

Results for announcement to the market

Primary Health Care Limited

ACN 064 530 516

Appendix 4E – Preliminary Final Report

For the year ended 30 June 2014

CONTENTS	PAGE
Review of operations	3
Directors' report	8
Auditor's independence declaration	28
Independent auditor's report	29
Directors' declaration	31
Income statement	32
Statement of comprehensive income	33
Balance sheet	34
Statement of changes in equity	35
Cash flow statement	37
Notes to the financial statements	38
Shareholder and corporate information	79
Compliance statement	81

Primary Health Care Limited

Appendix 4E – Preliminary Final Report

Results for announcement to the market

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		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 is 29 August 2014 and is 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.

Review of operations for the year ended 30 June 2014

\$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

Review of operations for the year ended 30 June 2014

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.

Primary Health Care Limited
Financial Report
For the year ended 30 June 2014

Directors' report for the year ended 30 June 2014

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 12 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 12 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:

2014	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		RISK MANAGEMENT COMMITTEE	
	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
- a provider of health technology.

As a medical centre operator, the Group provides a range of services and facilities to general practitioners, specialists, and other health care providers who provide services from its medical centres. Further details of these activities can be found on page 48 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 3 to 6 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.

Directors' report for the year ended 30 June 2014

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.

Directors' report for the year ended 30 June 2014

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.

Directors' report for the year ended 30 June 2014

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:

	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
2014				
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

Directors' report for the year ended 30 June 2014

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 78 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 WHS 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

Directors' report for the year ended 30 June 2014

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,

Directors' report for the year ended 30 June 2014

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

Directors' report for the year ended 30 June 2014

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 61. 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;

Directors' report for the year ended 30 June 2014

- 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 pre-determined targets. Where possible, non-financial targets are also assessed quantitatively and otherwise they are assessed by annual qualitative

Directors' report for the year ended 30 June 2014

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) 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% (0% EPS Target/10% KPIs)	10% – 15%
L4	15% (6% EPS Target/9% KPIs)	0%

Directors' report for the year ended 30 June 2014

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
<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - "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. 	<ul style="list-style-type: none"> - 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.

Directors' report for the year ended 30 June 2014

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

2014	FIXED REMUNERATION (SALARY/FEEES)		SHORT-TERM INCENTIVE UNDER PEIP [^] (STI AWARDED FOR FY2013 AND PAID IN FY2014)		LONG-TERM INCENTIVE UNDER PEIP [^] (LTI AWARDED IN FY2014 FOR FY2013) [^]		TOTAL FOR FY2014
	1 JULY 2013 TO 30 JUNE 2014	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	
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.

Directors' report for the year ended 30 June 2014

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) [^]		TOTAL FOR FY2013
	1 JULY 2012 TO 30 JUNE 2013	POST- EMPLOYMENT BENEFITS SUPER- ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	
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 FY2013.

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

Directors' report for the year ended 30 June 2014

- the growth of the size, scope and complexity of Primary's operations.

The key findings from an independent remuneration review by Egan Associates in FY13¹ 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 FY14 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.

Directors' report for the year ended 30 June 2014

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%	<p>There are several key performance components to the STI for the PEIP which apply to the Chief Executive Officer:</p> <p>Financial performance to budget – metrics including revenue growth, EBITDA growth, EBIT growth, operating margin and return on capital employed.</p> <p>People and performance – leadership of the Senior Executive team, oversight of short and long-term strategic business division plans, effective reporting to the Board.</p> <p>Effective engagement with external stakeholders.</p> <p>Oversight of effective workplace programs such as occupational health and safety procedures, gender diversity initiatives, and management succession planning.</p>
Andrew Duff Finance Director	62.5%	25.0%	12.5%	37.5%	<p>There are several key performance components to the STI for the PEIP which apply in various combinations to each KMP:</p> <p>Linked to key performance indicators with metrics including revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed.</p> <p>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.</p> <p>Operating margin – effective implementation of measures linked to the Company's overall financial operating margin.</p> <p>Sustainability performance – including operational improvement initiatives, performance against budgeted capital cost, and identifying and managing risk.</p> <p>Leadership and culture – including human capital management initiatives, succession planning, training, and development.</p>
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%	

Directors' report for the year ended 30 June 2014

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		SHORT-TERM INCENTIVE		LONG-TERM INCENTIVE	
	PAID AS CASH LINKED TO GROUP EPS TARGET ⁽¹⁾		PAID AS CASH LINKED TO KPIS ⁽²⁾		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 18 and 19 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 be payable in FY2016, the next one-third will be payable in FY2017, and the final one-third payable in FY2018.

Directors' report for the year ended 30 June 2014

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

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.

Directors' report for the year ended 30 June 2014

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 – Director

Sydney

13 August 2014



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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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

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 31 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 14 to 27 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



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) there are reasonable grounds to believe that Primary and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between Primary and those controlled entities pursuant to ASIC Class Order 98/1418; 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 38 to 78

Income statement for the year ended 30 June 2014

	NOTE	CONSOLIDATED	
		2014 \$000	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

	NOTE	CONSOLIDATED	
		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 38 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 38 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			
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 38 to 78

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

CONSOLIDATED \$000	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE- BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTEREST	TOTAL
Balance at 1 July 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

CONSOLIDATED \$000	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE- BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATRIBUTABLE TO OWNERS OF THE PARENT	NON- CONTROLLING INTEREST	TOTAL
Balance at 1 July 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 38 to 78

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

	2014 CENTS PER SHARE	2013 CENTS PER SHARE	2014 \$000	2013 \$000
DIVIDENDS (CONSOLIDATED)				
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 29 August 2014.

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.

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 38 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other financial assets. The classification of the financial asset depends upon the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Receivables

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

Other Investments

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

Other financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value less any impairment losses. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and presented in the 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

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

(u) Financial instruments 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the financial statements for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 <i>Financial Instruments and the relevant amending standards</i>	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 <i>Revenue from Contracts with Customers</i>	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.

Notes to the financial statements for the year ended 30 June 2014

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

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 \$000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
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 \$000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
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

Notes to the financial statements for the year ended 30 June 2014

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

Notes to the financial statements for the year ended 30 June 2014

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

Notes to the financial statements for the year ended 30 June 2014

6. TAX BALANCES (CONTINUED)

(b) Reconciliation of deferred tax balances (continued)

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

(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.

Notes to the financial statements for the year ended 30 June 2014

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.

(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.

Notes to the financial statements for the year ended 30 June 2014

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

Notes to the financial statements for the year ended 30 June 2014

8. INVESTMENT IN JOINT VENTURES (CONTINUED)

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	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.

Notes to the financial statements for the year ended 30 June 2014

9. GOODWILL (CONTINUED)

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	<p>Forecast revenues and expenses has been calculated assuming long-term growth rates as follows:</p> <ul style="list-style-type: none"> - 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%). <p>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.</p> <p>These rates have been determined with respect to past company experience and industry data.</p>
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)	<p>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:</p> <ul style="list-style-type: none"> - 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%).

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.

Notes to the financial statements for the year ended 30 June 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

2014 \$000	FREEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
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					
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 \$000	FREEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
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					
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

Notes to the financial statements for the year ended 30 June 2014

11. OTHER INTANGIBLE ASSETS (CONSOLIDATED)

2014 \$000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	CAPITALISED DEVELOPMENT COSTS	COMPUTER SOFTWARE	OPERATING RIGHTS AND LICENCES	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
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 \$000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	CAPITALISED DEVELOPMENT COSTS	COMPUTER SOFTWARE	OPERATING RIGHTS AND LICENCES	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
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

Notes to the financial statements for the year ended 30 June 2014

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

Notes to the financial statements for the year ended 30 June 2014

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.

Notes to the financial statements for the year ended 30 June 2014

16. COMMITMENTS FOR EXPENDITURE

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

Notes to the financial statements for the year ended 30 June 2014

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

	CONSOLIDATED	
	2014 \$000	2013 \$000
EARNINGS		
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.

Notes to the financial statements for the year ended 30 June 2014

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 INTEREST

	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

Notes to the financial statements for the year ended 30 June 2014

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

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

(b) Key management personnel compensation

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

	2014	2013
	\$000	\$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.

(c) Loans to key management personnel

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

(d) Other transactions with key management personnel

From time to time, Directors and Group executives (and their personally-related entities) enter into transactions with entities in the 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.

Notes to the financial statements for the year ended 30 June 2014

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

26. SUBSIDIARIES (CONTINUED)

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
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.

26. SUBSIDIARIES (CONTINUED)

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	
	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.

Notes to the financial statements for the year ended 30 June 2014

28. FINANCIAL INSTRUMENTS (CONTINUED)

(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	-

Notes to the financial statements for the year ended 30 June 2014

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.

2014	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$000	FIXED INTEREST RATE			NON INTEREST BEARING \$000	CONSOLIDATED
			LESS THAN 1 YEAR \$000	1 TO 5 YEAR \$000	>5 YEARS \$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.

2013	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$000	FIXED INTEREST RATE			NON INTEREST BEARING \$000	CONSOLIDATED
			LESS THAN 1 YEAR \$000	1 TO 5 YEAR \$000	>5 YEARS \$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		30 JUNE 2014	30 JUNE 2013	30 JUNE 2014	30 JUNE 2013
	2014 %	30 JUNE 2013 %	\$000	\$000	\$000	\$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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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).

2014 - CARRYING AMOUNT \$000	CONSOLIDATED			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
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

2013 – CARRYING AMOUNT \$000	CONSOLIDATED			
	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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(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 Total	2013 Total
(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.

29. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	CONSOLIDATED	
	2014 Total	2013 Total
(d) Financing facilities		
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

THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:	CONSOLIDATED	
	2014	2013
	Total	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

Notes to the financial statements for the year ended 30 June 2014

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	CONSOLIDATED	
	2014 Total	2013 Total
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	CONSOLIDATED	
	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)

Notes to the financial statements for the year ended 30 June 2014

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	
	2014	2013
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.

	CONSOLIDATED	
	2014 Total	2013 Total
Primary Bonds Series A		
Gearing Ratio	0.50	0.49
Interest Cover Ratio	6.45	5.38
Working Capital Ratio	0.80	0.98

Shareholder and corporate information for the year ended 30 June 2014

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

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

Company's Registered Office

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

4. Number of holders of equity instruments as at 31 July 2014

Ordinary Share Capital

505,659,944 fully paid ordinary shares are held by 13,229 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 July 2014

NUMBER OF SHARES HELD	INDIVIDUALS
1 – 1,000	3,437
1,001 – 5,000	6,632
5,001 – 10,000	1,944
10,001 – 100,000	1,128
100,001 – 999,999,999	88
100,000,000 and over	0
Total	13,229

688 shareholders hold less than a marketable parcel of shares.

Shareholder and corporate information for the year ended 30 June 2014

6. Top 20 shareholders as at 31 July 2014

RANK	NAME	UNITS	% OF UNITS
1.	HSBC Custody Nominees (Australia) Limited	135,196,885	26.74
2.	J P Morgan Nominees Australia Limited	100,331,569	19.84
3.	National Nominees Limited	70,920,286	14.03
4.	Citicorp Nominees Pty Limited	39,105,680	7.73
5.	BNP Paribas Noms Pty Ltd (DRP Account)	18,053,028	3.57
6.	Idameneo (No 122) Pty Ltd	17,479,657	3.46
7.	Citicorp Nominees Pty Limited (Colonial First State Investment Account)	10,731,347	2.12
8.	HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp)	6,963,733	1.38
9.	RBC Investor Services Australia Nominees Pty Limited (MBA Account)	4,367,468	0.86
10.	Argo Investments Limited	3,177,458	0.63
11.	Abtourk Syd 391 Pty Ltd	2,287,642	0.45
12.	UBS Nominees Pty Ltd	2,075,338	0.41
13.	Rinrim Pty Limited	1,962,657	0.39
14.	Charado Pty Ltd	1,935,488	0.38
15.	BNP Paribas Nominees Pty Ltd (Agency Lending DRP Account)	1,637,497	0.32
16.	BKI Investment Company Limited	1,622,000	0.32
17.	QIC Limited	1,560,838	0.31
18.	UBS Wealth Management Australia Nominees Pty Ltd	1,528,728	0.30
19.	Navigator Australia Ltd (MLC Investment Settlement Account)	1,197,937	0.24
20.	Joseph Management Pty Ltd	1,166,974	0.23
		423,302,210	83.71

7. Substantial holders

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%

Information in the table above is as per the most recent substantial holder notices received by the Company as at 31 July 2014.

8. Primary Bonds Series A as at 31 July 2014

1,522,740 Primary Bonds Series A are held by 2,423 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 July 2014

NUMBER OF BONDS HELD	INDIVIDUAL PRIMARY BONDS SERIES A HOLDERS
1 – 1,000	2,274
1,001 – 5,000	132
5,001 – 10,000	6
10,001 – 100,000	10
100,001 and over	1
Total	2,423

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

Compliance Statement for the year ended 30 June 2014

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NIL

This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

This report does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

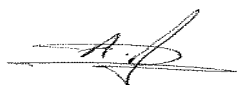
This report is based on ⁺accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input checked="" type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

If the audit report or review by the auditor is not attached, details of any qualifications ~~are attached~~/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)

The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:



(Finance Director)

Date: 13 August 2014

Print name: Andrew Duff