive Officer**
Mr James Bateman	**General Manager – Pathology**
Mr Andrew Duff	**Finance Director**
Mr Henry Bateman	**General Manager – Medical Centres**
Mr Carl Adams	**General Manager – Diagnostic Imaging**
Mr Matthew Bardsley	**General Manager – Information Innovation (from 14 November 2012)**
Mr John Frost	**Chief Executive Officer – Health Technology (until 14 November 2012)**
Mr Robert Ferguson	**Non-executive Director**
Mr Brian Ball	**Non-executive Director**
Dr Paul Jones	**Non-executive Director**
Dr Errol Katz	**Non-executive Director**
Ms Arlene Tansey (from 31 August 2012)	**Non-executive Director**
Mr John Crawford (until 30 November 2012)	**Non-executive Director**

KMP (2012)	TITLE
Dr Edmund Bateman	Chief Executive Officer
Mr James Bateman	General Manager – Pathology
Mr Andrew Duff	Finance Director
Mr Henry Bateman	General Manager – Medical Centres
Mr Carl Adams	General Manager – Diagnostic Imaging
Mr John Frost	Chief Executive Officer – Health Technology
Mr Robert Ferguson	Non-executive Director
Mr Brian Ball	Non-executive Director
Mr John Crawford	Non-executive Director
Dr Paul Jones	Non-executive Director
Dr Errol Katz	Non-executive Director
Mr Terence Smith (until 12 June 2012)	Non-executive Director

Key Management Personnel compensation details are set out in the Remuneration Report section of the Directors' Report.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Equity holdings and transactions of the Group's Key Management Personnel are as follows:

(a) Shareholdings

The number of shares in Primary held during the financial year and as at the end of the financial year by each of the key management personnel, including their personally-related entities, is set out below:

2013	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
R Ferguson	**190,800**	–	–	**190,800**
B Ball	**87,000**	–	–	**87,000**
EG Bateman	**36,210,967**	–	**(12,380,543)**	**23,830,424**
H Bateman	**129,810**	–	**847,703**	**977,513**
J Bateman	**63,936**	–	**754,717**	**818,653**
A Duff	**47,720**	–	**23,180**	**70,900**
P Jones	**14,200**	–	**2,020**	**16,220**
E Katz	–	–	–	–
A Tansey	–	–	**10,000**	**10,000**
C Adams	**19,801**	–	–	**19,801**
M Bardsley	**10,886**	–	–	**10,886**

2012	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
R Ferguson	190,800	–	–	190,800
B Ball	87,000	–	–	87,000
EG Bateman	35,061,405	–	1,149,562	36,210,967
JD Crawford	79,711	–	2,777	82,488
P Jones	10,000	–	4,200	14,200
H Bateman	129,484	–	326	129,810
J Bateman	90,936	–	(27,000)	63,936
A Duff	25,720	–	22,000	47,720
J Frost	11,169	–	389	11,558
C Adams	19,801	–	–	19,801

(b) Key Management Personnel compensation

The Key Management Personnel compensation included in Employee Benefits expense (refer to Income Statement) is as follows:

	CONSOLIDATED	
	2013 $000	2012 $000
Short-term employee benefits	**6,131**	4,569
Post-employment benefits	**145**	170
Share-based payments	–	–
	6,276	4,739

Details of the above amounts by individual Key Management Personnel can be found in the Remuneration Report.

(c) Loans to Key Management Personnel

No loans have been made to any of the Key Management Personnel.

(d) Other transactions with Key Management Personnel

From time to time, Directors and Group executives (and their personally-related entities) enter into transactions with entities in the Group, including the use or provision of services under normal customer, supplier or employee relationships. These transactions:

- occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the Director or their personally-related entity at arm's-length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Director or executive; and
- are trivial or domestic in nature.

26. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2013 %	2012 %
Primary Health Care Limited	Australia		
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
Artlu Unit Trust	Australia	**100**	100
Primary Health Care Institute Pty Ltd (a)	Australia	**100**	–
Australs Pty Ltd	Australia	**100**	100
John R Elder Pty Ltd	Australia	**100**	100
Digital Diagnostic Imaging Pty Ltd	Australia	**100**	100
Idameneo (No. 124) Pty Ltd	Australia	**100**	100
Idameneo (No 125) Pty Ltd (a)	Australia	**100**	–
PHC (No. 01) Pty Limited	Australia	**100**	100
PHC Nominees Pty Ltd	Australia	**100**	100
Former SDS Pty Limited	Australia	**100**	100
Sydney Diagnostic Services Unit Trust	Australia	**100**	100
Abbott Pathology Pty Ltd	Australia	**100**	100
Primary Training Institute Pty Ltd	Australia	**100**	100
Health Communication Network Limited	Australia	**100**	100
Amokka Java Pty Limited	Australia	**100**	100
Phoenix Medical Publishing Pty Ltd	Australia	**100**	100
Transport Security Insurance (Pte) Limited	Singapore	**100**	100
Idameneo (No. 789) Ltd	Australia	**100**	100
Saftsal Pty Ltd	Australia	**100**	100
Aksertel Pty Ltd	Australia	**100**	100
Onosas Pty Ltd	Australia	**100**	100
MGSF Pty Ltd	Australia	**100**	100
PSCP Holdings Pty Ltd	Australia	**100**	100
Wellness Holdings Pty Ltd	Australia	**100**	100
PHC Healthcare Holdings Pty Ltd	Australia	**100**	100
PHC Medical Centre Holdings Pty Ltd	Australia	**100**	100
Sidameneo (No. 456) Pty Ltd	Australia	**100**	100
Larches Pty Ltd	Australia	**100**	100
Kelldale Pty Ltd	Australia	**100**	100
Pacific Medical Centres Pty Ltd	Australia	**100**	100
PHC Pathology Holdings Pty Ltd	Australia	**100**	100
Symbion Pathology (India) Private Limited	India	**100**	100
AME Medical Services Pty Ltd	Australia	**100**	100
Specialist Veterinary Services Pty Ltd (2012: Gippsland Pathology Service Pty Ltd)	Australia	**100**	100
Jandale Pty Ltd	Australia	**100**	100
Integrated Health Care Pty Ltd	Australia	**100**	100
Queensland Specialist Services Pty Ltd	Australia	**100**	100
PHC Pathology Holdings Asia Pty Ltd	Australia	**100**	100
Specialist Diagnostic Services Pty Limited	Australia	**100**	100
Queensland Medical Services Pty Ltd	Australia	**100**	100
PHC Diagnostic Imaging Holdings Pty Ltd	Australia	**100**	100
Norcoray Pty Ltd	Australia	**50**	50
Norcoray Unit Trust (b)	Australia	**50**	50
North Coast Nuclear Medicine (QLD) Pty Ltd	Australia	**77**	77
Orana Services Pty Ltd	Australia	**50**	50
Orana Services Trust (b)	Australia	**50**	50
Brystow Pty Ltd	Australia	**100**	100

26. SUBSIDIARIES (CONTINUED)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2013 %	2012 %
Healthcare Imaging Services (WA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (SA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services Pty Ltd	Australia	**100**	100
Campbelltown MRI Pty Ltd	Australia	**100**	100
Queensland Diagnostic Imaging Pty Ltd	Australia	**100**	100
The Ward Corporation Pty Ltd	Australia	**100**	100
Symbion International BV	Netherlands	**100**	100
Mayne Nickless Incorporated	United States	**100**	100
Symbion Holdings (UK) Ltd	United Kingdom	**100**	100
Idameneo UK Ltd	United Kingdom	**100**	100
ACN 008 103 599 Pty Ltd	Australia	**100**	100
ACN 063 535 884 Pty Ltd	Australia	**100**	100
ACN 063 535 955 Pty Ltd	Australia	**100**	100
PHC Employee Share Acquisition Plan Pty Ltd	Australia	**100**	100
Symbion Employee Share Acquisition Plan Trust	Australia	**100**	100
Senior Executive Short-term Incentive Plan Trust	Australia	**100**	100
Symbion Executive Short-term Incentive Plan Trust	Australia	**100**	100
PHC Finance (Australia) Pty Ltd	Australia	**100**	100
Sumbrella Pty Ltd	Australia	**100**	100

(a) Incorporated during the financial year.

(b) These Australian subsidiaries are required to prepare audited financial reports.

(c) All entities are domiciled in their country of incorporation. No subsidiaries carry on material business operations other than in their country of incorporation.

(d) Other than the subsidiaries referred to in b) above, no other Australian subsidiaries are required to prepare financial reports or to be audited for statutory purposes. These entities have obtained relief from these requirements because:

- they have entered into a Deed of Cross Guarantee (refer Note 27); or
- they are small proprietary companies; or
- their trust deeds do not specify these requirements.

27. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgment of financial reports, and Directors' reports.

It is a condition of the Class Order that the relevant holding entity and each of the relevant subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that each holding entity guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries in each Group under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, each holding entity will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that each holding entity is wound up.

Primary Health Care Group – Deed of Cross Guarantee dated 23 June 2008

Primary Health Care Limited entered into a Deed of Cross Guarantee with certain of its wholly-owned subsidiaries on 23 June 2008. The holding entity and subsidiaries, subject to the Deed of Cross Guarantee as at 30 June 2013, contain the following same entities as the prior financial year:

- Primary Health Care Limited (holding entity)
- Idameneo (No.789) Limited
- Health Communication Network Limited
- Healthcare Imaging Services (Victoria) Pty Limited
- Healthcare Imaging Services Pty Limited
- Idameneo (No.123) Pty Limited
- Queensland Diagnostic Imaging Pty Limited
- Queensland Medical Services Pty Limited
- Specialist Diagnostic Services Pty Limited
- PHC Diagnostic Imaging Holdings Pty Limited
- PHC Healthcare Holdings Pty Limited
- PHC Medical Centre Holdings Pty Limited
- Sidameneo (No.456) Pty Limited
- PHC Pathology Holdings Pty Limited.

Under a Deed of Assumption dated 11 February 2013, the following entities were also added to the Deed of Cross Guarantee:

- Idameneo (No 124) Pty Ltd
- Austrials Pty Ltd
- Pacific Medical Centres Pty Ltd
- Healthcare Imaging Services (South Australia) Pty Limited
- Healthcare Imaging Services (Western Australia) Pty Limited
- Integrated Health Care Pty Ltd
- Digital Diagnostic Imaging Pty Ltd.

Consolidated income statements and consolidated balance sheets, comprising holding entities and subsidiaries which are parties to the above Deed, after eliminating all transactions between parties to the Deed, at 30 June 2013 are materially consistent with the Group's consolidated Income Statement and consolidated Balance Sheet disclosed elsewhere in this financial report.

28. FINANCIAL INSTRUMENTS

(a) Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk, including interest rate, currency and price risk.

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee overseas how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset held by the Group fails to meet its contractual obligations under the terms of the financial asset (to deliver cash to the Group).

The Group's exposure to credit risk arises principally from its trade receivables due from external customers. The carrying amount of the Group's trade receivables, representing the Group's maximum exposure to credit risk as at the reporting date by segment, is as follows:

	CONSOLIDATED	
SEGMENT	2013 $000	2012 $000
Pathology	**61,340**	60,253
Imaging	**16,884**	18,269
Medical Centres	**10,142**	10,097
Health Technology	**1,291**	1,414
Corporate	**62**	22
	89,719	90,055

The Group's exposure to credit risk is influenced mainly by the bulk billing of services by medical practitioners to whom the Group charges service fees for use of medical centre and imaging facilities. A large proportion of the Group's receivables are due from Medicare Australia (bulk-billed services) and health funds. The remaining trade receivables are due from individuals. The concentration of credit risk relating to this remaining debt is limited due to the customer base being large and unrelated. Geographically there is no concentration of credit risk.

The ageing of the Group's trade receivables and an analysis of the Group's provision for doubtful debts is provided in Note 9.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

2013	CARRYING AMOUNT $000	TOTAL $000	CONTRACTUAL CASH FLOWS LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	**930,275**	**1,077,119**	**49,770**	**1,027,349**	**–**
Retail bonds	**152,274**	**176,574**	**10,800**	**165,774**	**–**
Accrued interest	**6,929**	**6,929**	**6,929**	**–**	**–**
Finance lease liabilities	**4,804**	**5,406**	**1,502**	**3,904**	**–**
Trade payables and accruals	**105,321**	**105,321**	**98,575**	**6,746**	**–**
Payables relating to acquisitions	**11,587**	**11,587**	**11,587**	**–**	**–**
	1,211,190	**1,382,936**	**179,163**	**1,203,773**	**–**
Derivative financial liabilities					
Interest rate swaps	**16,789**	**16,789**	**12,068**	**4,721**	**–**

The repayment of contractual cash flows due in the period less than one year from 30 June 2013 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2013: $89.7m).

2012	CARRYING AMOUNT $000	TOTAL $000	CONTRACTUAL CASH FLOWS LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	932,611	1,023,540	60,620	962,920	–
Retail bonds	152,274	191,274	12,000	179,274	–
Accrued interest	6,780	6,780	6,780	–	–
Finance lease liabilities	2,839	3,146	1,641	1,505	–
Trade payables and accruals	95,498	95,498	93,609	1,889	–
Payables relating to acquisitions	9,954	9,954	6,971	2,983	–
	1,199,956	1,330,192	181,621	1,148,571	–
Derivative financial liabilities					
Interest rate swaps	21,262	21,262	10,966	10,296	–

28. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. When considered appropriate, interest rate risk is managed by the Group by the use of interest rate swap contracts (cash flow hedges), executed by authorised representatives of the Group within limits approved by the Risk Management Committee.

The following table details the Group's exposure to interest rate risk as at 30 June 2013:

			FIXED INTEREST RATE				CONSOLIDATED
2013	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $000	LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000	NON INTEREST-BEARING $000	TOTAL $000
Financial assets							
Cash	**2.45**	**38,246**	–	–	–	–	**38,246**
Receivables	–	–	–	–	–	**156,097**	**156,097**
Investments	–	–	–	–	–	**25,197**	**25,197**
Financial liabilities							
Payables	–	–	–	–	–	**(123,837)**	**(123,837)**
Finance leases	**7.62**	–	**(1,231)**	**(3,573)**	–	–	**(4,804)**
Gross bank loan	**5.35**	**(920,000)**	**(2,550)**	**(7,725)**	–	–	**(930,275)**
Retail bonds	**7.25**	**(152,274)**	–	–	–	–	**(152,274)**
Interest rate swaps	**3.63**	**1,052,274**	**(900,000)**	**(152,274)**	–	–	–
		18,246	**(903,781)**	**(163,572)**	–	**57,457**	**(991,650)**

The following table details the Group's exposure to interest rate risk as at 30 June 2012:

			FIXED INTEREST RATE				CONSOLIDATED
2012	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $000	LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000	NON INTEREST-BEARING $000	TOTAL $000
Financial assets							
Cash	3.20	10,432	–	–	–	–	10,432
Receivables	–	–	–	–	–	161,498	161,498
Investments	–	–	–	–	–	5,920	5,920
Financial liabilities							
Payables	–	–	–	–	–	(129,332)	(129,332)
Finance leases	8.20	–	(1,467)	(1,372)	–	–	(2,839)
Gross bank loan	6.45	(920,000)	(2,337)	(10,274)	–	–	(932,611)
Retail bonds	7.53	(152,274)	–	–	–	–	(152,274)
Interest rate swaps	3.85	1,102,274	(950,000)	(152,274)	–	–	–
		40,432	(953,804)	(163,920)	–	38,086	(1,039,206)

28. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to variable interest rates during the financial year, projecting a reasonably possible change taking place at the beginning of the financial year, held constant throughout the financial year and applied to variable interest payments made throughout the financial year. A 50 basis point increase represents management's assessment of a reasonably possible change in interest rates. For FY2013, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the Income Statement and the Cash Flow Hedge Reserve would have been as follows:

	PROFIT (LOSS)		CASH FLOW HEDGE RESERVE	
	50BP INCREASE $000	50BP DECREASE $000	50BP INCREASE $000	50BP DECREASE $000
Consolidated				
30 June 2013 – variable rate instruments	**91**	**(91)**	**9,452**	**(9,566)**
30 June 2012 – variable rate instruments	202	(202)	12,863	(13,961)

Cash flow hedges (Interest rate swap contracts)

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed-rate debt and the cash flow exposures on the issued variable-rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the forward curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate disclosed in the table is the average rate payable by the Group on the notional principal value hedged using cash flow hedges.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

	AVERAGE CONTRACTED FIXED INTEREST RATE (EXCL MARGIN)		NOTIONAL PRINCIPAL VALUE		FAIR VALUE	
	30 JUNE 2013 %	30 JUNE 2012 %	30 JUNE 2013 $000	30 JUNE 2012 $000	30 JUNE 2013 $000	30 JUNE 2012 $000
Consolidated						
Less than 1 year	**3.76**	4.16	**900,000**	950,000	**674**	4,563
1 to 2 years	**3.62**	3.76	**825,000**	900,000	**8,486**	4,463
2 to 5 years	**3.54**	3.73	**977,274**	1,477,274	**7,629**	12,236

The aggregate notional amount of the outstanding interest rate swap contracts as at 30 June 2013 was $2,702.3 million (2012: $3,327.3 million), of which $825 million commences in the 2014 financial year and $825.0 million commences in the 2015 financial year (interest rate swap contracts with a notional amount outstanding of $152.3 million commenced prior to 30 June 2013).

The Group's cash flow hedges settle on both a monthly and quarterly basis. The Group settles the difference between the fixed and floating interest rate payable/(receivable) under each cash flow hedge on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed-rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on its Gross Bank Loan and Retail Bonds. The interest rate swaps and the interest payments on the underlying financial liability occur simultaneously and the amount accumulated in equity is reclassified to the Income Statement over the period that the floating rate interest payments on the underlying financial liability affect the Income Statement.

(e) Fair value of financial instruments

Basis for determining fair value

The determination of fair values of the Group's financial instruments that are not measured at cost or amortised cost in the financial statements are summarised as follows:

(i) Available-for-sale financial assets

Certain investments held by the Group are classified as being available-for-sale and are stated at fair value less any impairment losses. The fair value of the Group's available-for-sale investments is calculated using closing bid prices of securities held, that are listed on the Australian Securities Exchange.

(ii) Cash flow hedges (interest rate swap contracts)

The fair value of the Group's cash flow hedges are measured as the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates at the end of the financial year.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement – valuation methods

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The definition of each "level" below is as required by accounting standards as follows:

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	CONSOLIDATED – CARRYING AMOUNT			
30 JUNE 2013	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL $000**
Financial Assets				
Available-for-sale investments	**23,780**	**–**	**–**	**23,780**
Other	**–**	**139**	**1,278**	**1,417**
Financial Liabilities				
Interest rate swaps	**–**	**16,789**	**–**	**16,789**

	CONSOLIDATED – CARRYING AMOUNT			
30 JUNE 2012	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Financial Assets				
Available-for-sale investments	4,574	–	–	4,574
Other	–	68	1,278	1,346
Financial Liabilities				
Interest rate swaps	–	21,262	–	21,262

(f) Other

Currency risk

The Group transacts predominately in Australian dollars and has a relatively small exposure to offshore assets or liabilities. The Group predominately uses the spot foreign currency market to service any foreign currency transactions. A sensitivity analysis has not been performed on the currency risk as this is not considered material.

Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group. A sensitivity analysis has not been performed on the price risk as this is not considered material.

(g) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from FY2012.

The capital structure of the Group consists of debt, which includes the interest-bearing liabilities disclosed in Note 16, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 18, 20 and 21. The Group's policy is to borrow centrally using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

The Board reviews the capital structure of the Group on an ongoing basis.

29. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED	
	2013 $000	2012 $000
(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	**38,246**	10,432
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	**150,111**	116,615
Depreciation of plant and equipment	**61,879**	60,928
Amortisation of intangibles	**28,818**	24,938
Net (profit) loss on sale of property plant and equipment	**(793)**	333
(Profit) on sale of investments	**(612)**	–
Non-controlling interest	**1,897**	2,327
Increase (decrease) in:		
Trade payables and accruals	**(4,163)**	4,270
Provisions	**(4,725)**	(7,439)
Deferred revenue	**(1,528)**	2,497
Tax balances	**28,703**	11,947
Share option reserve	**317**	884
Decrease (increase) in:		
Consumables	**62**	(464)
Receivables and prepayments	**5,401**	(2,840)
Deferred borrowing costs	**4,007**	14,709
Net cash provided by operating activities	**269,374**	228,705

(c) Non-cash investing and financing

During the financial year 2,101,907 (2012: 3,840,301) and 102,720 (2012: 337,210) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

	CONSOLIDATED	
(d) Financing facilities	2013 $000	2012 $000
Current		
Secured Loan facility		
Amount used	**2,550**	2,337
Amount unused	**–**	–
Non-Current		
Secured Syndicated Debt facilities		
Amount used	**920,000**	920,000
Amount unused	**–**	–
Secured Bilateral multi-option facility		
Amount used	**–**	–
Amount unused	**100,000**	100,000
Secured Loan facility		
Amount used	**7,725**	10,274
Amount unused	**9,725**	7,389

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

29. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(e) Businesses and subsidiaries acquired

(i) Health-related practices

Members of the Group continued to acquire health-related practices to expand their existing businesses.

It is not practical to show the impact of the individual medical practices acquired during the year on the Group's results for the year (as required by AASB 3 *Business Combinations*), as it is impractical to allocate the costs associated with the Group's multi-disciplinary medical centres to the individual medical practices acquired.

The goodwill arising from the business combinations is attributable to the benefit of synergies expected to be achieved from integrating the business with the Group's existing operations. This benefit is not able to be individually identified or recognised separately from goodwill.

(ii) Summary

	CONSOLIDATED	
THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:	2013 $000	2012 $000
Fair value of identifiable net assets acquired		
Health-related practices	**–**	–
Goodwill		
Health-related practices	**74,449**	57,115
	74,449	57,115
Consideration – cash paid to acquire businesses		
Health-related practices	**74,449**	57,115
Controlled entities	**–**	1,000
(Increase)/Decrease in payables relating to acquisitions	**(4,616)**	8,899
	69,833	67,014
Cash paid for acquisitions	**69,833**	67,014
Less cash acquired	**–**	
Net payments for the purchase of businesses	**69,833**	67,014

30. SUBSEQUENT EVENTS

During the ordinary course of business, Members of the Group continued to acquire health-related practices to expand their existing operations from 30 June 2013 to the date the financial statements were authorised for issue.

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

31. CONTINGENT LIABILITIES

	CONSOLIDATED 2013 $000	2012 $000
Treasury bank guarantees		
Statutory requirement	**18,397**	17,897
Other	**6,968**	6,548
	25,365	24,445

32. PARENT ENTITY DISCLOSURES

The summary Balance Sheet of Primary Health Care Limited at the end of the financial year is as follows:

BALANCE SHEET	2013 $000	2012 $000
Assets		
Current	**119**	154
Non-current	**3,227,100**	3,299,268
Total assets	**3,227,219**	3,299,422
Liabilities		
Current	**8,412**	11,814
Non-current	**1,088,030**	1,082,528
Total liabilities	**1,096,442**	1,094,342
Net assets	**2,130,777**	2,205,080
Equity		
Issued Capital	**2,378,048**	2,369,229
Retained earnings	**(245,671)**	(158,964)
Cash flow hedge reserve	**(11,501)**	(14,769)
Share-based payments reserve	**9,901**	9,584
Total equity	**2,130,777**	2,205,080

The Statement of Comprehensive Income of Primary Health Care Limited for the financial year is as follows:

STATEMENT OF COMPREHENSIVE INCOME	2013 $000	2012 $000
(Loss) for the year	**(52,398)**	(86,753)
Other comprehensive gain (loss)	**3,268**	(14,769)
Total comprehensive (loss)	**(49,130)**	(101,522)

33. PRIMARY BONDS SERIES A

Information in respect of Key Financial Disclosures in respect of the ASIC Class Order [CO 10/321] and clause 10.2 of the Trust Deed, for FY2013 is provided below:

(a) Primary Bonds Series A rank equally amongst themselves and at least equally with all other unsubordinated and unsecured debt obligations of Primary, other than those obligations mandatorily preferred by law; ahead of ordinary equity of Primary and of Primary's obligations that are expressed to be subordinated to Primary Bonds Series A; and behind Primary's secured debt (Secured Syndicated Loan Facility, Secured Working Capital Facilities A, B and C and Secured Loan Facility);

(b) Primary has not breached any loan covenants or debt obligations (whether or not relating to Primary Bonds Series A) during the period covered by this Report; and

(c) Key financial ratios are set out below. A description of these ratios and how they are calculated is included in section 3.1 of the Primary Bonds Series A Second Part Prospectus.

	30 JUNE 2013	30 JUNE 2012
Primary Bonds Series A		
Gearing Ratio	**0.49**	0.50
Interest Cover Ratio	**5.38**	4.32
Working Capital Ratio	**0.98**	1.00

1. Stock exchange listing and domicile

Primary Health Care Limited is a listed public company, incorporated and operating in Australia.

The shares of Primary Health Care Limited are listed by ASX Ltd on the Australian Securities Exchange and trade under the code “PRY”.

2. Voting rights

Votes of members are governed by Primary’s Constitution. In summary, each member is entitled either personally or by proxy or attorney or representative, to be present at any general meeting of Primary and to vote on any resolution on a show of hands or upon a poll. Every member present in person, by proxy or attorney or representative, has one vote for every share held.

3. Corporate information

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Company’s Registered Office

Level 1/30-38 Short Street
LEICHHARDT NSW 2040
(02) 9561 3300

Share Registry

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
SYDNEY NSW 2000
GPO Box 7045
SYDNEY NSW 1115

Sydney Office: (02) 8234 5000
Investor Enquiries: 1300 855 080

4. Number of holders of equity instruments as at 31 August 2013

Ordinary Share Capital

503,921,941 fully paid ordinary shares are held by 8,192 individual shareholders.

All issued ordinary shares carry one vote per share.

11,349,000 unlisted share options have been granted to 571 persons.

Share options do not carry any voting rights.

5. Distribution of shareholders as at 31 August 2013

NUMBER OF SHARES HELD	INDIVIDUALS
1 – 1,000	2,768
1,001 – 5,000	3,758
5,001 – 10,000	973
10,001 – 100,000	607
100,001 – 999,999,999	86
100,000,000 and over	0
Total	8,192

638 shareholders hold less than a marketable parcel of shares.

6. Top 20 shareholders as at 31 August 2013

RANK	NAME	UNITS	% OF UNITS
1.	HSBC Custody Nominees (Australia) Limited	119,003,752	23.62
2.	National Nominees Limited	93,561,954	18.57
3.	J P Morgan Nominees Australia Limited	84,979,937	16.86
4.	Citicorp Nominees Pty Limited	26,094,556	5.18
5.	BNP Paribas Noms Pty Ltd (DRP Account)	22,658,460	4.50
6.	Idameneo (122) Pty Ltd	20,998,955	4.17
7.	UBS Nominees Pty Ltd	18,414,582	3.65
8.	JP Morgan Nominees Australia Limited (Cash Income Account)	15,075,310	2.99
9.	HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C	9,434,888	1.87
10.	AMP Life Limited	6,888,063	1.37
11.	Roobie Pty Ltd <Roobie A/C>	6,569,262	1.30
12.	Citicorp Nominees (Colonial First State Investment Account)	5,511,478	1.09
13.	RBC Investor Services Australia Nominees Pty Limited	2,909,549	0.58
14.	UBS Wealth Management Australia Nominees Pty Ltd	2,855,344	0.57
15.	Argo Investments Limited	2,823,947	0.56
16.	BNP Paribas Noms Pty Ltd (Master Custodian DRP Account)	2,652,628	0.53
17.	Charado Pty Ltd	2,555,053	0.51
18.	Abtourk Syd 391 Pty Ltd	2,214,128	0.44
19.	Rinrim Pty Limited	1,962,657	0.39
20.	QIC Limited	1,861,295	0.37
		449,025,798	89.11

7. Substantial holders

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Westpac Banking Corporation and its associated companies	37,325,328	7.42%
Matthews International Capital Management LLC	36,274,491	7.20%
UBS AG and its Related Bodies Corporate	35,109,783	6.97%
Caledonia Investments Pty Ltd	33,423,488	6.66%
Schroder Investment Management Australia Ltd	30,633,748	6.08%
National Australia Bank Limited and its associated entities	30,605,489	6.07%
Vinva Investment Management	25,243,286	5.01%

Information in the table above is as per the most recent substantial holder notices received by the Company as at 31 August 2013.

8. Primary Bonds Series A as at 31 August 2013

1,522,740 Primary Bonds Series A are held by 2,235 individual bonds holders.

Primary Bonds Series A do not carry any voting rights.

9. Distribution of holders of Primary Bonds Series A as at 31 August 2013

NUMBER OF BONDS HELD	INDIVIDUAL PRIMARY BONDS SERIES A HOLDERS
1 – 1,000	2,081
1,001 – 5,000	134
5,001 – 10,000	7
10,001 – 100,000	11
100,001 and over	2
Total	2,235

Further information about Primary Bonds Series A is available on Primary's website at www.primaryhealthcare.com.au.

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