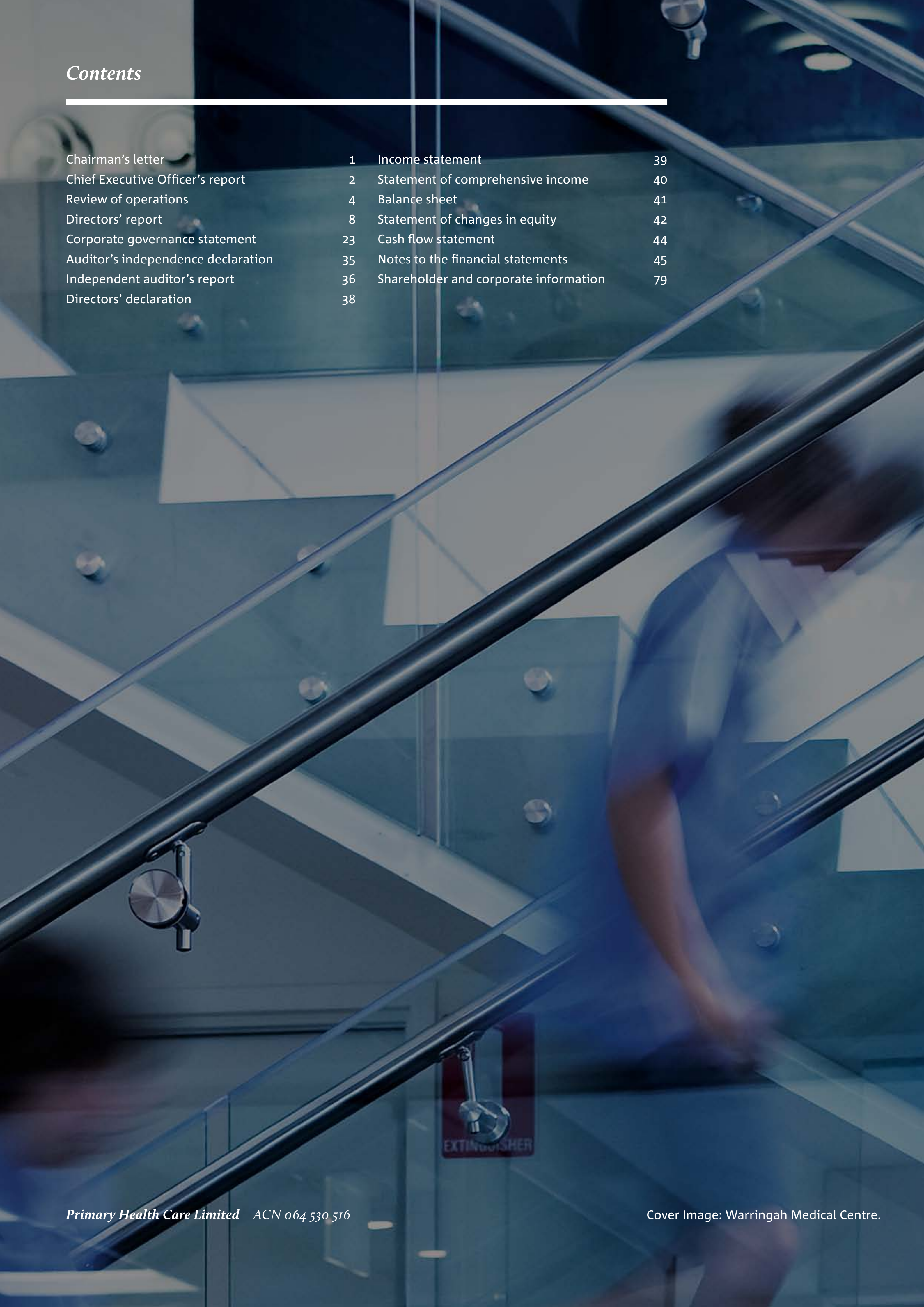
PRIMARY
HEALTH CARE LIMITED

Annual Report for the year ended 30 June 2014



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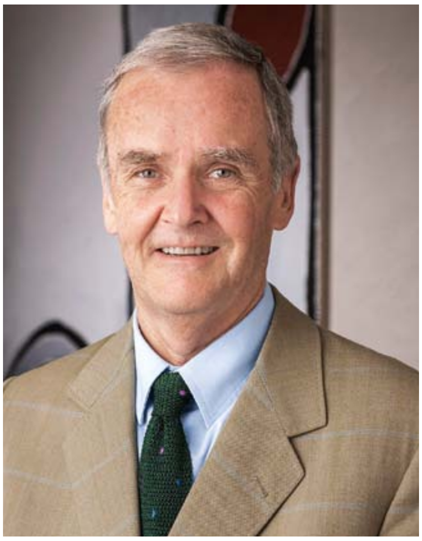
Primary Health Care Limited *ACN 064 530 516*

Cover Image: Warringah Medical Centre.

Chairman's letter



Dear Shareholder,

On behalf of the Board of Primary Health Care Limited ("Primary") I am pleased to present the Company's reported results for the year ended 30 June 2014 ("FY2014"). Primary again experienced sound organic revenue gains and Earnings Per Share ("EPS") growth. The results reflect the continued investment in scale, infrastructure and technology that enables Primary to deliver affordable and accessible healthcare Australia wide.

Performance

Financial highlights for FY2014 included:

- Revenue up 5.8% to $1.52 billion
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) up 4.7% to $399.1 million
- Net Profit After Tax (NPAT) up 8.3% to $162.5 million
- Earnings Per Share (EPS) up 7.7% to 32.2 cents per share

This sound result was the outcome of continued margin gains in existing medical centres, growth of the allied services within the centres, sustained operating improvements in pathology and a continued focus on outsourcing opportunities in both pathology and imaging.

Primary continues to strengthen its balance sheet and maintains flexibility to build further scale, taking advantage of opportunities to grow and acquire further capacity.

During FY2014, Primary successfully refinanced its bank debt facility out to January 2017 ($625m) and November 2018 ($625m), with pleasing margin improvements. The refinancing, combined with a program of interest rate hedging, will continue to decrease interest expense and consolidate EPS growth as we head into FY2015.

Development and diversity

Your Board is proud to report the continued development and success of the 'Primary Women' program this year, with the development of an intranet resource for Primary's existing and future female leaders and the continuation of our networking and learning events. In the year ended 30 June 2014 and including up to the date of this report, Primary has appointed a number of women to the following additional key senior leadership roles: Chief Systems Officer for the Primary Group, Chief Executive Officer for Abbott Pathology, and National Operations Manager for Diagnostic Imaging. 32% of Primary's Executives and General Managers are women, a further 35% are in senior management, and 62% are in other management roles.

The ongoing development of our indigenous employment partnerships, remains a priority for Primary, which is already a committed provider of Indigenous healthcare across the country.

Through the Primary Health Care Training Institute we are also proud to be making a continued investment in Australia's medical professionals. Primary now has 15 registrars practising in its centres and 74 accredited supervisors. Along with the clinical education provided, this is a very significant commitment to quality and training.

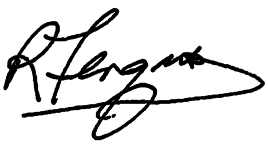
Dividend and outlook

Your Directors have declared a fully franked dividend of 20 cents per share for the full year, representing a 14.3% increase on the FY2013 dividend and reflecting the continued strength and resilience of the Primary model.

Primary is forecasting EBITDA for FY2015 to be in the range of $410 million to $425 million, resulting in EPS growth of between 5% and 12%.

Your company continues its focus on supporting healthcare practitioners in their critical roles. On behalf of all Directors, I would like to thank Primary's management team, medical professionals, and hardworking staff for their dedication to the Primary vision, and the role they have played in delivering this result for shareholders.

Yours sincerely,



Rob Ferguson
Chairman

Primary is proudly Australia's leading service provider to medical and allied health professionals. The results presented within this report are a credit to the hardworking team of Primary employees and the medical and health professionals they support across the country.

Our philosophy is to provide affordable and accessible healthcare to all Australians. It is with this objective in mind that we have invested significant capital over Primary's 30-year history in the scale, infrastructure and technology that supports Australia's GPs and health care providers to serve the Australian community. In FY2014 we continued to build on that with:

- **The refurbishment of our Warringah Medical Centre** which now supports 100 medical and health care professionals in providing GP services, pathology, radiology, MRI, dental, day surgery, physio, skin care and eye care.
- **Continued investment in the Primary Health Care Training Institute**, with 74 accredited supervisors now operating throughout our network and supporting 15 current registrars.
- **The expansion of Primary into new services and markets** examples of which were our recent opening of our first IVF clinic and commencement of our pathology business into Tasmania, making Primary a truly national business with services in each state and territory.

Divisional performance

Medical centres

Today, Primary operates a total of 71 medical centres, including 58 large-scale centres. EBITDA for the Medical Centres division was $175.8 million, compared with $168.4 million for the prior year. Medical Centres experienced EBITDA growth of 8.3% in the second half of FY2014 compared to the prior year, signalling a pleasing trend and underscoring the success of our strategy to 'backfill' existing centres.

Medical Centres also achieved an 80 basis point improvement in EBITDA margin during the year. This result was achieved against a backdrop of the annual Medicare fee increase being delayed from 1 November 2013 to 1 July 2014, and the impact of dental funding changes in December 2012.

Pathology

With world-class major laboratories in all mainland states and more than 1,800 Licensed Pathology Collection Centres, our pathology practices now provide services to more than one-third of the Australian community.

Primary's pathology division continued to deliver consistent growth in earnings during FY2014, despite a weak funding environment. Revenue grew 6.1%, largely reflecting the organic growth profile of the division. EBITDA was up 6% to $156.7 million, and margins remained stable.

Imaging

Imaging revenue grew 7.7% in FY2014 with MRI revenue stronger on the back of Medicare funding changes. EBITDA for the division was up 7.2% to $73.0 million. During the year Primary successfully tendered for immigration visa medicals and this outsourcing contract commenced in August 2014.

Health Technology

Health Technology remains a strategically important part of the Primary business. Revenue remained steady at $37 million and EBITDA was flat at $20 million.

Strategy and growth

During FY2014, Primary focused on a strategy of backfilling existing medical centres with GPs and other allied health professionals to increase capacity within the existing Primary footprint, in line with community health needs. GPs and other professionals who share Primary's vision for affordable and accessible care continue to join the Group on a consistent basis.

This strategy has been successful, with Medical Centres' EBITDA margin up 80 basis points to 56.8% during FY2014. This strategy will continue in FY2015, in tandem with a renewed focus on identifying new medical centre sites for rollout in population growth corridors in FY2016 and beyond. Primary currently has eight new medical centre sites earmarked for development.

Leveraging Primary's skillset, scale and footprint, the company was delighted to launch an IVF practice in Sydney during July 2014 following the recruitment of specialist IVF

Facilities at Warringah Medical Centre.

scientists and doctors. Primary IVF is a low cost solution giving all families equal access to this vital technology and care.

Primary recently also announced that it had reached agreement to acquire private health insurer Transport Health from the Transport Friendly Society for $18 million. Transport Health has approximately 5,000 policyholders and a long history of providing comprehensive healthcare coverage to transport workers and their families. Following the transaction, Transport Health policyholders will benefit from access to Primary's extensive network of healthcare providers including dentists, specialists, and physiotherapists. Primary intends to use its suite of healthcare services to establish an extended provider network for existing and future Transport Health members. As part of the transaction, Transport Health has applied to the Private Health Insurance Administration Council to convert to an open-access fund. This will provide Primary with the opportunity to grow a private health insurance offering beyond the existing membership base. Transport Health represents a strong platform for Primary to enter the private health insurance market and Primary believes there is significant scope to extend Primary's core principles of accessibility and affordability to private health insurance.

Primary views the provision of private health insurance as a natural extension of the services currently offered by Primary, particularly in the context of a constantly evolving healthcare system and the need to empower patients to take greater control of their own healthcare outcomes.

We believe this transaction delivers a strong platform from which Primary can build a leading private health insurance business that gives all Australians access to an extensive range of affordable healthcare benefits.

We are committed to continually evolving our services to meet the needs of our professionals, their patients and the community and we will continue to assess the acquisition of other specialist practices.

During the year we were pleased to establish pathology operations in Tasmania, giving Primary a truly national presence.

We expect our investment in Tasmania to begin positively contributing to Primary's results in the second half of FY2015.

We also continue to be encouraged by opportunities to participate in Government outsourcing tenders, with about a third of pathology volume generated by the public sector.

Accessibility and affordability

Since its establishment, Primary has invested significantly in scaled healthcare infrastructure that, when combined with the benefits provided by universal healthcare cover under Medicare have allowed communities to access healthcare services that are affordable.

Today, there remains considerable uncertainty on the proposed Federal Government co-payment initiatives for GPs, which may or may not be legislated. However, it is the strong view of Management that Primary's model of care will become even more relevant in an environment of funding pressures.

As our loyal shareholders would know, Primary has adapted to policy decisions throughout its 30-year history and will continue to respond responsibly to the business challenges it faces with the objective of ensuring the sustainability of the Primary model of healthcare.

Primary's scale, our expanding range of capabilities and our commitment to continued investment will ensure that we remain well placed to deliver support to medical professionals and consistent growth for our shareholders.

Yours sincerely,

Dr Edmund Bateman
Chief Executive Officer

Review of operations for the year ended 30 June 2014

$000	% CHANGE 2014 vs 2013	2014 TOTAL	2013 TOTAL
Revenue	**6%**	**1,524,115**	1,440,036
EBITDA		**399,092**	381,168
Depreciation		**62,899**	60,613
EBITA		**336,193**	320,555
Interest expense		**62,175**	72,029
Amortisation of borrowing costs		**9,572**	4,529
Amortisation of intangibles		**31,055**	28,657
Income tax expense		**70,837**	65,275
Profit for the year after tax	**8%**	**162,554**	150,064
Attributable to non-controlling interest		**18**	(47)
Profit attributable to members of the parent entity	**8%**	**162,536**	150,111

CENTS PER SHARE	2014 TOTAL	2013 TOTAL
Basic earnings per share – total [1]	**32.2**	29.9
Final dividend [2,3]	**11.0**	11.0
Interim dividend [2]	**9.0**	6.5
	20.0	17.5

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 (2014: 30%; 2013: 30%).
3 The record date for determining entitlement to the final dividend was 29 August 2014 and was payable on 15 September 2014.

Review of operations for the year ended 30 June 2014

The Directors of Primary Health Care Limited ("Primary") announce the results for the financial year ended 30 June 2014 ("FY2014").

Key points of the results are:

- EBITDA up 4.7% to $399.1m (2013: $381.2m)
- Medical Centres margin gain of 80bps
- NPAT up 8.3% to $162.5m from $150.1m (up 10.3% to $165.5m excluding refinance charge of $3.0m)
- EPS up 7.7% to 32.2 cps from 29.9 cps (up 9.7% excluding refinance charge of $3.0m)
- Refinance of bank debt at improved margins
- Full year dividend up 14.3% to 20.0 cps (2013: 17.5 cps) fully franked.

Operating overview

Primary has delivered a solid trading result for FY2014 with 8.3% NPAT growth, and 7.7% EPS growth. The results include a $3.0m non-cash after-tax charge for borrowing costs expensed on the expiring bank debt facility, following the successful early refinance in November 2013. Excluding this $3.0m charge, NPAT was up 10.3% and EPS was up 9.7% on the prior corresponding period.

Highlights of the trading result are the following key indicators:

- Medical Centres EBITDA growth of 8.3% in the second half of FY2014 over prior corresponding period ("pcp")
- Medical Centres EBITDA margin up 80 bps to 56.8%
- Pathology EBITDA growth of 6.0% to $156.7m and revenue growth of 6.1%
- Imaging EBITDA growth of 7.2% to $73.0m and revenue growth of 7.7%.

Outlook

The possible introduction of some form of co-payment for some classes of patients for some GP services may impact GP practices across Australia. It is not possible to predict with certainty whether a co-payment will be introduced and, if so, the consequences, but the greater efficiency of large-scale centres such as Primary's should assist Primary to adapt to any changes. If some form of co-payment system were introduced, that may challenge some small practices and create opportunities for Primary.

Change has always been an opportunity for Primary. This started with the initial introduction of bulk billing to the community 30 years ago and, more recently, the deregulation of licensed collection centres for Pathology, and the need for affordable IVF with changing community needs.

Primary has adapted, and always will adapt, to changes in the healthcare environment and community needs. It is possible that these changes may be more rapid in the next few years so that Primary may refine its models of service provision and practice acquisition, including in relation to GP and specialist practitioners outside of our large-scale medical centres. As and when the picture is clearer Primary will undertake a full review of the evolving regulatory and commercial landscape, changes that might be made to Primary's business models, and the whole range of regulatory consequences of any changes.

Primary is well positioned for future growth via:

- Underlying organic growth
- New medical centre sites roll-out FY2016 and beyond
- New services e.g. IVF
- Opportunities for backfilling and bolt-on acquisitions
- Outsourcing opportunities in Pathology and Imaging.

Primary expects EBITDA for FY2015 to be in the range of $410 million to $425 million, resulting in EPS growth of between 5% and 12%. This guidance range necessarily adopts a conservative view given the uncertainty facing the sector under the Federal Government's proposed co-payment initiatives, and any potential short-term flow-on impacts to patient volumes that this uncertainty may bring.

Division analysis

$M	YEAR ENDED 30 JUNE 2014	YEAR ENDED 30 JUNE 2013
Operating Revenue		
Medical Centres	**309.6**	300.8
Pathology	**887.4**	836.3
Imaging	**316.1**	293.4
Health Technology	**37.2**	37.0
Corporate	**4.1**	1.6
Intersegment	**(30.3)**	(29.0)
Total	**1,524.1**	1,440.0
Operating EBITDA		
Medical Centres	**175.8**	168.4
Pathology	**156.7**	147.8
Imaging	**73.0**	68.1
Health Technology	**20.2**	20.2
Corporate	**(26.6)**	(23.3)
Total	**399.1**	381.2
Margin		
Medical Centres	**56.8%**	56.0%
Pathology	**17.7%**	17.7%
Imaging	**23.1%**	23.2%
Health Technology	**54.3%**	54.6%
Total	**26.2%**	26.5%

Medical Centres

EBITDA for the Medical Centres division was $175.8m, compared with $168.4m for the prior year. The EBITDA margin for FY2014 was 56.8%, compared with 56.0% for the prior year. EBITDA increased from $84.7m 1HFY2014 to $91.1m 2HFY2014. The effect of dental funding changes in December 2012 flattened overall Medical Centres growth for 1HFY2014 over pcp. The second half result was pleasing particularly given the headwind of the annual Medicare fee increase being delayed from 1 November 2013 to 1 July 2014.

A total of 71 medical centres, including 58 large-scale Primary centres, are now in operation. Primary is now actively looking for 8 new medical centre sites to add to its 58 large-scale centres. These will not be operational before FY2016.

Primary will continue to add services to its current centres. These centres have significant existing capacity for additional services, providing a strong platform for future growth. An example of Primary extending its service offering is the IVF clinic which successfully opened in July 2014. Primary upgraded and relocated its oldest and largest medical centre at Warringah, New South Wales, to a new site in the year. The new facility provides further long-term growth for the centre and is operating successfully. It contains expanded services including an MRI facility.

Primary now has 15 registrars practising in its centres and 74 accredited supervisors. Along with the clinical education provided by the Primary Training Institute, this is a very significant commitment to quality and training.

GPs and other professionals continue to join the Group on a consistent basis. FY2014 has seen the decrease in the average acquisition cost of practices to Primary continue, as has now been the case for 18 months.

Pathology

EBITDA for the Pathology division was $156.7m, compared with $147.8m for the prior year. The EBITDA margin for FY2014 was 17.7%, consistent with the prior year. The Pathology division's revenue growth of 6.1% in the financial year reflects primarily organic revenue growth. During the year Primary entered the Tasmanian pathology market with an organic start-up operation, and now provides service in all States in Australia. It is expected this new market will contribute positively to the EBITDA of the division by 2HFY2015. Combined with the continued roll-out of collection centres during the year, this has provided a constraint on margin growth during the second half of the financial year.

The improvement in the operating performance of the Pathology division over the past three financial years has been strong and sustained, delivering a Compound Annual Growth Rate (CAGR) of 6.2% revenue and 9.7% EBITDA.

Pathology volumes in recent months have, however, been subdued.

Imaging

EBITDA for the Imaging division was $73.0m, compared with $68.1m for the prior year. The EBITDA margin for FY2014 was 23.1%, compared with 23.2% for the prior year. Revenue for FY2014 grew 7.7%. MRI revenue has been strong since Medicare funding changes in November 2013.

During the year the division successfully tendered for immigration visa medicals and this work has commenced in August 2014.

Wage and productivity gains are slow and long-term, though industrial action in Victoria in 2HFY2014 had a negative effect on the results. The improvement in the operating performance of the Imaging division over the past three financial years has delivered an EBITDA CAGR of 18.9%.

FY2014 includes an adjustment for the adoption of accounting standard AASB 11 Joint Arrangement on 1 July 2013, which reduced reported FY2013 EBITDA by approximately $4m, with no effect on reported EPS.

Health Technology

EBITDA for the Health Technology division was $20.2m, compared with $20.2m for the prior year. The EBITDA margin for FY2014 was 54.3% compared with 54.6% for the prior year. Subscription renewal rates improved 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 3.8% at $62.9m for the year, compared with $60.6m for the prior year. This is consistent with the Group's strategy of utilising its current infrastructure footprint.

Amortisation of intangibles was $31.1m compared with $28.7m for the prior year. This increase reflects the Group's continued investment in its information technology software platforms to both aid revenue growth and obtain operating efficiencies across the Group.

Finance costs

On 27 November 2013 Primary completed financial close on the refinancing of the Group's syndicated bank debt facility, which was due to mature in February 2015. The $1.25bn refinancing provides an extended bank debt maturity profile for Primary as follows:

- a $625m, three year two months non-amortising facility, maturing January 2017; and
- a $625m, five year non-amortising facility, maturing November 2018.

Margins payable on the facility are improved on prior terms. The facility is also sufficient to provide funds for the repayment of the $152m Primary retail bonds maturing in September 2015.

A majority of Primary's bank debt interest has been hedged for FY2015 and FY2016. The average fixed rates payable on hedged bank debt (excluding margin payable to bank) are 3.23% and 3.35% respectively for FY2015 and FY2016. 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 FY2014, unamortised borrowing costs on the previous expiring syndicated bank facility of $4.1m ($3.0m after tax) were charged to the income statement and included in amortisation of borrowing costs of $9.6m, upon the early refinance of Primary's syndicated bank debt.

Taxation

The effective tax rate on operating earnings for the year was 30.3%.

Balance sheet

The Group's net assets increased by 2.6% compared with the previous year, which is largely attributable to the current year's profit after tax.

Bank Covenants

As at 30 June 2014, Primary has two bank facility covenants, being a gearing ratio and an interest cover ratio. As at 30 June 2014, the gearing ratio, as calculated by bank facility definitions, was 2.32 times and well within the bank covenant requirement to be below 3.25 times. As at 30 June 2014 interest cover, as calculated by bank facility definitions, was 6.45 times and well within bank covenant requirement to be above 3.0 times.

Dividend

The final dividend will be 11.0 cents per share fully franked, payable on 15 September 2014. The record date for determining entitlement for the final dividend is 29 August 2014. A Dividend Reinvestment Plan and Bonus Share Plan will continue to be in place with a 2.5% discount.

This increases the dividend pay-out ratio from 58.7% in FY2013 to 62.1% in FY2014 and reflects both the improving financial results of Primary 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 2014 (referred to as "the year" or "FY2014"), 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 FY2014 were:

- Mr Robert Ferguson
- Mr Brian Ball
- Dr Edmund Bateman
- Mr Henry Bateman
- Mr James Bateman
- Mr Andrew Duff
- Dr Paul Jones
- Dr Errol Katz
- Ms Arlene Tansey

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

Group 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 FY2014

The number of meetings of the Board and of each Board committee held during FY2014 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	
2014	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
R Ferguson	12	12	2	2	4	4	N/A	N/A
B Ball	12	12	2	2	4	4	N/A	N/A
E Bateman	12	12	2	2*	N/A	N/A	N/A	N/A
H Bateman^	12	10	N/A	N/A	N/A	N/A	3	3
J Bateman^	12	11	N/A	N/A	N/A	N/A	3	3
A Duff	12	12	2	2*	N/A	N/A	3	3
P Jones	12	12	2	2	N/A	N/A	3	3
E Katz	12	12	2	1*	4	4	3	3
A Tansey^	12	11	2	2	4	4	N/A	N/A

Notes:

* Attended meetings by invitation.

^ The Director missed one meeting of the Board approving an item of business arising from previous meetings of the Board, at which the Director attended where the business was considered, reviewed, and discussed by the Board.

The Audit Committee for FY2014 comprised: Mr Brian Ball (Chair), Mr Rob Ferguson, Dr Paul Jones, and Ms Arlene Tansey.

The Nomination and Remuneration Committee for FY2014 comprised: Mr Rob Ferguson (Chair), Mr Brian Ball, Dr Errol Katz, and Ms Arlene Tansey.

The Risk Management Committee for FY2014 comprised: Dr Errol Katz (Chair), Mr James Bateman, Mr Henry Bateman, Mr Andrew Duff, and Dr Paul Jones.

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
- 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 provide services from its medical centres. Further details of these activities can be found on page 52 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 4 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 FY2014:

- an interim dividend of 9.0 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 7 April 2014; 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 29 August 2014, payable on 15 September 2014.

Primary operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). During FY2014, shares issued pursuant to the DRP and BSP were 1,693,557 (2013: 2,101,907) and 44,446 (2013: 102,720) 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. No option holder has any right under the options to participate in any other share issue of Primary or of any other entity.

2014	OPENING BALANCE	EXERCISED DURING YEAR	LAPSED DURING OR SINCE THE END OF THE FINANCIAL YEAR	CLOSING BALANCE
Issue 15	**1,061,000**	–	(20,000)	**1,041,000**
Issue 16	**747,000**	–	(32,500)	**714,500**
Issue 17	**535,500**	–	–	**535,500**
Issue 106	**50,000**	–	(50,000)	**–**
Issue 107	**25,000**	–	(25,000)	**–**
Issue 108	**30,000**	–	(30,000)	**–**
Issue 110	**392,500**	–	(392,500)	**–**
Issue 112	**887,500**	–	(307,500)	**580,000**
Issue 113	**1,755,000**	–	(222,500)	**1,532,500**
Issue 114	**4,638,000**	–	(1,497,500)	**3,140,500**
Issue 115	**1,227,500**	–	(35,000)	**1,192,500**
Balance as at 30 June 2014 and the date of this report	**11,349,000**	–	(2,612,500)	**8,736,500**

Shares issued on the exercise of options

No ordinary shares of Primary were issued during or since the end of FY2014 on the exercise of options.

Qualifications, experience and special responsibilities of Directors

Mr Robert Ferguson, B.Ec (Hons). Non-executive Chairman (age 68)

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 Bentham IMF (Australia) Limited since 2009 (a Director since 2004), a Director of Tyro Payments Limited since 2005, and Chairman of GPT Management Holdings Limited since 2010 (a Director since 2009). Mr Ferguson is also a Director of Watermark Market Neutral Fund Limited since 2013, and a Director of the Lowy Institute since 2003. He was formerly a Director of the Sydney Institute from 1998 to 2013.

Mr Brian Ball, B.Ec. Non-executive Director (age 65)

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 72)

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 46)

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 Andrew Duff, ACA. Finance Director (age 53)

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 59)

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 nine 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 44)

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 roles in private equity. 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. Non-executive Director (age 56)

Ms Tansey was appointed as a Non-executive Director in 2012. She is a member of the Audit Committee and the Nomination and Remuneration Committee.

Ms Tansey 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. She 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 since 2011, Lend Lease Real Estate Investments Limited since 2010, Lend Lease Investment Management Limited since 2010, Infrastructure NSW and The Australian Research Alliance for Children & Youth. She is also a Director of Hunter Phillip Japan Pty Ltd. She is the Chairman of Urbanise.com Limited since 2014.

Group Company Secretary

Ms Yvette Cachia, B.Ed, MA (Dist.), LLB (Hons 1), LLM, Grad. Dip. Applied Corporate Governance, MAICD, CAHRI. 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, the Australian Institute of Company Directors, and the Australian Human Resources Institute. 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:

2014	OPENING	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	23,843,252	–	(3,097,513)	20,745,739
H Bateman	977,513	–	(777,578)	199,935
J Bateman	818,653	–	–	818,653
A Duff	75,900	–	3,867	79,767
P Jones	16,220	–	(6,346)	9,874
E Katz	–	–	2,000	2,000
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.

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 32 on page 77 of this Report.

Management of safety risks

Primary is committed to ensuring that the health and safety of all employees, sub-contractors and the general public is given the highest priority. Primary's WHS 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 WHS management system. During the year ended 30 June 2014 there was a detailed review of the resources devoted to the management of the WHS Systems in place. 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 a forum for disseminating information to improve health and safety across all business units.

Primary recognises our responsibilities to contractors. As part of our health and safety procedures, contractors are required to provide evidence that they have WHS 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:

	2014	2013
Number of WorkCover prosecutions	**–**	–
Number of sites subject to OHS Internal Audit	**39**	35
Number of Incidents Resulting in Lost Time Injuries	**80**	122

Incidents are subject of investigation and there was no systematic breakdown in the WHS Management System during the year ended 30 June 2014.

Primary has a comprehensive program of health and safety internal audits that are conducted over all business units during the course of the year. Audit findings may be either areas of non-conformance with WHS procedures or be areas for improvement. All findings are discussed with auditees before being finalised. The final reports are presented to senior management and include the findings, recommendations to address findings, persons responsible for implementation of recommendations and time frames for implementation.

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

Primary is engaged in continuous improvement to raise health and safety standards. During the year Primary focused on improving the implementation of corrective actions arising from internal audit findings.

During the year a key focus will be the implementation of the revised WHS Manual following a significant revision to procedures.

REMUNERATION REPORT FOR FY2014

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 2014.

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.

Key Management Personnel ("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. Throughout this Remuneration Report, the term "Senior Executives" is also used to refer to all executives who fall within the definition of KMP. The use of the term "Executive" encompasses the Group Chief Executive Officer, Senior Executives, and General Managers of the Company and the Group for FY2014.

KMP (2014)	TITLE
Dr Edmund Bateman	**Chief Executive Officer**
Mr Andrew Duff	**Finance Director**
Mr James Bateman	**General Manager – Pathology**
Mr Henry Bateman	**General Manager – Medical Centres**
Mr Carl Adams	**General Manager – Diagnostic Imaging**
Mr Matthew Bardsley	**General Manager – Information Innovation**
Mr Rob Ferguson	**Non-executive Chairman**
Mr Brian Ball	**Non-executive Director**
Dr Paul Jones	**Non-executive Director**
Dr Errol Katz	**Non-executive Director**
Ms Arlene Tansey	**Non-executive Director**

There were no changes to KMP from the prior year ended 30 June 2013.

A. Executive remuneration

This Remuneration Report outlines Primary's remuneration policy and practices, together with details of the specific remuneration arrangements that apply to the 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.

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 FY2014, members of the Nomination and Remuneration Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Ms Arlene Tansey
- 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 FY2014

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	NATURE OF ENGAGEMENT
Aon Hewitt	Nomination and Remuneration Committee	Independent remuneration review of Senior Executives and participants in Primary's Executive Incentive Plan and remuneration benchmarking
Leadership & Succession Partners	Nomination and Remuneration Committee	Leadership development and leadership succession
Corporate Wisdom	–	Executive and Senior Management leadership development and coaching
Dr John Eady	–	Executive development
Foresight Global Coaching	–	Senior Management coaching

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
- 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 FY2014, 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 18 to the financial statements on page 63. 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 FY2014 (FY2013: 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 as part of, what is now called, the Primary Executive Incentive Plan.

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 takes a number of factors into account when 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 2012 were reported in Primary's 2013 Annual Report.

For FY2014, 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, WH&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 within 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 predetermined 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 was paid in 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 were 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.

For FY2014, the LTI will comprise an at-risk incentive payment based on a Group Earnings Per Share ("EPS") growth target of between 7-13%, with payment of deferred cash increasing in equal increments (starting at 0% for EPS growth < 7% to 100% for EPS growth = or > 13%) for each percentage of EPS growth to a maximum of 13%. In FY2014, EPS growth of 7.7% was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP will be awarded an appropriately proportionate amount of their allocated LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2014 will be paid in September or October 2015.

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

PEIP – FY2014 – Percentage of fixed annual remuneration as STI and LTI

LEVEL	STI (% OF FAR)W MAXIMUM AVAILABLE	LTI (% OF FAR) MAXIMUM AVAILABLE (RESTRICTED FOR 3 YRS)
L1 CEO	**67% (0% EPS Target/67% KPIs)**	**0%**
L1 KMP & Other	**40% (16% EPS Target/24% KPIs)**	**20%**
L2	**25% (10% EPS Target/15% KPIs)**	**18%**
L3(a) & (b)	**20% (8% EPS Target/12% KPIs)**	**10% – 15%**
	10% (0% EPS Target/10% KPIs)	
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 FY2014, the Board determined to use Earnings Per Share ("EPS") in a range of 7% to 13% 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 FY2013 and was paid during FY2014.

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 FY2014;
- 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 2015.

The tables below show the total remuneration for each Senior Executive in FY2014 and prior year comparison for FY2013:

2014	FIXED REMUNERATION (SALARY/FEES)		SHORT-TERM INCENTIVE UNDER PEIP^ (STI AWARDED FOR FY2013 AND PAID IN FY2014)		LONG-TERM INCENTIVE UNDER PEIP^ (LTI AWARDED IN FY2014 FOR FY2013)^		
	1 JULY 2013 TO 30 JUNE 2014	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	TOTAL FOR FY2014
Chief Executive Officer							
E Bateman*	**1,482,225**	**17,775**	**1,000,000**	**100%**	**N/A**	**N/A**	**2,500,000**
Key Management Personnel							
J Bateman*	**652,275**	**17,775**	**254,200**	**100%**	**127,100**	**100%**	**1,051,350**
A Duff*	**652,275**	**17,775**	**254,200**	**100%**	**127,100**	**100%**	**1,051,350**
H Bateman*	**652,275**	**17,775**	**254,200**	**100%**	**127,100**	**100%**	**1,051,350**
C Adams	**424,225**	**17,775**	**172,800**	**100%**	**86,400**	**100%**	**701,200**
M Bardsley	**424,225**	**17,775**	**172,800**	**100%**	**86,400**	**100%**	**701,200**
Total	**4,287,500**	**106,650**	**2,108,200**		**554,100**		**7,056,450**

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. The first one-third of that award, in respect of FY2013, was paid in FY2014. The second-third of that award is not payable until FY2015 and the final third in FY2016.

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

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 respect in FY2013, but the first one-third of that award was not payable until FY2014.

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

Key Management Personnel remuneration

The Nomination and Remuneration Committee considers the remuneration of KMP on an on-going basis, specifically, in relation to 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.

KMP remuneration recommendations

During the year ended 30 June 2014, the Nomination and Remuneration Committee continued to consider the:

- criticality of retention, recruitment, and succession planning;
- tenure, skills, experience, and the importance of retaining Primary's KMP;
- importance of linking executive remuneration to reward;
- comparative market positioning of KMPs' current fixed annual remuneration and at-risk remuneration; and
- the growth of the size, scope and complexity of Primary's operations.

The key findings from an independent remuneration review by Egan Associates in FY2013[1] commissioned 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 KMP at Primary is historically below that of the market generally, as is to a lesser extent the opportunity under the annual incentive program.

During the year ended 30 June 2013, the Committee resolved to:

- revise the level of fixed annual remuneration of several KMP, commencing 1 January 2013, as reflected in the remuneration tables for FY2013 and FY2014 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.

During the year ended 30 June 2014, the Committee commissioned independent analysis of market practices relating to remuneration mix and variable pay practice from Aon Hewitt.[2] No specific recommendations were made in that report and the Committee made no resolution to alter the existing incentive arrangements for KMP.

During the year ended 30 June 2014, Aon Hewitt also provided independent advice in relation to the benchmarking of other senior executives on the PEIP against industry comparators.[3] Having considered Aon Hewitt's recommendations, the Committee resolved to re-position the remuneration of those participants to the recommended market median for fixed annual remuneration, given the:

- relatively modest FAR component;
- cost of replacing those individuals were they to leave employment; and
- the skills and experience of each individual.

1 Egan Associates received $36,093 for remuneration advice during FY2013 in respect of this advice.

2 Aon Hewitt received $8,512 for remuneration advice during FY2014 in respect of this advice.

3 Aon Hewitt received $31,517 for remuneration advice during FY2014 in respect of this advice.

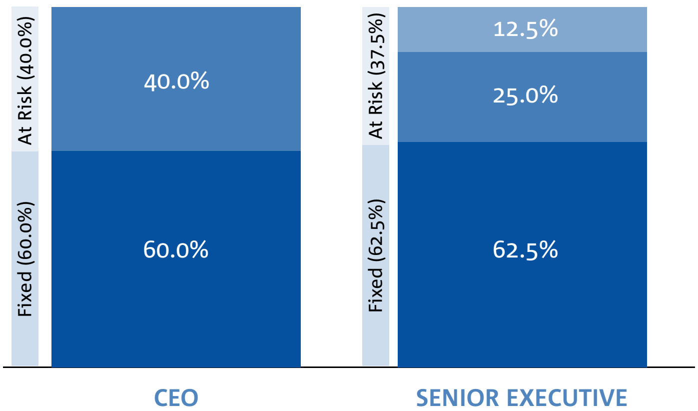
Current Key Management Personnel remuneration mix

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 FY2014

The following table sets out the minimum and maximum performance payment potential for current Key Management Personnel for FY2014. Incentive amounts are based on fixed annual remuneration approved by the Board as part of the 2014 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 FY2014 which may be awarded and granted in FY2015.

	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	$112,880	$0	$169,320	$0	$141,100
A Duff	$0	$112,880	$0	$169,320	$0	$141,100
H Bateman	$0	$112,880	$0	$169,320	$0	$141,100
M Bardsley	$0	$72,320	$0	$108,480	$0	$90,400
C Adams	$0	$72,320	$0	$108,480	$0	$90,400

1 The STI paid as cash is based on a whole Group target of EPS between 7% and 13% and will be paid in the financial year 2015 based on performance for FY2014.

2 The STI paid as cash is based on the achievement and assessment of personal performance targets and will be paid in FY2015 based on performance for FY2014.

3 The maximum value for the LTI for FY2014 is based on the methodology provided under 'Long-Term Incentive – "LTI"' on pages 16 and 17 of this Report. Any LTI in respect of FY2014 will be awarded as deferred cash during FY2015. The first one-third of the FY2014 LTI will payable in FY2016, the next one-third will be payable in FY2017, and the final one-third payable in FY2018.

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 were made at a rate of 9.25% in FY2014 and at a rate of 9.5% from 1 July 2014 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.

The table below outlines the total fees paid to the Company's Non-executive Directors for FY2014 and a prior year comparison:

2014	DIRECTORS' FEES	AUDIT COMMITTEE FEES	SUPER CONTRIBUTIONS	TOTAL
Robert Ferguson[1]	**217,225**	**–**	**17,775**	**235,000**
Brian Ball	**100,052**	**7,500**	**9,948**	**117,500**
Arlene Tansey	**100,687**	**–**	**9,313**	**110,000**
Errol Katz	**100,687**	**–**	**9,313**	**110,000**
Paul Jones	**100,687**	**–**	**9,313**	**110,000**
Total	**619,338**	**7,500**	**55,662**	**682,500**

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

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

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 2014:

	YEAR ENDED 30 JUNE				
	2014	2013	2012	2011	2010
Revenue	**1,524,115**	1,440,036	1,392,067	1,322,094	1,296,658
Profit before tax	**233,391**	215,339	168,435	113,970	180,264
Profit Attributable to Equity Holders of Primary Health Care Ltd ($000)	**162,536**	150,111	116,615	78,285	131,997
Share price at end of year ($)	**4.54**	4.78	2.95	3.43	3.56
Interim dividend (cents per share)	**9.0**	6.5	5.0	3.0	15.0
Final dividend (cents per share)	**11.0**	11.0	6.0	5.0	10.0
Basic Earnings Per Share (cents)	**32.2**	29.9	23.3	15.8	27.8

Notes:

- All dividends are franked to 100% at 30% corporate income tax rate.
- Final dividends are declared after the balance date and are 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
Managing Director

13 August 2014

The following description of the governance arrangements of Primary Health Care Limited ("Primary") for the year ended 30 June 2014 ("FY2014") addresses those principles set out in the ASX Corporate Governance Principles and Recommendations ("ASXCGC Recommendations") published by the ASX Corporate Governance Council ("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 remuneration committee should be structured so that it:	
	– consists of a majority of independent Directors;	Yes
	– is chaired by an independent Chair; and	Yes
	– has at least three members.	Yes
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 work 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

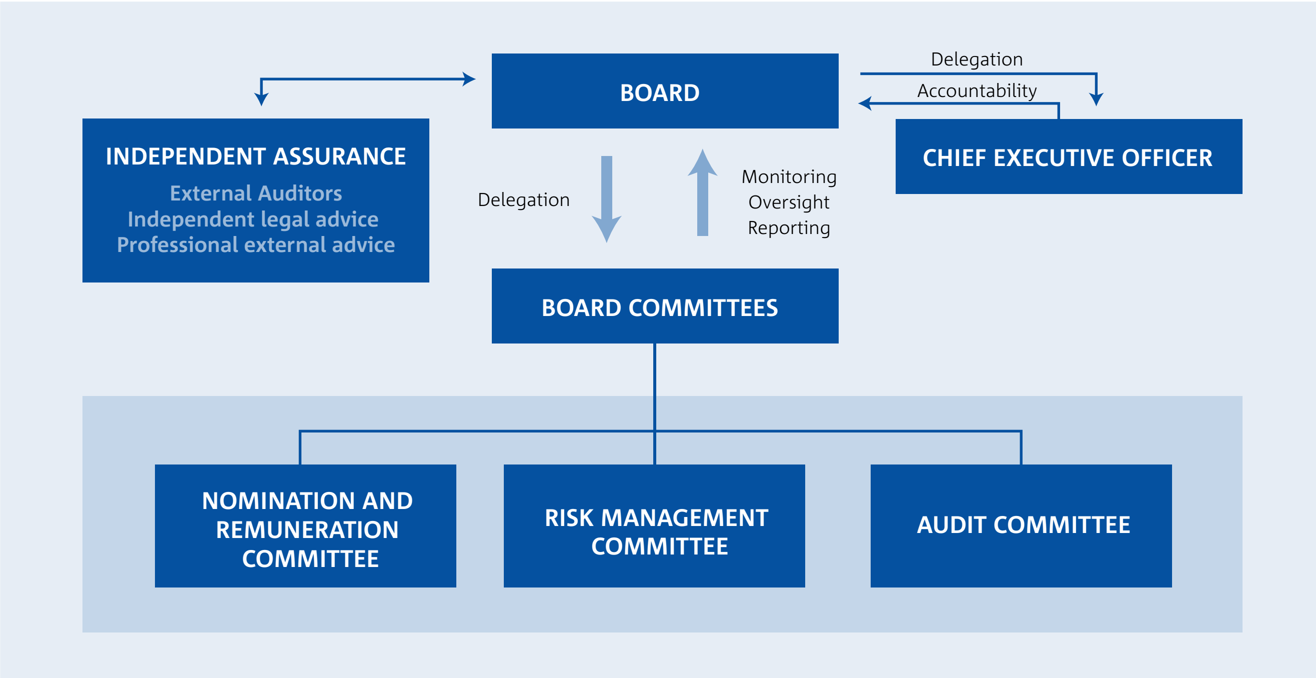
The key functions of the Board and each of the Board Committees are outlined in this Corporate Governance Statement.

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 FY2014, 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 FY2014 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 FY2014 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 biannually 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 FY2014 members of the Nomination and Remuneration Committee were:

– Mr Rob Ferguson (Chairman)
– Mr Brian Ball
– Dr Errol Katz
– Ms Arlene Tansey.

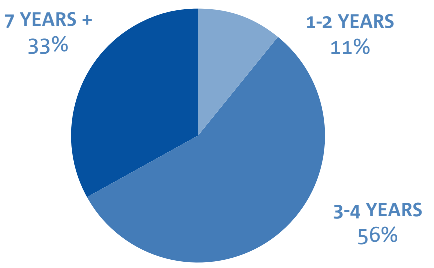
A copy of the Nomination and Remuneration Committee Charter is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance".

Board Selection and Membership

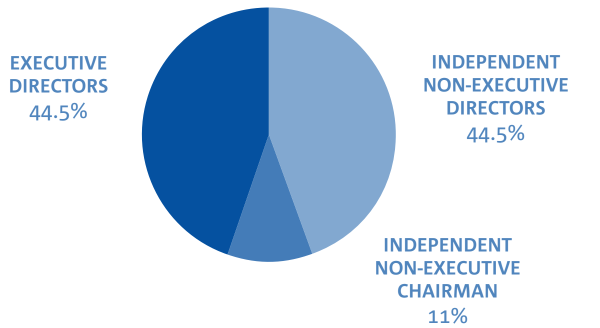
As part of its role in relation to the nomination of Directors, the Board devises criteria for Board membership. The key criteria for the selection of suitable candidates is their capacity to contribute to the on-going development of the Primary Group, having regard to the Primary Group's business, the 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 following charts.

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:

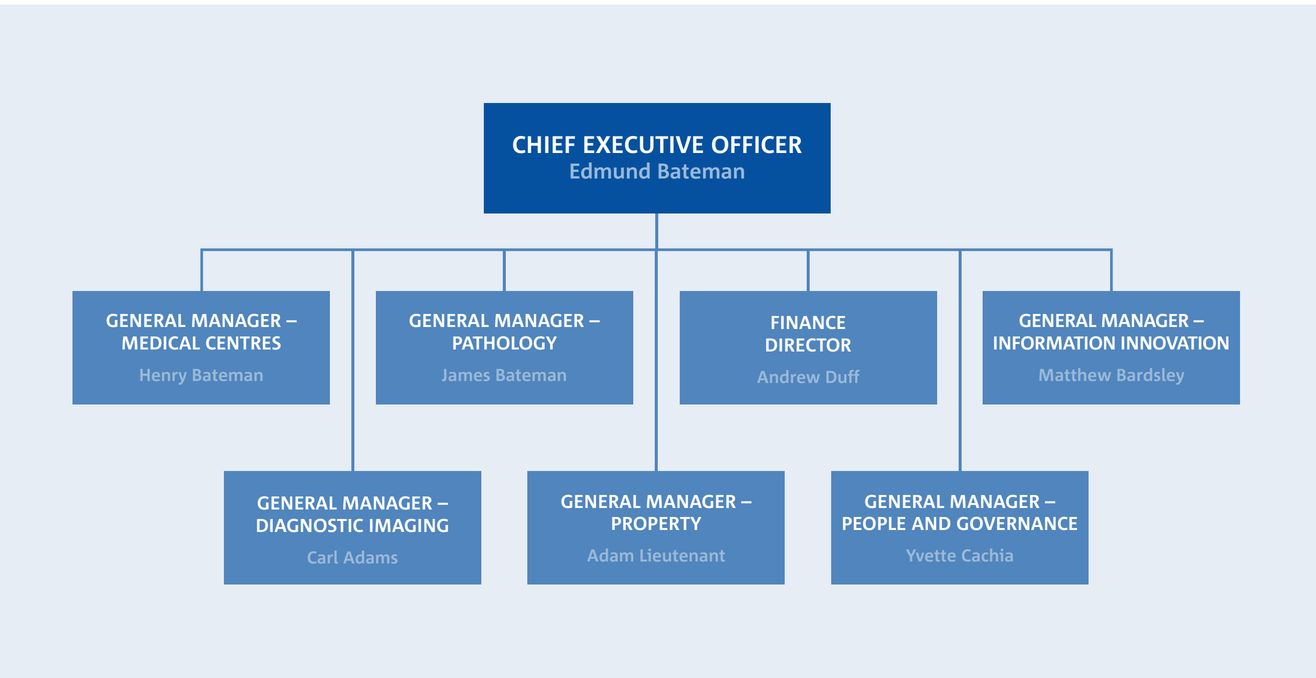
- effective leadership of the Board;
- oversight of Primary's corporate governance framework;
- oversight of Board meeting agendas, record-keeping (in conjunction with the Group Company Secretary) and Committee processes;
- Board succession planning and assessment; and
- representing the Board in communications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

The CEO

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

- overseeing strategic development initiatives for Primary;
- leadership of the Executive Management team; and
- the on-going 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 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.

The Workplace Gender Equality Agency ("WGEA") 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.

In accordance with the WGEA report, the proportion of women employed by Primary in leadership or management roles for the year ended 30 June 2014 was as follows:

Key Management Personnel:	18%
Other Executives/General Managers:	32%
Senior Manager[1]:	35%
Other Managers[2]:	62%

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

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 2014			
OCCUPATIONAL CATEGORY	% OF ROLE FULL-TIME WOMEN	% OF ROLE PART-TIME WOMEN	% OF ROLE CASUAL WOMEN	% OF ROLE TOTAL EMPLOYEES WOMEN
Directors	17	N/A	N/A	17
Executive Managers	31	N/A	N/A	31
Senior Managers	26	33	N/A	26
Managers	64	89	N/A	65
IT Support	21	29	50	22
Senior Health Professionals	31	44	40	38
Scientists	66	87	76	73
Lab Assistants/Technicians	69	85	75	76
Radiology/Ophthalmology Technicians	57	82	60	65
Nursing/Pathology Collectors	89	93	86	91
Dental Nurses	92	100	92	93
Admin & Clerical	86	97	92	91
Couriers	34	46	26	37
Ancillary	38	44	8	36

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.

1 Senior managers are charged with one or more defined function, department or outcome. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision making at this level would require approval from either of the two management levels above it. They are also responsible for resourcing, a budget and assets (capital expenditure).

2 Other managers plan, organise, direct, control and coordinate an operational function. They usually oversee day to day operations, working within and enforcing defined company parameters. These individuals implement, determine, monitor and review strategies, policies and plans to meet business needs relating to their own function/work area. An 'other manager' is accountable for a defined business outcome which usually involves the management of resources that also includes time management, coordination of different functions of people, financial resources and other assets. Line managers are included in this category.

In the year ended 30 June 2014 and including up to the date of this report, Primary has appointed women to the following additional key senior leadership roles:

- Chief Systems Officer for the Primary Group
- Chief Executive Officer for Abbott Pathology
- National Operations Manager for Diagnostic Imaging.

FY2014 marked several key achievements in the further support of Primary's gender diversity initiatives, including:

- the establishment of a 'Primary Women' intranet, in conjunction with the in-house '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;
- partnership with the Glass Elevator to offer mentoring opportunities to Primary's junior and middle management, and leadership mentoring for senior managers[1];
- improved senior human resource capabilities across the Group to manage a diverse workforce, including in generalist, specialist and learning and development roles; 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.

Primary's measurable objectives for achieving gender diversity as set by the Board for FY2014 were set and completed 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 lifestyle and networking opportunities.	General Manager People and Governance with Human Resources Managers	Complete and continuing
2	Development of an internal mentoring program for junior to middle-management females across the Primary Group.	General Manager People and Governance with Human Resources Managers	Complete and continuing
3	Continued 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	Complete and continuing
4	Continued 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	Complete and continuing

The creation of a diverse workplace will require Primary to maintain and extend activities which are having a positive impact. For the financial year ending 30 June 2015, Primary intends to place greater focus on measurable objectives and expand our focus beyond gender diversity.

1 The Glass Elevator is a pro-bono initiative aimed at connecting, inspiring and engaging women in industry and government. It aims to encourage the development of networks to support women to continue to develop as leaders. The 'Private Lunch Series' is for senior women who are indirect reports to the CEO who attend one lunch during the year and then can access a broader network and activities of the initiative. The "Walk the Talk" program is for more junior women to seek mentoring opportunities with senior external women.

The Board of Primary has endorsed the following diversity framework for 2015 set out in the following table:

FY2015 MEASURABLE DIVERSITY OBJECTIVES

STRATEGIC ACTION	OUTCOME	OBJECTIVE
Culture	Create and foster an inclusive, gender equitable and diverse workplace	– Continue to offer part-time and casual working options to employees, where available. – Continue to support and sponsor networking and development programs targeting women.
Awareness	Heighten awareness of equity issues amongst decision-makers	– Incorporate diversity and inclusion principles in all human resources-related policies and programs to ensure equitable standards in relation to attracting, recruiting (including graduate programs), developing, paying and promoting staff. – Develop a Gender Equity Toolkit to support senior leaders, managers and supervisors and providing information on supporting the career development of women and increasing gender equity within the workplace. – Engage more male managers in gender initiatives to increase awareness of the issues faced by women in the workplace. – Acknowledge that certain groups of women, such as Indigenous women and women from non-English speaking backgrounds, may face more barriers to advancement than other women and form a working party to develop affirmative action strategies to address.
Accountability	Allocate responsibility, monitor and report on achievements	– Measure and assess diversity statistics in relation to these activities and decisions, and hold management accountable for promoting and facilitating inclusive practices. – Executive Committee members will have diversity-related objectives included in annual performance assessments. – Require that recruitment agencies to include female applicants (especially in senior roles) and to provide data on the number of female applicants supplied and interviewed. Report data to the Board at least annually. – Annual review of remuneration outcomes to ensure pay equity for like roles and performance across all divisions.
Enablers	To reduce barriers and strengthen women's careers	– Develop and grow Primary Women's "Walk the Talk" mentoring program to incorporate senior male leaders as mentors and sponsors. – Develop leadership programs for managers which target skills and experience required for promotion and advancement within the talent pipeline. – Gender equity action plans to support faculties to implement initiatives that are relevant to each business and provide them with a roadmap for progressing gender equity. This will include training on cultural biases as well as unconscious bias. – Gender balance needs to be taken into consideration when Primary has vacant positions in areas it wants to develop, and the active seeking of highly skilled women for these positions is recommended.

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 FY2014 and members' attendance at those meetings are set out in the Directors' Report on page 8 of this Report.

During FY2014 the members of the Audit Committee were:

- Mr Brian Ball (Chairman)
- Mr Rob Ferguson
- Dr Paul Jones
- Ms Arlene Tansey.

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.

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 FY2014.

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 FY2014 the members of the Risk Management Committee were:

- Dr Errol Katz (Chairman)
- Mr James Bateman
- Mr Henry Bateman
- Mr Andrew Duff
- 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 (insert section on remuneration reviews by Aon Hewitt)

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 FY2014, members of the Nomination and Remuneration Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Dr Errol Katz
- Ms Arlene Tansey.

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.

Deloitte.

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

13 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit

(ii) 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, 13 August 2014

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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 2014, 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 38 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.

Deloitte.

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 2014 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 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 13 August 2014

Directors' declaration

The Directors of Primary Health Care Limited ("Primary") declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Primary will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the 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; and

(c) the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board as provided in Note 1 to the consolidated financial statements; and

(d) 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; and

(e) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2014.

Signed in accordance with a resolution of the Directors made pursuant to section 295(4) of the *Corporations Act 2001*.

On behalf of the Directors

Edmund Bateman
Managing Director

13 August 2014

Notes to the Financial Statements are included on pages 45 to 78.

Income statement *for the year ended 30 June 2014*

	NOTE	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $000
Revenue	3	**1,524,115**	1,440,036
Employee benefits expense	4	**619,773**	593,946
Property expenses	5	**198,211**	176,473
Consumables		**147,470**	139,521
Other expenses		**159,569**	148,928
EBITDA		**399,092**	381,168
Depreciation	10	**62,899**	60,613
Amortisation of intangibles	11	**31,055**	28,657
EBIT		**305,138**	291,897
Interest expense		**62,175**	72,029
Amortisation of borrowing costs		**9,572**	4,529
Profit before tax		**233,391**	215,339
Income tax expense	6(a)	**70,837**	65,275
Profit for the year		**162,554**	150,064
Attributable to:			
Equity holders of Primary Health Care Limited	19	**162,536**	150,111
Non-controlling interest		**18**	(47)
Profit for the year		**162,554**	150,064

EARNINGS PER SHARE (CONSOLIDATED)	NOTE	2014 CENTS PER SHARE	2013 CENTS PER SHARE
Basic and diluted earnings per share	19	**32.2**	29.9

Notes to the Financial Statements are included on pages 45 to 78.

Statement of comprehensive income *for the year ended 30 June 2014*

	CONSOLIDATED	
	2014 $000	2013 $000
Profit for the year	**162,554**	150,064
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on cash flow hedges	**2,410**	4,668
Fair value (loss) gain on Available-for-sale financial assets	**(4,150)**	13,252
Exchange differences arising on translation of foreign operations	**(260)**	114
Income tax relating to items that may be reclassified subsequently to profit or loss	**522**	(5,376)
Other comprehensive (loss) gain for the year, net of income tax	**(1,478)**	12,658
Total comprehensive income for the year	**161,076**	162,722
Attributable to:		
Equity holders of Primary Health Care Limited	**161,058**	162,769
Non-controlling interest	**18**	(47)
	161,076	162,722

Notes to the Financial Statements are included on pages 45 to 78.

Balance sheet *as at 30 June 2014*

	NOTE	CONSOLIDATED 2014 $000	2013 $000
Current assets			
Cash	29(a)	**27,460**	34,725
Receivables	7(a)	**149,861**	151,798
Consumables		**27,262**	25,878
Total current assets		**204,583**	212,401
Non-current assets			
Receivables	7(b)	**4,145**	3,618
Investment in joint ventures	8	**1,927**	3,232
Goodwill	9	**3,310,511**	3,213,162
Property, plant and equipment	10	**427,922**	409,052
Other intangible assets	11	**132,435**	108,508
Other financial assets	12	**25,703**	25,197
Deferred tax asset	6(b)	**11,497**	9,614
Total non-current assets		**3,914,140**	3,772,383
Total assets		**4,118,723**	3,984,784
Current liabilities			
Payables	13(a)	**154,015**	127,204
Tax liabilities	6(c)	**32,893**	18,193
Provisions	14(a)	**55,792**	59,302
Other financial liabilities		**8,444**	12,068
Interest bearing liabilities	15(a)	**3,072**	2,814
Total current liabilities		**254,216**	219,581
Non-current liabilities			
Payables	13(b)	**13,229**	6,746
Provisions	14(b)	**3,592**	2,463
Other financial liabilities		**5,576**	4,721
Interest bearing liabilities	15(b)	**1,094,553**	1,072,408
Total non-current liabilities		**1,116,950**	1,086,338
Total liabilities		**1,371,166**	1,305,919
Net assets		**2,747,557**	2,678,865
Equity			
Issued capital	18	**2,366,276**	2,358,183
Reserves	20	**7,973**	9,263
Retained earnings	21	**371,530**	309,659
Equity attributable to equity holders		**2,745,779**	2,677,105
Non-controlling interest	22	**1,778**	1,760
Total equity		**2,747,557**	2,678,865

Notes to the Financial Statements are included on pages 45 to 78.

Statement of changes in equity for the year ended 30 June 2014

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 2013	2,358,183	9,703	(11,501)	1,160	9,901	309,659	2,677,105	1,760	2,678,865
Profit for the year	–	–	–	–	–	162,536	162,536	18	162,554
Exchange differences arising on translation of foreign operations	–	–	–	(260)	–	–	(260)	–	(260)
Fair value (loss) on available-for-sale investments	–	(4,150)	–	–	–	–	(4,150)	–	(4,150)
Fair value gain on cash flow hedges	–	–	2,410	–	–	–	2,410	–	2,410
Income tax relating to components of other comprehensive income	–	1,245	(723)	–	–	–	522	–	522
Total comprehensive income	–	(2,905)	1,687	(260)	–	162,536	161,058	18	161,076
Payment of dividends	–	–	–	–	–	(100,665)	(100,665)		(100,665)
Share-based payment	–	–	–	–	188	–	188	–	188
Movement in share capital (Note 18)	8,093	–	–	–	–	–	8,093	–	8,093
Balance at 30 June 2014	2,366,276	6,798	(9,814)	900	10,089	371,530	2,745,779	1,778	2,747,557
Balance at 1 July 2012	2,349,364	427	(14,769)	1,046	9,584	221,951	2,567,603	1,839	2,569,442
Profit (loss) for the year	–	–	–	–	–	150,111	150,111	(47)	150,064
Exchange differences arising on translation of foreign operations	–	–	–	114	–	–	114	–	114
Fair value gain on available-for-sale investments	–	13,252	–	–	–	–	13,252	–	13,252
Fair value gain on cash flow hedges	–	–	4,668	–	–	–	4,668	–	4,668
Income tax relating to components of other comprehensive income	–	(3,976)	(1,400)	–	–	–	(5,376)	–	(5,376)
Total comprehensive income	–	9,276	3,268	114	–	150,111	162,769	(47)	162,722
Payment of dividends	–	–	–	–	–	(62,403)	(62,403)	(32)	(62,435)
Share-based payment	–	–	–	–	317	–	317	–	317
Movement in share 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	1,760	2,678,865

Notes to the Financial Statements are included on pages 45 to 78.

DIVIDENDS (CONSOLIDATED)	2014 CENTS PER SHARE	2013 CENTS PER SHARE	2014 $000	2013 $000
Recognised amounts				
Final dividend – previous financial year	**11.0**	6.0	**55,431**	30,103
Interim dividend – this financial year	**9.0**	6.5	**45,446**	32,694
Dividend forgone under the Bonus Share Plan			**(212)**	(394)
	20.0	12.5	**100,665**	62,403
Unrecognised amounts				
Final dividend – this financial year	**11.0**	11.0		

All dividends paid were 100% franked at the corporate income tax rate (2014: 30%; 2013: 30%). The record date for determining entitlement to the final dividend is 29 August 2014. The final dividend is payable on 15 September 2014. 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 1 September 2014 at 5.00 pm.

The Directors have determined that the DRP and BSP will operate at a 2.5% discount (30 June 2013: 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.

Notes to the Financial Statements are included on pages 45 to 78.

Cash flow statement *for the year ended 30 June 2014*

	NOTE	CONSOLIDATED 2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		**1,554,003**	1,486,466
Payments to suppliers and employees		**(1,166,665)**	(1,104,620)
Interest and other costs of finance paid		**(61,003)**	(71,879)
Net income tax paid		**(57,637)**	(45,823)
Payments against restructuring provision		**–**	(265)
Interest received		**322**	507
Net cash provided by operating activities	29(b)	**269,020**	264,386
Cash flows from investing activities			
Payment for property plant and equipment		**(90,053)**	(71,442)
Payment for businesses purchased	29(e)	**(70,591)**	(69,833)
Payment for other intangibles		**(42,265)**	(36,600)
Payment for investments		**(6,723)**	(6,844)
Proceeds from the sale of property plant and equipment		**4,838**	815
Proceeds from the sale of investments		**5,997**	1,807
Net cash (used in) investing activities		**(198,797)**	(182,097)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(182,550)**	(197,336)
Proceeds from borrowings		**205,000**	195,000
Dividends paid		**(92,573)**	(53,559)
Payment for debt issue costs		**(7,364)**	–
Payments for share issue costs		**–**	(25)
Net cash (used in) financing activities		**(77,487)**	(55,920)
Net (decrease) increase in cash held		**(7,265)**	26,369
Cash at the beginning of the year		**34,725**	8,312
Effect of exchange rate movements on cash held in foreign currencies		**–**	44
Cash at the end of the year	29(a)	**27,460**	34,725

Notes to the Financial Statements are included on pages 45 to 78.

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 2014 comprises Primary and its subsidiaries (together referred to as "the consolidated entity" or "the Group") and the consolidated entity's interest in associated and joint ventures.

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 13 August 2014.

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 98/100, 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 achieved when a company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Primary reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated entity's share of the joint ventures net profit or loss is recognised in the consolidated income statement, on an equity accounted basis, from the date joint control is established until the date joint control ceases. Other reserve movements are recognised directly in consolidated reserves.

Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 fair value of identifiable assets and liabilities, applying judgement in their identification, classification and measurement 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 either profit or loss or in other 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 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 received 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 available-for-sale 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 available-for-sale revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale financial assets are recognised in profit and loss when the Group's right to receive the dividends is unconditionally established.

(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 annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or Group of CGUs) is less than the carrying amount of the CGU (or Groups of CGUs), 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). An impairment loss recognised for 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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	7.5–10 years
– Operating rights and licences	3-8 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, shall be 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 shall not be changed, that is, the change in useful life shall be 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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit and loss over the period of the interest-bearing liability using the effective interest method.

(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 used 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 risks, predominantly arising from financing activities. The Group does not enter, hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting (of which there are none as at 30 June 2014) 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 re-measured 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 30 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 judgements 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 fair value of the CGUs to which goodwill has been allocated. The impairment model 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 fair value of the Group's CGUs are disclosed in Note 9.

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:

AASB 11 *Joint Arrangements* and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards	AASB 11 replaces AASB 131 *Interest 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. Refer note 8.
AASB 13 *Fair Value Measurements*	The Group has applied AASB 13 for the first time during the financial year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. The application of AASB 13 has not changed the measurement of any amounts recognised in the consolidated financial statements from the consolidated entity's previous practices.

(z) 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 9 *Financial Instruments and the relevant amending standards*	1 January 2018	30 June 2019

AASB 9 introduces new requirements for the classification and measurement of financial assets.

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

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017	30 June 2018

On May 2014, the IASB has issued IFRS 15 Revenue from Contracts with Customers. This Standard outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. It supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations.

The key principle of this standard is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. The Standard introduces far more prescriptive and detailed implementation guidance than was included in IAS 18, IAS 11, and the related Interpretations.

The Directors are yet to assess the impact of the application at IFRS 15.

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. 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 four major operating segments, described below:

- Medical Centres – This division provides a range of services and facilities to general practitioners, specialists and other health care providers.
- Pathology – This division provides pathology services.
- Imaging – This division provides imaging and scanning services from stand-alone imaging sites and from within the consolidated entity's medical centres.
- Health Technology – This division develops, sells and supports health-related software products.

Intersegment sales

The Medical Centres division charges the Group's Imaging and Pathology divisions a fee for use of its facilities and services. These charges are eliminated on consolidation.

2014	MEDICAL CENTRES $000	PATHOLOGY $000	IMAGING $000	HEALTH TECHNOLOGY $000	OTHER $000	TOTAL $000
Revenue	**309,563**	**887,434**	**316,131**	**37,263**	**4,062**	**1,554,453**
Intersegment	**(30,338)**	**–**	**–**	**–**	**–**	**(30,338)**
Total Revenue	**279,225**	**887,434**	**316,131**	**37,263**	**4,063**	**1,524,115**
EBITDA	**175,819**	**156,684**	**72,999**	**20,225**	**(26,635)**	**399,092**
Depreciation	**18,309**	**15,765**	**27,074**	**418**	**1,333**	**62,899**
EBITA	**157,510**	**140,919**	**45,925**	**19,807**	**(27,968)**	**336,193**
Amortisation of intangibles	**6,773**	**6,495**	**4,655**	**8,439**	**4,693**	**31,055**
Interest expense and amortisation of borrowing costs	**–**	**–**	**–**	**–**	**71,747**	**71,747**
Profit before tax	**150,737**	**134,424**	**41,270**	**11,368**	**(104,408)**	**233,391**

2013	MEDICAL CENTRES $000	PATHOLOGY $000	IMAGING $000	HEALTH TECHNOLOGY $000	OTHER $000	TOTAL $000
Revenue	300,784	836,272	293,350	37,029	1,594	1,469,029
Intersegment sales	(28,993)	–	–	–	–	(28,993)
Total Revenue	271,791	836,272	293,350	37,029	1,594	1,440,036
EBITDA	168,373	147,761	68,080	20,205	(23,251)	381,168
Depreciation	16,747	15,189	27,290	478	909	60,613
EBITA	151,626	132,572	40,789	19,727	(24,160)	320,555
Amortisation of intangibles	7,403	5,892	4,920	7,791	2,651	28,657
Interest expense and amortisation of borrowing costs	–	–	–	–	76,558	76,558
Profit before tax	144,223	126,680	35,869	11,936	(103,369)	215,339

3. REVENUE

	CONSOLIDATED 2014 $000	2013 $000
Trading revenue	**1,520,378**	1,437,121
Gain on disposal of available-for-sale investments	**3,220**	1,047
Share of profit of joint ventures	**195**	1,361
Interest revenue	**322**	507
	1,524,115	1,440,036

4. EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED 2014 $000	2013 $000
Salaries and wages	**491,566**	477,437
Superannuation contributions	**46,804**	41,359
Other statutory employer obligations	**81,215**	74,833
Share-based payments	**188**	317
	619,773	593,946

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

5. PROPERTY EXPENSES

	CONSOLIDATED 2014 $000	2013 $000
Operating leases	**147,596**	139,737
Other property expenses	**50,615**	36,736
	198,211	176,473

6. TAX BALANCES

(a) Income tax expense

	CONSOLIDATED 2014 $000	2013 $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	**233,393**	215,339
Income tax calculated at 30% (2013: 30%)	**70,018**	64,602
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**904**	1,076
(Over) provision in prior years	**(85)**	(403)
Income tax expense	**70,837**	65,275
Comprising:		
Current tax	**70,530**	65,061
Deferred tax	**1,278**	617
(Over) provision in prior years	**(971)**	(403)
	70,837	65,275

(b) Reconciliation of deferred tax balances

2014	1 JULY 2013 OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2014 CLOSING BALANCE
Receivables	**(3,507)**	**(279)**	–	**(3,786)**
Consumables	**(7,727)**	**(234)**	–	**(7,961)**
Prepayments	**(409)**	**(64)**	–	**(473)**
Available-for-sale financial assets	**(4,159)**	–	**1,245**	**(2,914)**
Property, plant and equipment	**4,939**	**(978)**	–	**3,961**
Intangibles	**5,466**	**2,922**	–	**8,388**
Capitalised costs	**(13,319)**	**544**	–	**(12,775)**
Payables	**1,253**	**285**	–	**1,538**
Provisions	**18,967**	**151**	–	**19,118**
Other financial liabilities	**4,935**	–	**(723)**	**4,212**
Amortisation of share issue expenses	**333**	**(333)**	–	–
Net temporary differences	**6,772**	**2,014**	**522**	**9,308**
Tax losses – revenue	**2,842**	**(653)**	–	**2,189**
Deferred tax asset	**9,614**	**1,361**	**522**	**11,498**

2013	1 JULY 2012 OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2013 CLOSING BALANCE
Receivables	(3,646)	139	–	(3,507)
Consumables	(7,401)	(326)	–	(7,727)
Prepayments	(175)	(234)	–	(409)
Available-for-sale financial assets	(183)	–	(3,976)	(4,159)
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	6,031	32	(1,400)	4,935
Amortisation of share issue expenses	1,073	(740)	–	333
Net temporary differences	12,992	(844)	(5,376)	6,772
Tax losses – revenue	4,589	(1,747)	–	2,842
Deferred tax asset	17,581	(2,591)	(5,376)	9,614

6. TAX BALANCES (CONTINUED)

(c) Current tax balances

	CONSOLIDATED	
	2014 $000	**2013 $000**
Income tax payable (receivable) is attributable to:		
Entities in the Tax Consolidated Group	**33,096**	18,157
Other	**(203)**	36
	32,893	18,193

(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 liabilities 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.

7. RECEIVABLES

	CONSOLIDATED 2014 $000	2013 $000
Measured at amortised cost		
(a) Current		
Trade receivables	**93,739**	89,176
Allowance for doubtful debts	**(6,613)**	(4,275)
	87,126	84,901
Other receivables and prepayments	**62,735**	66,897
	149,861	151,798
(b) Non-current		
Other receivables and prepayments	**4,145**	3,618
	4,145	3,618
(c) Ageing of trade receivables		
Current	**63,997**	60,248
30–60 days	**11,382**	10,033
60–90 days	**3,564**	4,694
90 days +	**14,796**	14,201
	93,739	89,176

The ageing of trade receivables is as follows: current $64.0m (30 June 2013: $60.2m); past due $29.7m (30 June 2013: $29.0m) of which $23.1m has not been impaired (30 June 2013: $24.7m). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date.

	2014 $000	2013 $000
(d) Movement in allowance for doubtful debts		
Balance at beginning of year	**4,275**	3,831
Provision for the year	**3,242**	4,202
Amounts recovered during the year	**1,659**	2,067
Amounts written off during the year as uncollectable	**(2,563)**	(5,825)
	6,613	4,275

No interest is charged on trade receivables. The Group's policy requires customers to pay the Group in accordance with agreed payment 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 $93.7m of receivables as security over this liability (30 June 2013: $89.2m). The amount pledged has increased from 30 June 2013 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.

8. INVESTMENT IN JOINT VENTURES

The Group has adopted AASB 11 Joint Arrangements in the current financial year. Under AASB 11 the Group's investments in Norcoray Unit Trust and Orana Services Trust are required to be accounted for using the equity method of accounting, 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 is presented in the consolidated statement of financial position and in the consolidated income statement as "investment in joint ventures" and "share of profit of joint ventures" respectively.

The change in accounting for the Group's investments in Norcoray Unit Trust and Orana Services Trust Limited has been applied in accordance with the relevant transitional provisions set out in AASB 11. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investments in Norcoray Unit Trust and Orana Services Trust, as detailed in the tables below.

IMPACT OF THE APPLICATION OF AASB 11 ON THE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2013 $000	AASB 11 ADJUSTMENT $000	YEAR ENDED 30 JUNE 2013 AS RESTATED $000
Revenue	1,456,279	(16,243)	1,440,036
EBITDA	**385,121**	**(3,953)**	**381,168**
Depreciation	61,879	(1,266)	60,613
Amortisation of intangibles	28,818	(161)	28,657
EBIT	**294,424**	**(2,526)**	**291,897**
Interest expense	72,029	–	72,029
Amortisation of borrowing costs	4,529	–	4,529
Profit before tax	**217,866**	**(2,526)**	**215,339**
Income tax expense	65,858	(583)	65,275
Profit for the year	**152,008**	**(1,943)**	**150,064**
Profit attributable to equity holders of Primary Health Care Limited	150,111	–	150,111
Profit attributable to non-controlling interest	1,897	(1,943)	(47)

IMPACT OF THE APPLICATION OF AASB 11 ON THE BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2013 $000	AASB 11 ADJUSTMENT $000	YEAR ENDED 30 JUNE 2013 AS RESTATED $000
Current assets	216,739	(4,338)	212,401
Non-current assets	3,776,899	(4,516)	3,772,383
Total assets	**3,993,638**	**(8,854)**	**3,984,784**
Current liabilities	222,124	(2,543)	219,581
Non-current liabilities	1,089,417	(3,079)	1,086,338
Total liabilities	**1,311,541**	**(5,622)**	**1,305,919**
Net assets	**2,682,097**	**(3,232)**	**2,678,865**
Equity attributed to equity holders	2,677,105	–	2,677,105
Non-controlling interest	4,992	(3,232)	1,760
Total equity	**2,682,097**	**–**	**2,687,865**

IMPACT OF THE APPLICATION OF AASB 11 ON CASH FLOW FOR THE YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2013 $000	AASB 11 ADJUSTMENT $000	YEAR ENDED 30 JUNE 2013 AS RESTATED $000
Net cash flow provided by operating activities	269,374	(4,988)	264,386
Net cash (used in) investing activities	(185,684)	3,587	(182,097)
Net cash (used in) financing activities	(55,920)	–	(55,920)
Net increase in cash held	**27,770**	**(1,401)**	**26,369**
Cash at the beginning of the year	10,432	(2,120)	8,312
Effect of exchange rate movements on cash held in foreign currencies	44	–	44
Cash at the end of the year	**38,246**	**(3,521)**	**34,725**

9. GOODWILL

	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $000
(a) Carrying value		
Opening balance	**3,213,162**	3,138,713
Acquisition of subsidiaries	**3,709**	–
Acquisition of businesses	**93,640**	74,449
Closing balance	**3,310,511**	3,213,162
(b) Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:		
Medical Centres	**1,305,464**	1,230,427
Pathology	**1,561,910**	1,547,898
Imaging	**378,046**	369,746
Health Technology	**65,091**	65,091
	3,310,511	3,213,162

On 8 August 2013, the Group acquired a 100 per cent interest in Moaven & Partners Pathology Pty Ltd.

Acquisition of businesses during the year includes a non-cash increase in goodwill of $26.8m.

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 fair value less costs to sell calculation using cash flow projections based on the 2015 financial year budget as year one in a five year plus terminal value discounted cash flow projection model. This represents a level 3 model. The key assumptions used in determining fair value less costs to sell for 30 June 2014 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 2013: 4.0%). – Pathology – 4.4% (30 June 2013: 4.4%). – Imaging – 4.0% (30 June 2013: 4.0%). – Health Technology – 3.0% (30 June 2013: 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. These rates have been determined with respect to past company experience and industry data.
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 2014, 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 market 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 2014 was 3.54% (30 June 2013: 3.76%). The Group has used 4.50% for 30 June 2014 impairment testing purposes (30 June 2013: 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 2013: 12.91%). – Pathology – 12.55% (30 June 2013: 12.55%). – Imaging – 12.55% (30 June 2013: 12.55%). – Health Technology – 15.70% (30 June 2013: 15.70%).

9. GOODWILL (CONTINUED)

Sensitivity analysis

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

The 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 2014.

10. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

2014	FREEHOLD LAND AND BUILDINGS $000	ASSETS UNDER CONSTRUCTION $000	LEASEHOLD IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	TOTAL $000
Net book value					
Opening balance	**3,338**	**27,872**	**190,736**	**187,106**	**409,052**
Additions	**303**	**53,924**	**1,901**	**33,924**	**90,052**
Capitalised borrowing costs	**–**	**–**	**1,714**	**–**	**1,714**
Capitalisation of Assets Under Construction	**–**	**(42,318)**	**35,215**	**7,103**	**–**
Disposals	**(2,473)**	**–**	**(676)**	**(6,848)**	**(9,997)**
Depreciation expense	**(331)**	**–**	**(18,862)**	**(43,706)**	**(62,899)**
Closing balance	**837**	**39,478**	**210,028**	**177,579**	**427,922**
Cost	**1,038**	**39,478**	**331,689**	**501,568**	**873,773**
Accumulated depreciation	**(201)**	**–**	**(121,661)**	**(323,843)**	**(445,705)**
Impairment provision	**–**	**–**	**–**	**(146)**	**(146)**
Closing balance	**837**	**39,478**	**210,028**	**177,579**	**427,922**

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 4.7% (30 June 2013: 4.9%).

Details of Property Plant & Equipment pledged as security against the Group's interest bearing liabilities is disclosed in Note 15.

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	23,931	183,742	185,100	396,852
Additions	289	28,111	3,921	41,770	74,091
Capitalised borrowing costs	–	–	562	–	562
Capitalisation of Assets Under Construction	–	(24,170)	19,982	4,188	–
Disposals	(701)	–	(37)	(1,101)	(1,839)
Depreciation expense	(329)	–	(17,434)	(42,851)	(60,613)
Closing balance	3,338	28,872	190,736	187,106	409,052
Cost	3,700	27,872	294,924	486,994	813,490
Accumulated depreciation	(362)	–	(104,188)	(299,742)	(404,292)
Impairment provision	–	–	–	(146)	(146)
Closing balance	3,338	27,872	190,736	187,106	409,052

11. OTHER INTANGIBLE ASSETS (CONSOLIDATED)

2014	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	**6,601**	**40,154**	**26,324**	**25,071**	**10,358**	**108,508**
Additions	**–**	**3,802**	**6,848**	**9,561**	**22,054**	**42,265**
Reclassification	**–**	**12,717**	**–**	**–**	**–**	**12,717**
Capitalisation of Intangible Assets Under Construction	**–**	**8,274**	**5,031**	**–**	**(13,305)**	**–**
Amortisation expense	**(4,896)**	**(5,161)**	**(9,769)**	**(11,229)**	**–**	**(31,055)**
Closing balance	**1,705**	**59,786**	**28,434**	**23,403**	**19,107**	**132,435**
Cost	**46,500**	**76,672**	**78,487**	**80,875**	**19,107**	**301,641**
Accumulated amortisation	**(44,795)**	**(16,886)**	**(50,053)**	**(57,472)**	**–**	**(169,206)**
Closing Balance	**1,705**	**59,786**	**28,434**	**23,403**	**19,107**	**132,435**

During the year the Group reclassified $12.7m of other receivables to other intangibles (refer Note 7(a)).

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	22,854	25,200	5,122	96,746
Additions	–	6,434	8,924	10,796	14,265	40,419
Capitalisation of Intangible Assets Under Construction	–	7,121	1,908	–	(9,029)	–
Amortisation expense	(4,896)	(5,474)	(7,362)	(10,925)	–	(28,657)
Closing balance	6,601	40,154	26,324	25,071	10,358	108,508
Cost	46,500	54,797	69,652	68,977	10,358	250,284
Accumulated amortisation	(39,899)	(14,643)	(43,328)	(43,906)	–	(141,776)
Closing Balance	6,601	40,154	26,324	25,071	10,358	108,508

12. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2014 $000	2013 $000
Measured at fair value		
Available-for-sale investments	**24,425**	23,780
Other investments	**1,278**	1,278
Other	**–**	139
	25,703	25,197

13. PAYABLES

	CONSOLIDATED 2014 $000	2013 $000
(a) Current		
Trade payables and accruals	**103,296**	97,769
Payables and accruals relating to acquisitions	**26,801**	11,587
Accrued interest	**10,997**	6,929
Deferred revenue	**12,921**	10,919
	154,015	127,204
(b) Non-current		
Trade payables and accruals	**6,030**	6,746
Payables and accruals relating to acquisitions	**7,199**	–
	13,229	6,746

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

14. PROVISIONS

	CONSOLIDATED 2014 $000	2013 $000
(a) Current		
Provision for employee benefits	**54,948**	57,278
Self-insurance provision	**844**	2,024
	55,792	59,302
(b) Non-current		
Provision for employee benefits	**2,818**	1,187
Self-insurance provision	**774**	1,276
	3,592	2,463

15. INTEREST-BEARING LIABILITIES

	CONSOLIDATED 2014 $000	2013 $000
Measured at amortised cost		
(a) Current		
Gross bank loans	**2,782**	2,550
Finance lease liabilities (Note 16)	**290**	264
	3,072	2,814
(b) Non-current		
Gross bank loans	**949,943**	927,724
Retail bonds	**152,274**	152,274
Finance lease liabilities (Note 16)	**205**	495
	1,102,422	1,080,493
Unamortised borrowing costs	**(7,869)**	(8,085)
	1,094,553	1,072,408

All interest-bearing liabilities are secured by mortgages over the Group's freehold land and buildings, and trade receivables, 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.

16. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $000
(a) Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
Within one year	**323**	323
Later than 1 year but not later than 5 years	**219**	542
Minimum future lease payments	**542**	865
Less future finance charges	**(47)**	(106)
Present value of minimum lease payments	**495**	759
Included in the financial statements as:		
Current (Note 15(a))	**290**	264
Non-current (Note 15(b))	**205**	495
	495	759
(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	**155,700**	120,742
Later than 1 year but not later than 5 years	**267,249**	216,164
Later than 5 years	**47,254**	33,397
	470,203	370,303
(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	**23,125**	22,870
	23,125	22,870

(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.

17. CONTINGENT LIABILITIES

	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $000
Treasury bank guarantees		
Statutory requirement	**20,661**	18,397
Other	**8,419**	6,968
	29,080	25,365

18. ISSUED CAPITAL (COMPANY & CONSOLIDATED)

	2014 NO. OF SHARES 000'S	2013 NO. OF SHARES 000'S	2014 $000	2013 $000
Opening balance	**503,922**	501,717	**2,378,048**	2,369,229
Exercise of share options	**–**	–	**–**	–
Transfer from share-based payments reserve	**–**	–	**–**	–
Shares issued via Dividend Reinvestment Plan	**1,694**	2,102	**8,093**	8,844
Shares issued via Bonus Share Plan	**44**	103	**–**	–
Capital raising/share issue costs, net of tax	**–**	–	**–**	(25)
Closing balance – Company	**505,660**	503,922	**2,386,140**	2,378,048
Reverse acquisition adjustment (1994)			**(19,865)**	(19,865)
Closing balance – Consolidated			**2,366,276**	2,358,183

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

Share options on issue

As at 30 June 2014, the company has 8,736,500 (2013: 11,349,000) share options on issue, exercisable on a 1:1 basis for 8,736,500 (2013: 11,349,000) ordinary shares of Primary at an average exercise price of $6.10 (2013: $6.17). The options expire between December 2014 and May 2019 (2013: December 2013 and May 2019) and carry no rights to dividends and no voting rights.

19. EARNINGS PER SHARE

EARNINGS	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $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	**162,536**	150,111

WEIGHTED AVERAGE NUMBER OF SHARES	2014 000'S	2013 000'S
The weighted average number of shares used in the calculation of basic earnings per share	**504,806**	502,814
Potential ordinary shares	**–**	–
The weighted average number of shares used in the calculation of diluted earnings per share	**504,806**	502,814

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 2014 $000	2013 $000
Cash flow hedge reserve	20(a)	**(9,814)**	(11,501)
Share-based payments reserve	20(b)	**10,089**	9,901
Investments revaluation reserve	20(c)	**6,798**	9,703
Foreign currency translation reserve	20(d)	**900**	1,160
		7,973	9,263

(a) Cash flow hedge reserve

The Group's cash flow hedge reserve accounting policy is disclosed in Note 1(v).

(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.

(c) Investments revaluation reserve

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued 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 revalued 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 2014 $000	2013 $000
Opening balance	**309,659**	221,951
Profit attributable to equity holders	**162,536**	150,111
Dividends paid	**(100,665)**	(62,403)
Closing balance	**371,530**	309,659

22. NON-CONTROLLING INTERESTS

	CONSOLIDATED 2014 $000	2013 $000
Opening balance	**1,760**	1,839
Share of profit (loss) for the year	**18**	(47)
Dividends paid	**–**	(32)
Closing balance	**1,778**	1,760

23. FRANKING ACCOUNT

	CONSOLIDATED	
	2014 $000	2013 $000
Opening balance as at 1 July	**18,937**	2,494
Tax paid during the financial year	**57,637**	47,842
Franking credits attached to dividends paid:		
– Interim	**(23,756)**	(14,012)
– Final	**(19,477)**	(12,901)
Other movements	**1,174**	(4,486)
Closing balance as at 30 June	**34,515**	18,937

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 (2014)	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**
Mr Robert Ferguson	**Non-executive Chairman**
Mr Brian Ball	**Non-executive Director**
Dr Paul Jones	**Non-executive Director**
Dr Errol Katz	**Non-executive Director**
Ms Arlene Tansey	**Non-executive Director**

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 Chairman
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

(a) Key management personnel compensation

Key management personnel compensation details are set out in the Remuneration Report section of the Directors' Report.

	CONSOLIDATED	
	2014 $000	2013 $000
Short-term employee benefits	**7,578**	6,131
Post-employment benefits	**162**	145
	7,740	6,276

Details of the above amounts by individual key management personnel can be found in the Remuneration Report.

(b) Loans to Key Management Personnel

No loans have been made to any of the key management personnel.

(c) 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 economic entity, 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 2014 %	2013 %
Primary Health Care Limited	Australia		
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
Primary Health Care Institute Pty Ltd	Australia	**100**	100
Idameneo (No 125) Pty Ltd	Australia	**100**	100
Austrials 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
Oceanus Health Services Pty Ltd (a)	Australia	**100**	–
Primary Health Care Network 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
Specialist Diagnostic Services(India) Private Limited	India	**100**	100
AME Medical Services Pty Ltd	Australia	**100**	100
Specialist Veterinary Services 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 Haematology Oncology Services Pty Ltd (a)	Australia	**100**	–
Specialist Diagnostic Services Pty Limited	Australia	**100**	100
Queensland Medical Services Pty Ltd	Australia	**100**	100
Moaven & Partners Pathology Pty Ltd (b)	Australia	**100**	–
PHC Diagnostic Imaging Holdings Pty Ltd	Australia	**100**	100
Norcoray Pty Ltd (c)	Australia	**50**	50
Norcoray Unit Trust (c)	Australia	**50**	50
North Coast Nuclear Medicine (QLD) Pty Ltd	Australia	**77**	77

26. SUBSIDIARIES (CONTINUED)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2014 %	2013 %
Orana Services Pty Ltd (c)	Australia	**50**	50
Orana Services Trust (c)	Australia	**50**	50
Brystow Pty Ltd	Australia	**100**	100
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) Acquired during the financial year.
(c) No longer considered a subsidiary on application of AASB 11 *Joint Arrangements*. Refer Note 8.

All entities are domiciled in their country of incorporation. No controlled entities carry on material business operations other than in their country of incorporation.

No Australian controlled entities are required to prepare financial statements 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 lodgement 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 as amended 11 February 2013

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 2014, are the same as the prior financial year, as follows:

- 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
- 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 2014 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 oversee 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	2014 $000	2013 $000
Pathology	**63,957**	61,340
Imaging	**18,191**	16,341
Medical Centres	**10,209**	10,142
Health Technology	**1,316**	1,291
Corporate	**66**	62
	93,739	89,176

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 7.

(c) Liquidity risk

2014	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS TOTAL $000	LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	**952,725**	**1,092,025**	**43,226**	**1,048,799**	**–**
Retail bonds	**152,274**	**167,515**	**12,702**	**154,813**	**–**
Accrued interest	**10,997**	**10,997**	**10,997**	**–**	**–**
Finance lease liabilities	**495**	**542**	**323**	**219**	**–**
Trade payables and accruals	**109,325**	**109,325**	**103,295**	**6,030**	**–**
Payables relating to acquisitions	**34,000**	**34,000**	**26,801**	**7,199**	**–**
	1,259,816	**1,414,404**	**197,344**	**1,217,060**	**–**
Derivative financial liabilities					
Interest rate Swaps	**14,020**	**14,322**	**8,549**	**5,773**	**–**

The repayment of contractual cash flows due in the period less than one year from 30 June 2014 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2014: $93.7m).

2013	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS TOTAL $000	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	760	865	323	542	–
Trade payables and accruals	104,515	104,515	97,769	6,746	–
Payables relating to acquisitions	11,587	11,587	11,587	–	–
	1,206,340	1,377,589	177,178	1,200,411	–
Derivative financial liabilities					
Interest rate Swaps	16,789	17,066	12,204	4,862	–

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; and the Parent entity has issued a Retail Bond with a floating interest rate coupon (plus a fixed margin). 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 Committee.

The following table details the Group's exposure to interest rate risk as at 30 June 2014.

			FIXED INTEREST RATE				CONSOLIDATED
2014	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	**2.20**	**27,460**	**–**	**–**	**–**	**–**	**27,460**
Receivables	**–**	**–**	**–**	**–**	**–**	**154,006**	**154,006**
Investments	**–**	**–**	**–**	**–**	**–**	**25,703**	**25,703**
Financial liabilities							
Payables	**–**	**–**	**–**	**–**	**–**	**(154,323)**	**(154,323)**
Finance leases	**9.39**	**–**	**(290)**	**(205)**	**–**	**–**	**(495)**
Gross bank loan	**4.71**	**(945,000)**	**(2,782)**	**(4,943)**	**–**	**–**	**(952,725)**
Retail bonds	**6.65**	**(152,274)**	**–**	**–**	**–**	**–**	**(152,274)**
Cash flow hedges	**3.47**	**977,274**	**(825,000)**	**(152,274)**	**–**	**–**	**–**
		(92,540)	**(828,072)**	**(157,422)**	**–**	**25,386**	**(1,052,648)**

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	34,725	–	–	–	–	34,725
Receivables	–	–	–	–	–	155,416	155,416
Investments	–	–	–	–	–	25,197	25,197
Financial liabilities							
Payables	–	–	–	–	–	(123,030)	(123,030)
Finance leases	13.87	–	(264)	(495)	–	–	(759)
Gross bank loan	5.35	(920,000)	(2,550)	(7,725)	–	–	(930,275)
Retail bonds	7.25	(152,274)	–	–	–	–	(152,274)
Cash flow hedges	3.63	1,052,274	(900,000)	(152,274)	–	–	–
		14,725	(902,814)	(160,494)	–	57,583	(991,000)

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 the year ended 30 June 2014, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the profit after tax and other comprehensive income would have been as follows:

	PROFIT AFTER TAX		OTHER COMPREHENSIVE INCOME	
	50BP INCREASE $000	50BP DECREASE $000	50BP INCREASE $000	50BP DECREASE $000
Consolidated				
30 June 2014 – variable rate instruments	**(463)**	**463**	**10,220**	**(10,145)**
30 June 2013 – variable rate instruments	74	(74)	9,452	(9,566)

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 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		FAIR VALUE	
	30 JUNE 2014 %	30 JUNE 2013 %	30 JUNE 2014 $000	30 JUNE 2013 $000	30 JUNE 2014 $000	30 JUNE 2013 $000
Consolidated						
Less than 1 year	**3.65**	3.76	**825,000**	900,000	**728**	674
1 to 2 years	**3.47**	3.62	**977,274**	825,000	**8,864**	8,486
2 to 5 years	**3.33**	3.54	**975,000**	977,274	**4,428**	7,629
					14,020	16,789

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 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL $000
Financial Assets				
Available-for-sale investments (Note 12)	**24,425**	**–**	**–**	**24,425**
Other investments (Note 12)	**–**	**–**	**1,278**	**1,278**
Financial Liabilities				
Interest rate swaps	**–**	**14,020**	**–**	**14,020**

	CONSOLIDATED – CARRYING AMOUNT			
30 JUNE 2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Available-for-sale investments (Note 12)	23,780	–	–	23,780
Other investments (Note 12)	–	139	1,278	1,417
Financial Liabilities				
Interest rate swaps	–	16,789	–	–

There were no transfers between levels during the period.

(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 Primary. 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 2013.

The capital structure of the Group consists of debt, which includes the interest-bearing liabilities disclosed in Note 15, 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 2014 $000	CONSOLIDATED 2013 $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	**27,460**	34,725
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	**162,536**	150,111
Depreciation of plant and equipment	**62,899**	60,613
Amortisation of intangibles	**31,055**	28,657
Amortisation of borrowing costs	**2,208**	4,529
Net (profit) loss on sale of property plant and equipment	**(1,198)**	(793)
(Profit) on sale of investments	**(3,220)**	(612)
Non-controlling interest	**18**	(47)
Increase (decrease) in:		
Trade payables and accruals	**2,070**	(5,584)
Provisions	**(2,381)**	(4,768)
Deferred revenue	**2,002**	(1,528)
Tax balances	**12,817**	28,703
Share option reserve	**188**	317
Decrease (increase) in:		
Consumables	**(1,384)**	76
Receivables and prepayments	**1,410**	4,712
Net cash provided by operating activities	**269,020**	264,386

(c) Non-cash investing and financing

During the financial year 1,693,557 (2013: 2,101,907) and 44,446 (2013: 102,720) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

(d) Financing facilities	CONSOLIDATED 2014 $000	CONSOLIDATED 2013 $000
Current		
Secured Loan Facility		
Amount used	**2,782**	2,550
Amount unused	**–**	–
Non-current		
Secured Syndicated Debt Facilities		
Amount used	**945,000**	920,000
Amount unused	**305,000**	–
Secured Bilateral Multi-Option Facility		
Amount used	**–**	–
Amount unused	**–**	100,000
Secured Loan Facility		
Amount used	**4,943**	7,725
Amount unused	**12,275**	9,725

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), as it is impractical to allocate the costs associated with the Group's multi-disciplinary medical centres to the individual medical practices acquired.

(ii) Summary

	CONSOLIDATED	
THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:	2014 TOTAL	2013 TOTAL
Fair value of identifiable net assets acquired		
Health-related practices	**141**	–
	141	–
Goodwill		
Health-related practices	**93,640**	74,449
Controlled entities	**3,709**	–
	97,349	74,449
Consideration – cash paid to acquire businesses		
Health-related practices	**93,640**	74,449
Controlled entities	**3,568**	–
(Increase)/Decrease in payables relating to acquisitions	**(26,617)**	(4,616)
	70,591	69,833
Cash paid for acquisitions	**70,591**	69,833
Less cash acquired	**–**	–
Net payments for the purchase of businesses	**70,591**	69,833

30. PARENT ENTITY DISCLOSURES

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

BALANCE SHEET	2014 $000	2013 $000
Assets		
Current	**59**	119
Non-current	**3,112,994**	3,227,100
Total assets	**3,113,053**	3,227,219
Liabilities		
Current	**18,615**	8,412
Non-current	**1,099,924**	1,088,030
Total liabilities	**1,118,539**	1,096,442
Net assets	**1,994,514**	2,130,777
Equity		
Issued Capital	**2,386,140**	2,378,048
Retained earnings	**(391,901)**	(245,671)
Cash flow hedge reserve	**(9,814)**	(11,501)
Share-based payments reserve	**10,089**	9,901
Total equity	**1,994,514**	2,130,777

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

STATEMENT OF COMPREHENSIVE INCOME	2014 TOTAL	2013 TOTAL
(Loss) for the year	**(45,565)**	(52,398)
Other comprehensive gain	**1,687**	3,268
Total comprehensive (loss)	**(43,878)**	(49,130)

31. 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 2014 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.

32. REMUNERATION OF AUDITOR

	CONSOLIDATED	
SEGMENT	2014 $000	2013 $000
Auditing the financial report	**934,500**	934,500
Other services:		
Tax consulting	**49,970**	106,600
Advisory services	**217,533**	307,790
	1,202,003	1,348,890

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 the year ended 30 June 2014 is provided below:

(i) 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 Debt facilities and Secured Loan Facility);

(ii) 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

(iii) 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 2014	30 JUNE 2013
Primary Bonds Series A		
Gearing Ratio	**0.50**	0.49
Interest Cover Ratio	**6.45**	5.38
Working Capital Ratio	**0.80**	0.98

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 2014

Ordinary Share Capital

505,659,944 fully paid ordinary shares are held by 14,065 individual shareholders.

All issued ordinary shares carry one vote per share.

8,736,500 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 2014

NUMBER OF SHARES HELD	INDIVIDUALS
1 – 1,000	3,553
1,001 – 5,000	7,058
5,001 – 10,000	2,145
10,001 – 100,000	1,217
100,001 – 999,999,999	92
100,000,000 and over	0
Total	14,065

725 shareholders hold less than a marketable parcel of shares.

6. Top 20 shareholders as at 31 August 2014

RANK	NAME	UNITS	% OF UNITS
1.	HSBC Custody Nominees (Australia) Limited	108,072,495	21.37
2.	J P Morgan Nominees Australia Limited	84,256,057	16.66
3.	National Nominees Limited	70,583,577	13.96
4.	Citicorp Nominees Pty Limited	39,375,548	7.79
5.	BNP Paribas Noms Pty Ltd (DRP Account)	23,205,728	4.59
6.	Idameneo (No 122) Pty Ltd	17,479,657	3.46
7.	CS Fourth Nominee Pty Ltd	11,073,650	2.19
8.	Citicorp Nominees Pty Limited (Colonial First State Investment Account)	9,350,216	1.85
9.	Neweconomy Com Au Nominees Pty Ltd (SBL Account)	7,286,000	1.44
10.	HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp)	6,957,396	1.38
11.	Warbont Nominees Pty Ltd (Settlement Entrepot Account)	5,399,401	1.07
12.	RBC Investor Services Australia Nominees Pty Limited (DRP Account)	4,992,959	0.99
13.	RBM Nominees Pty Ltd (DRP Protection Account)	3,877,055	0.77
14.	Argo Investments Limited	3,177,458	0.63
15.	BKI Investment Company Limited	2,474,500	0.49
16.	Abtourk Syd 391 Pty Ltd	2,287,642	0.45
17.	National Nominees Limited (DB Account)	2,074,838	0.41
18.	Rinrim Pty Limited	1,962,657	0.39
19.	Charado Pty Ltd	1,935,488	0.38
20.	BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	1,914,000	0.38
		407,736,322	80.63

7. Substantial holders as at 31 August 2014

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Schroder Investment Management Australia Limited	37,167,816	7.36%
Matthew International Capital Management LLC	36,274,491	7.20%
Maple-Brown Abbott Limited	30,900,993	6.11%
Dimensional Entities	30,485,918	6.04%
National Australia Bank Limited and its associated companies	28,059,538	5.54%
UBS AG and its related bodies corporate	26,305,985	5.20%

8. Primary Bonds Series A as at 31 August 2014

1,522,740 Primary Bonds Series A are held by 2,443 individual bond holders.

Primary Bonds Series A do not carry any voting rights.

9. Distribution of holders of Primary Bonds Series A as at 31 August 2014

NUMBER OF BONDS HELD	INDIVIDUAL PRIMARY BONDS SERIES A HOLDERS
1 – 1,000	2,294
1,001 – 5,000	132
5,001 – 10,000	7
10,001 – 100,000	9
100,001 and over	1
Total	2,443

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

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