

Annual Report for the year ended 30 June 2012

Contents

Review of operations	1
Directors' report	5
Corporate governance statement	20
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	71

Review of operations for the year ended 30 June 2012

\$000	2012 TOTAL	2011 TOTAL
Revenue	1,392,067	1,322,296
EBITDA	351,059	327,951
Depreciation	62,191	60,968
EBITA	288,868	266,983
Interest expense	82,049	87,875
Amortisation of borrowing costs	14,709	9,210
Amortisation of intangibles	23,675	21,228
Income tax expense	49,493	34,207
Non-recurring items	–	34,700
Profit for the year after tax	118,942	79,763
Attributable to non-controlling interest	2,327	1,478
Profit attributable to members of the parent entity	116,615	78,285

CENTS PER SHARE	2012 TOTAL	2011 TOTAL
Basic and diluted earnings per share – total ¹	23.3	15.8
Basic and diluted earnings per share – excluding non-recurring items	23.3	20.7
Final dividend ^{2,3}	6.0	5.0
Interim dividend ²	5.0	3.0
	11.0	8.0

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

2 All dividends paid were 100% franked at the corporate income tax rate (2012: 30%; 2011: 30%).

3 The record date for determining entitlement to the final dividend is 21 September 2012 and is payable on 8 October 2012.

Review of operations for the year ended 30 June 2012

The Directors of Primary Health Care Limited (“Primary”) announce the results for the financial year ended 30 June 2012 (“FY2012”). Key points of the results are:

- Operating EBITDA up 10% to \$351.1m (2011: \$318.6m)
- Net profit after tax up 49% to \$116.6m (2011: \$78.3m)
- Improvements in operating margins for all divisions
- Basic EPS up 47% to 23.3 cents per share (2011: 15.8 cps)
- Final dividend up 20% to 6.0 cps (100% franked) (2011: 5.0 cps)

Operating overview

Primary has delivered a strong trading result for FY2012 with 10% operating EBITDA growth and 47% basic EPS growth.

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

- Medical Centres EBITDA growth of 15% in the 57 large-scale centres
- Medical Centres margin up 50 bps to 55.2%
- Pathology EBITDA growth of 11.6% to \$132.4m and organic revenue growth of 6.1%
- Pathology EBITDA margin for 2H FY2012 17.7%, up from 16.0% for 1H FY2012
- Imaging EBITDA growth of 37% to \$59.4m
- Imaging EBITDA margin up 410 bps to 19.3%

Complementing this strong trading result, free cash-flow has improved significantly in the second six months of FY2012. Net cash provided by operating activities improved by \$68m in FY2012 compared to FY2011.

During the year Primary decided to refinance its debt facility well ahead of its December 2012 maturity. Bank debt of \$1.02bn was refinanced in October 2011 with \$870m now maturing in February 2015 and \$150m now maturing in October 2016. Margins were reduced, and further margin reductions are available on future Debt/EBITDA ratio reductions. Interest rate hedging in place for FY2013, FY2014 and FY2015 will ensure decreasing interest expense and consolidate EPS growth.

Outlook

Revenue growth trends continue to be favourable across the business. Primary’s model of strong organic revenue growth, supported by incremental margin gains as a result of economies of scale and operating efficiencies, is delivering in accordance with its strategy. All of Primary’s divisions are in strong operational shape, with well regarded management teams.

Primary is able to look forward to strong growth as a result of the underlying strength of the business, positive industry dynamics, and long-term increasing demand for health care services. Primary has a substantial infrastructure footprint in place with significant growth capacity. Primary continues to focus upon its strategy of providing low cost, high quality health care services to more Australians.

Primary expects consolidation to continue within the healthcare industry and small bolt-on acquisitions, appropriately priced, may be available.

EBITDA for FY2013 is expected to be in the range of \$370m-\$380m resulting in EPS growth of 20%-25%.

Review of operations for the year ended 30 June 2012

Division analysis

\$M	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2011	SIX MONTHS TO 31 DECEMBER 2011
Operating Revenue			
Medical Centres	290.0	274.6	144.7
Pathology	785.4	740.1	384.3
Imaging	307.9	285.0	153.1
Health Technology	48.7	48.9	24.6
Corporate ¹	1.2	3.0	0.8
Intersegment	(41.1)	(38.7)	(21.3)
Total	1,392.1	1,312.9	686.2
Operating EBITDA			
Medical Centres	160.0	150.4	79.0
Pathology	132.4	118.6	61.3
Imaging	59.4	43.4	26.9
Health Technology	19.9	19.5	9.5
Corporate ²	(20.6)	(13.3)	(9.9)
Total	351.1	318.6	166.8
Margin			
Medical Centres	55.2%	54.7%	54.6%
Pathology	16.9%	16.0%	16.0%
Imaging	19.3%	15.2%	17.6%
Health Technology	40.9%	39.9%	38.6%
Total	25.2%	24.3%	24.3%

1 FY2011 Corporate revenue excludes \$9.4m re net litigation proceeds from operating revenue.

2 FY2011 Corporate EBITDA excludes \$9.4m re net litigation proceeds from operating EBITDA.

Medical Centres

EBITDA for the Medical Centres division was \$160.0m, compared with \$150.4m for the prior year. The EBITDA margin for FY2012 was 55.2%, compared with 54.7% for the prior year. EBITDA contribution from the large-scale centres increased by 15% from \$140m to \$161m. GP patient attendances grew 7% overall and 12% in Primary's large-scale centres.

One new medical centre was opened in FY2012. A total of 76 medical centres, including 57 large-scale Primary centres, are now in operation. One new medical centre is planned to be opened in FY2013. Industry GP patient attendances have shown an improving trend in FY2012 as reflected by Medicare data. This trend has continued in the early part of FY2013.

Pathology

EBITDA for the Pathology division was \$132.4m, compared with \$118.6m for the prior year. The EBITDA margin for FY2012 was 16.9%, compared with 16.0% for the prior year. The Pathology division's revenue and EBITDA improvement in the financial year reflect strong organic revenue growth, combined with a return to more normal patterns of volume growth across the industry.

The five-year Pathology Funding Agreement, signed in April 2011 between the pathology industry and pathology providers, brings increased certainty to the industry. The last two years has seen a significant change in pathology industry dynamics and Primary has been re-positioning its Pathology division to competitively align itself in light of these changes.

Imaging

EBITDA for the Imaging division was \$59.4m, compared with \$43.4m for the prior year. The EBITDA margin for FY2012 was 19.3%, compared with 15.2% for the prior year. The strong results continue the improvement in EBITDA and margin which commenced in 2H FY2011.

Actual exam volumes for FY2012 grew 10.4%. Recruitment and conversion of radiologists to a percentage fee-for-service model, combined with upgraded technology, closing of uneconomical sites, and cost control, are the basis of the Imaging division's improvement.

Health Technology

EBITDA for the Health Technology division was \$19.9m, compared with \$19.5m for the prior year. The EBITDA margin for FY2012 was 40.9% compared with 39.9% for the prior year.

Subscription renewal rates remain high for all general practitioner and specialist software products. HCN is the largest provider of its kind in healthcare IT services in Australia, with leading positions in each of its core markets. The market is undergoing a structural change to a more interconnected eHealth model in which HCN will also play a major role.

Review of operations for the year ended 30 June 2012

Debt and interest expense

On 21 October 2011 Primary completed financial close on the refinancing of Primary's syndicated bank debt facility, which was due to mature in December 2012. The \$1.02bn refinancing provides an extended bank debt maturity profile for Primary as follows:

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

Margins payable by Primary have been reduced.

During FY2012 Primary has taken advantage of falling interest rates to hedge the majority of its syndicated debt to July 2015 at the following average rates, excluding bank margin:

FINANCIAL PERIOD	AVERAGE FIXED RATE PAYABLE ON GROSS BANK LOANS (EXCLUDING MARGIN)
1H FY2013	4.25%
2H FY2013	3.80%
FY2014	3.65%
FY2015	3.30%

In addition, the rate on Primary's Retail Bonds is hedged to its maturity in September 2015 at an all-in rate including margin to bond holders of approximately 8.75%.

Amortisation of borrowing costs

Unamortised borrowing costs on the expiring syndicated bank facility of \$8.5m (\$5.9m after tax) were charged to the income statement and are included in amortisation of borrowing costs of \$14.7m in the period, upon the early refinance of Primary's syndicated bank debt. Amortisation of borrowing costs expense is expected to be approximately \$4.5m for FY2013.

Corporate costs

Revenues comprise interest earned and dividends from the liquidator of Pan Pharmaceuticals Ltd ("Pan"). In FY2011 an amount of \$9.4m for net litigation proceeds was also included in corporate revenue representing net proceeds from the Pan Class Action and other legacy litigation.

Taxation

The effective tax rate on operating earnings for the year was 29.4%.

Dividend

The final dividend will be 6.0 cents per share fully franked, payable on 8 October 2012. The record date for determining entitlement for the final dividend is 21 September 2012.

Directors' report for the year ended 30 June 2012

The Directors of Primary Health Care Limited submit their Directors' Report for the financial year ended 30 June 2012 (referred to as "the year" or "2012") accompanied by the financial report of Primary and the entities it controlled from time to time during the year (referred to as "Primary" 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 the 2012 financial year were:

- Mr Robert Ferguson
- Dr Edmund Bateman
- Mr Henry Bateman (from 7 October 2011)
- Mr James Bateman (from 7 October 2011)
- Mr Brian Ball
- Mr John Crawford
- Mr Andrew Duff (from 7 October 2011)
- Dr Paul Jones
- Dr Errol Katz
- Ms Arlene Tansey (from 31 August 2012)
- Mr Terence Smith (until 12 June 2012)

Details of the qualifications and experience of each of the Directors are set out on pages 7 to 9 of this Report.

Company Secretary

Details of the qualifications and experience of Ms Yvette Cachia, the Group Company Secretary are set out on page 9 of this Report.

Directors' meetings during the year ended 30 June 2012

The number of meetings of the Board and of each Board committee held during the year ended 30 June 2012 (while each Director was a Director or committee member) and the number of meetings attended by each Director are set out below.

	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		RISK COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED		
R Ferguson	12	12	2	2	4	4	N/A	N/A
E Bateman	12	12	2*	2*	1#	1#	N/A	N/A
H Bateman**	7	7	1*	1*	N/A	N/A	1	1
J Bateman**	7	7	1*	–	N/A	N/A	1	1
B Ball	12	12	2	2	4	4	N/A	N/A
J Crawford	12	12	2	2	4	4	N/A	N/A
A Duff**	12*	12*	2*	2*	N/A	N/A	1	1
T Smith**	12	9	N/A	N/A	1*	1*	N/A	N/A
P Jones	12	12	2	2	1*	1*	1	1
E Katz	12	12	2*	2*	1*	1*	1	1

Notes:

* Attended a meeting by invitation.

Dr Bateman attended one Nomination and Remuneration Committee by invitation during the financial year.

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

- H Bateman, J Bateman, A Duff and T Smith;
- Mr Duff attended all Board meetings by invitation in his capacity as the Chief Financial Officer prior to his appointment as a Director; and
- Mr Duff attended all Audit Committee meetings by invitation in his capacity as Chief Financial Officer prior to his appointment as a Director (from 7 October 2011).

The Audit Committee for the year ended 30 June 2012 comprised: Mr Brian Ball (Chair), Mr Rob Ferguson, Mr John Crawford and in addition, from 1 January 2012, Dr Paul Jones.

The Nomination and Remuneration Committee for the year ended 30 June 2012 comprised: Mr Rob Ferguson (Chair), Mr Brian Ball, Mr John Crawford, Mr Terence Smith (until 12 June 2012) and in addition, from 1 January 2012, Dr Errol Katz.

The Risk Committee for the year ended 30 June 2012 commenced from 1 January 2012 comprised: Dr Errol Katz (Chair), Mr James Bateman, Mr Henry Bateman, Mr Andrew Duff and Dr Paul Jones.

Details of committee membership and functions are further set out in the Corporate Governance Statement on pages 20 to 27 of this Report.

Significant change in the state of affairs

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

Principal activities

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

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

As a medical centre operator, the Group provides a range of services and facilities to general practitioners, specialists and other health care providers who conduct their own practices and businesses at its medical centres. Further details of these activities can be found on pages 44 to 45 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 1 to 4 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 the financial year ended 30 June 2011, a final dividend of 5 cents per share (100 per cent franked), was paid to the holders of fully paid ordinary shares on 10 October 2011.

In respect of the financial year ended 30 June 2012:

- an interim dividend of 5 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 16 April 2012; and
- the Directors have approved the payment of a final dividend of 6 cents per share (100% franked), to the holders of fully paid ordinary shares, the record date being 21 September 2012, payable on 8 October 2012.

Primary operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). During the financial year ended 30 June 2012, shares issued pursuant to the DRP and BSP were 3,840,301 (2011: 5,415,730) and 337,210 (2011: 325,116) respectively.

Rounding off of amounts

Primary is of a kind 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 un-issued ordinary shares of Primary under option at the date of this Report are set out below. Further details of options are set out in note 7 to the financial statements in this Report. No option holder has any right under the options to participate in any other share issue of Primary or of any other entity.

Directors' report for the year ended 30 June 2012

2012	OPENING BALANCE	GRANTED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE
Issue 7a	200,000	–	–	(200,000)	–
Issue 12	110,000	–	–	(110,000)	–
Issue 13	30,000	–	–	–	30,000
Issue 15	1,261,000	–	–	(15,000)	1,246,000
Issue 16	893,000	–	–	(141,000)	752,000
Issue 17	675,500	–	–	(50,000)	625,500
Issue 101	125,000	–	(70,000)	(55,000)	–
Issue 104	323,500	–	(50,000)	(273,500)	–
Issue 106	150,000	–	–	–	150,000
Issue 107	755,000	–	–	(425,000)	330,000
Issue 108	30,000	–	–	–	30,000
Issue 109	545,000	–	–	(82,500)	462,500
Issue 110	562,500	–	–	(100,000)	462,500
Issue 111	320,000	–	–	(40,000)	280,000
Issue 112	1,125,000	–	–	(110,000)	1,015,000
Issue 113	2,315,000	–	–	(470,000)	1,845,000
Issue 114	5,495,000	–	–	(387,000)	5,108,000
Issue 115	1,425,000	–	–	(342,500)	1,082,500
Balance as at 30 June 2012					13,419,000

Shares issued on the exercise of options

The following ordinary shares of Primary were issued during or since the end of the year on the exercise of options. No amounts are unpaid on any of the shares.

		EXERCISE PRICE AT EXERCISE DATE	NUMBER
During the year	Issue 101	\$0.43	70,000
	Issue 104	\$3.14	50,000
	Issue 103	\$2.10	136,000
Since the end of the year			0

Qualifications, experience and special responsibilities of Directors

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

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

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

Dr Edmund Gregory Bateman, M.B.,B.S. Managing Director (age 70)

Dr Bateman was a founding member of the Board as Managing Director and CEO in 1994. He has overseen the development of the Primary Group, from the establishment of its first 24 hours medical centre in 1985, through to the ASX-listed entity it has become today.

Mr James Bateman, MBA. Executive Director (age 44)

Mr Bateman is the General Manager of the Primary Group's Pathology division and a member of the Risk 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 centre, diagnostic imaging, and information technology divisions, including as the Chief Operating Officer. He has been General Manager of Pathology since 2001 and has overseen the successful merger and integration of major pathology laboratories throughout Australia.

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

Mr Henry Bateman, LLB. Executive Director (age 36)

Mr Bateman is General Manager of the Company's Medical Centre division and a member of the Risk Committee. Mr Bateman has a Bachelor of Laws from Bond University. Mr Bateman joined the Company in 2000.

Mr Bateman is the General Manager of the Company's Medical Centres division and is responsible for the operation of medical centres nationally. 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, 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 in early 2008. He has overseen the successful merger and integration of major medical centres throughout Australia.

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

Mr Brian Ball, B.Ec. Non-executive Director (age 63)

Mr Ball is a Non-executive Director of the Company who was first appointed 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.

Mr John David Crawford. ANZIF (Senior Associate), FAICD. Non-executive Director (age 74)

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

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

Mr Andrew Duff ACA, Finance Director (age 51)

Mr Duff is the Company's Chief Financial Officer. Mr Duff is a Member of the Institute of Chartered Accountants in Australia. He is a member of the Risk 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 57)

Dr Jones was appointed as a Non-executive Director in 2010. He is a member of the Audit Committee and the Risk Committee. Dr Jones has 30 years' experience in a broad range of general medical practice, including five 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 MB, BS (Hons), LLB (Hons), MPP. Non-executive Director (age 42)

Dr Katz was appointed as a Non-executive Director in 2010. He is Chairman of the Risk Committee. Dr Katz has degrees in Medicine and Law from Monash University, and a Masters in Public Policy from Harvard University, where he was a Menzies Scholar. He has worked as a doctor at The Alfred Hospital, as a strategy consultant at The Boston Consulting Group, and in strategy and operational roles at Visy Industries. More recently he has held investment management roles at Co-Investor Capital Partners. Dr Katz has previously held a number of board roles in the public and private sector.

Dr Katz currently works in private equity and investments. He is a Director of Southern Health, the largest public hospital network in Victoria. At Southern Health, Dr Katz chairs the Quality Committee, and is a member of the Remuneration and Population Health Committees.

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

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

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

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

Directors' report for the year ended 30 June 2012

Mr Terence Smith. AM MBE RFD ED. Non-executive Director (age 70)

Mr Smith joined the Board in May 2008 as a Non-executive Director and retired on 12 June 2012. He was a member of the Nomination and Remuneration Committee. From February 1990 until his retirement on 9 July 2010, Mr Smith was the Managing Director and Chief Executive Officer of the Hospital Contribution Fund of Australia Limited Group ("HCF"). This included appointments as Managing Director of the Manchester Unity Friendly Society and Executive Director on the HCF Life Insurance Company Board.

Company Secretary

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

Ms Cachia was appointed to the position of Group Company Secretary in 2008 and the General Manager, People and Governance in 2011. She is a member of the New South Wales Bar Association and the Australian Institute of Company Directors. Ms Cachia is a Non-executive Director of the SMILE Foundation, for children with rare diseases. 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.

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

Indemnification of officers and auditors

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

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

Non-audit services

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

The Audit Committee reviews the non-audit services performed by the auditor on a case-by-case basis. A new policy was adopted in July 2008 which outlines when they will approve non-audit services by the auditor. Further details are outlined in the Corporate Governance Report on pages 20 to 27 of this Report.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this Directors' 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 outlined in note 9 on page 51 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 OHS performance is monitored through regular monthly reports being provided to senior management and quarterly performance reporting to the Board. Health and safety is incorporated into business planning, purchasing and contracting policies and the design of workplaces.

Our 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 our health and safety performance, resources are allocated to the maintenance and improvement of the OHS management system. During the year ended 30 June 2012 there was a detailed review which resulted in the re-allocation of resources to improve the effectiveness of the OHS Management System. Professional health and safety staff work very closely with the Employee Representative Committees which have been established over a number of years in order to incorporate employee representation and consultation into health and safety initiatives as well as a forum for disseminating information to improve health and safety across all business units.

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

Key health and safety performance indicators are as follows:

	2012	2011
Number of WorkCover prosecutions	ZERO	ZERO
Number of sites subject to OHS Internal Audit	29	30
Number of Incidents Resulting in Lost Time Injuries	109	110

Incidents are subject of investigation and it would appear that there was no systematic breakdown in the OHS Management System during the year ended 30 June 2012.

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 OHS procedures or be areas for improvement. All findings are discussed with auditees before being finalised. The final reports are presented to senior management and include the findings, recommendations to address findings, persons responsible for implementation of recommendations and timeframes 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 reducing the incidence of needle-stick injuries along with dealing with abusive/aggressive incidents. These health and safety initiatives are designed to reinforce key parts of the OHS management system to all business units in a 12 month cycle.

During the year to 30 June 2012 Primary undertook a comprehensive review of the OHS Management System in order to implement changes arising from the new Work Health Safety legislation that has been adopted in certain States and Territories. This review has resulted in a revision to the WHS Manual and a re-issue of the WHS Policy. These amendments were subject to consultation with the workforce prior to release.

During the year to 30 June 2013, it is planned to continue the implementation of changes arising from the legislative changes that have occurred.

REMUNERATION REPORT

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 2012.

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

A. Executive Remuneration

This Remuneration Report outlines Primary's remuneration policy and practices, together with details of the specific remuneration arrangements that apply to key management personnel ("KMP") and the five highest remunerated executives of the Company and the group in accordance with the requirements of the *Corporations Act 2001*.

The Report provides:

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

For the purpose of this report, KMP of the group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. For the purpose of this report, the term "executive" encompasses the Group Managing Director, Senior Executives and general managers of the Company and the Group for the 2012 financial year.

Senior Executives

Throughout this Remuneration Report, the term "Senior Executives" is used to refer to:

- the 5 most highly remunerated Company and Group executives; and
- all other 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 Managing Director.

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

KMP (2011)	TITLE
Dr Edmund Bateman	Managing Director
Mr James Bateman	General Manager – Pathology
Mr Andrew Duff	Chief Financial Officer
Mr Henry Bateman	General Manager – Medical Centres
Mr John Frost	Chief Executive Officer – Health Technology
Mr Carl Adams	General Manager – Diagnostic Imaging
Mr Matthew Bardsley	Chief Information Officer

Board Policy on Remuneration

Primary recognises that remuneration is an important factor in attracting, motivating and retaining key employees.

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 key job goals;
- 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;
- incorporate measures which integrate variable pay elements for short-term and long-term performance which link executive reward with strategic goals and Group performance and reward Senior Executives for Group, business unit and individual performance against appropriate benchmarks and targets;
- incorporate performance measures which drive incentive outcomes and differentiate between average and high performers;
- clearly differentiate between short and long-term reward levers; and
- implement mandatory deferral arrangements.

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 plans;
- 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;
- superannuation arrangements; and
- the remuneration framework for Directors.

Membership of the Nomination and Remuneration Committee is determined on an annual basis by the Board. The Committee comprises at least three Directors, all of whom are independent. The composition of the Committee is reviewed annually. During the year ended 30 June 2012, members of the Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford
- Mr Terence Smith (until 12 June 2012)
- Dr Errol Katz (from 1 January 2012)

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

Primary recognises the importance of ensuring that any recommendations given to the remuneration of KMP provided by remuneration consultants are provided independently of those to whom the recommendations relate. The engagement of a remuneration consultant which makes recommendations on KMP must be approved by the Nomination and Remuneration Committee. The consultant must only provide the recommendations about remuneration of KMP to the Committee, rather than to company executives. The remuneration consultant and the Board must make separate declarations that the recommendation about remuneration is free from undue influence by the KMP to which the recommendation relates.

External Consultants Engaged in 2012

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	MANAGEMENT ENGAGEMENTS
King and Wood Mallesons	–	Advice on legislative tax changes in relation to the Primary Performance Rights Plan Trust Deed

No external remuneration consultants were engaged to assist the Nomination and Remuneration Committee during the year ended 30 June 2012.

No fees for Executive Directors

During the year ended 30 June 2012, Mr James Bateman, Mr Andrew Duff and Mr Henry Bateman were appointed as Executive Directors of the Board as part of the Company's long-term succession planning process. None of these Executive Directors receive a fee for service for their role as Director.

Components of Remuneration

Remuneration for Senior Executives has the following components:

Fixed Annual Remuneration

The terms of employment for all Senior Executives contain a fixed remuneration component expressed as a dollar amount. The 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. Each KMP's salary is reviewed annually by the Nomination and Remuneration Committee as part of each individual's participation in the Primary Performance Rights Plan (" PPRP "). 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.
Review of fixed remuneration	Fixed remuneration remains constant throughout the year. FAR for each PPRP 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 ASX 200 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 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 7 to the financial statements. The Board will not consider issuing options to Senior Executive in the normal course of events until the 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 the year ended 30 June 2012. During the year, no Senior Executive exercised options that were granted to them as part of their compensation.

Primary Performance Rights Plan

During the year ended 30 June 2010, the Nomination and Remuneration Committee reviewed Primary's executive remuneration arrangements. The Board engaged Egan & Associates to assist in this review. The review was designed to consider strategies to enhance the link between performance-based compensation and actual business performance. At Primary's Annual General Meeting on 26 November 2010, shareholders approved the establishment of a Primary Performance Rights Plan ("**PPRP**"). The PPRP aims to link the long-term remuneration of Senior Executives with the economic benefit derived by shareholders over a three-year period. The Nomination and Remuneration Committee is responsible for administering the PPRP in accordance with the PPRP Rules. Participation is not open to Non-executive Directors.

The PPRP will allow the grant of Performance Rights to eligible participants. A performance right is a conditional right to acquire a share, subject to the achievement of specified service and performance hurdles.

The PPRP was established to:

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

The Board will determine the applicable performance hurdles 12 months prior to any grant of a performance right. The hurdles may reflect Primary's business plans, targets, budgets and performance objectives. It is proposed that offers of performance rights will be made annually, following announcement of Primary's full-year results. The PPRP Rules provide the Board with flexibility in the design of the annual offer and may include both a short-term incentive ("STI") and long-term incentive ("LTI") component which is linked to specified performance hurdles.

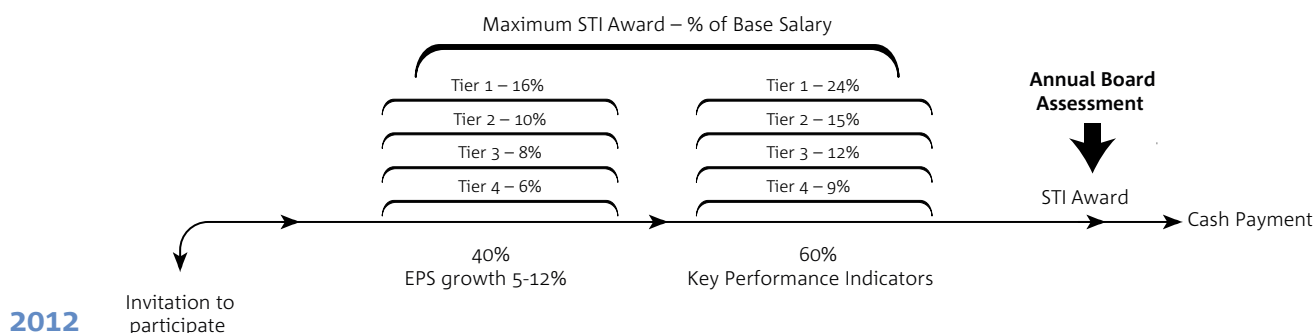
The Board takes a number of factors into account when setting short and long-term incentive hurdles, including market consensus on future earnings, revenue and EBITDA growth and external factors such as the regulatory environment in which Primary operates.

Both the STI and LTI remuneration components of the PPRP are "at risk". The STI is an annual bonus which is linked to both Group performance and the achievement of certain key performance indicators ("KPI") which are based on a range of financial measures. KPI measures are personal to each participant, but include hurdles such as capital and financial management, strategic financial planning, OH&S and risk management, team leadership and succession planning.

The LTI will be annually reviewed and updated by the Board to reflect the Board's expectation for the following year in order to take account of current market conditions and outlook.

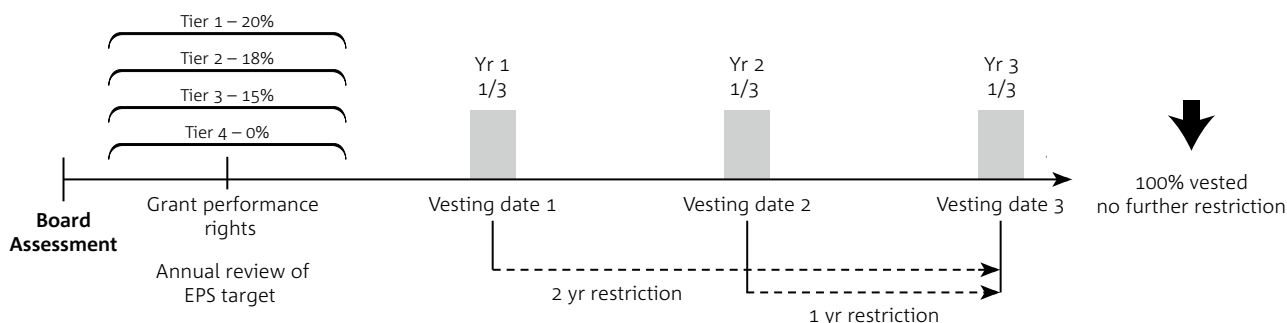
An explanation of the way in which both the short-term and long-term incentive arrangements will be assessed in respect of the year ended 30 June 2012 is as follows:

Design of short-term incentive ("STI") for the year ended 30 June 2012



STI arrangements for the year ended 30 June 2012 comprised an at risk incentive payment based on a percentage of a participant's base salary and encompassed both a Group EPS target and individual key performance indicators. A range of key performance indicators are used to assess individual performance and a tiered structure caps the percentage of base salary available to each participant. This approach allows Primary's Senior Executives to move between levels as their roles develop and change. 40% of the short-term incentive is linked to Group Earnings Per Share ("EPS") performance with payment of cash increasing in equal increments for each percentage of EPS growth from 5%-12% (up to a cap of 40% of the maximum STI payment). 60% of the short-term incentive relates to the achievement of KPI hurdles as independently assessed by the Nomination and Remuneration Committee following recommendation from the relevant line manager and then approved by the Board. No short-term incentive is payable to those participants who leave employment during the assessment year or period.

Design of long-term incentive ("LTI") for the year ended 30 June 2012



LTI arrangements for the year ended 30 June 2012 comprised an at risk incentive based on an EPS target with the initial grant of performance rights linked to equal increments for each percentage of EPS growth from 5%-12%.

This LTI target will be reviewed and assessed by the Board each year. Following an initial grant to a participant, up to a maximum of 1/3 of that participant's performance rights will vest each year to a maximum of three years from the date of the grant. Any performance right granted will be based on the volume weighted average price for Primary's listed ordinary shares on the five trading days immediately preceding the date of the first grant. There are no accelerated vesting provisions, save for change of control, scheme, winding up, delisting or on divestment of a business division in which the relevant senior executive participant will continue to be employed. All unvested rights automatically lapse upon termination or date of leaving.

The vesting schedule of the performance rights subject to the EPS conditions is as follows:

AVERAGE COMPOUND GROWTH EPS OVER THE PERFORMANCE PERIOD IN THE YEAR ENDED 30 JUNE 2012	PERCENTAGE OF PERFORMANCE RIGHTS THAT MAY VEST IF THE EPS CONDITION IS MET
Less than 5% pa	0% of the performance rights subject to the EPS condition
At 6.5% pa	25% of the performance rights subject to the EPS condition
More than 8% pa but less than 9% pa	50% of the performance rights subject to the EPS condition
More than 10% but less than 11%	75% of the performance rights subject to the EPS condition
At 12% pa or greater	100% of the performance rights subject to the EPS condition

Rights are offered at no cost to Senior Executives. They do not carry voting rights, however once vested, they carry the same rights as other ordinary shares. Senior Executives are not entitled to hedge or trade their unvested performance rights.

Primary may acquire shares supporting the performance rights that it has granted as a LTI under the PRRP. The price paid by Primary for the ordinary shares will be the prevailing market price of the shares at the time of on-market purchase. All shares acquired on market will be held in trust.

The incremental LTI hurdle based on EPS (requiring Group EPS growth over the performance period of between 5% and 12%) was selected by the Board because of its clear link to shareholder returns and the overall strategic objectives of the Group.

At the beginning of each year the Board establishes a threshold and maximum EPS metric for the new assessment year.

The EPS performance condition is determined by dividing the operating profit attributable to the Primary Group by the weighted average number of ordinary shares outstanding during the financial year. Growth in EPS will be measured by comparing the EPS in the base year and subsequent measurement years as adjusted for unusual items as considered appropriate by the Board.

The final determination of Primary's financial performance is determined after reviewing the Company's audited financial results for the relevant period. Financial targets are assessed quantitatively against the pre-determined targets. Where possible, non-financial targets are also assessed quantitatively and otherwise they are assessed by annual qualitative performance appraisal.

When a participant ceases employment prior to the vesting of their Performance Rights, the Share Rights lapse unless cessation of employment is due to retirement, total and permanent disablement, redundancy or death. In the event of a change of control all the performance rights will vest.

Details of contracts of CEO and Senior Executives

The remuneration and other terms of employment for Senior Executives are not 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.

Summary of Fixed and At-Risk Remuneration

FIXED REMUNERATION	PRIMARY PERFORMANCE RIGHTS PLAN	
	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE
<ul style="list-style-type: none"> Salary (cash), compulsory superannuation and salary sacrifice. Reviewed annually and 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 and continued service requirements are met over a three year period. Performance rights vest over a period of three years and restricted for a total of three years from the date of the grant. The Board has determined to use earnings per share ("EPS") in increments between 5% and 12% as the key measure for performance-based long-term incentive awards.

Details of Remuneration Paid

The following information discloses the total remuneration of:

- the 5 most highly remunerated Company and Group executives; and
- all other 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 Managing Director (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 under the PPRP

No grant of an LTI was made to any participant under the PPRP Rules in respect of the year ended 30 June 2011. An STI was granted to Senior Executives in respect of the period ended 30 June 2011 and was paid during the year ended 30 June 2012. Details of the 2011 grant are outlined in the table below on page 16.

In respect of the LTI and STI for the financial year ended 30 June 2012, Primary's Nomination and Remuneration Committee will shortly:

- assess whether eligible participants have met specified performance hurdles for the year ended 30 June 2012;
- make a grant, where appropriate, under the PPRP in respect of applicable STI or LTI arrangements; and
- determine the Group performance hurdles and KPIs applicable to the PPRP in respect of the year ended 30 June 2013.

The tables below show the total remuneration paid to each KMP in the year ended 30 June 2012 and prior year comparison for the year ended 30 June 2011.

	FIXED REMUNERATION (SALARY/FEEES)			SHORT-TERM INCENTIVE UNDER PPRP [^] (STI AWARDED FOR YEAR ENDED 30 JUNE 2011 AND PAYABLE FY12 ^{**})		LONG-TERM INCENTIVE UNDER PPRP [^] (LTI AWARDED FOR YEAR ENDED 30 JUNE 2011 AND GRANTED IN FY12)		TOTAL PAID FOR THE YEAR ENDED 30 JUNE 2012
	PAID FROM 1 JULY 2011 TO 31 DECEMBER 2011	PAID FROM 1 JANUARY 2012 TO 30 JUNE 12	POST EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI	LTI AWARDED	% OF LTI	
Managing Director								
E Bateman*	467,113	742,112	15,775	N/A		N/A	N/A	1,225,000
Senior Executives								
J Bateman ^{//}	242,113	267,112	15,775	120,000	100%	0%	0%	645,000
A Duff ^{//}	242,113	267,112	15,775	120,000	100%	0%	0%	645,000
H Bateman ^{//}	202,113	242,112	15,775	100,800	100%	0%	0%	560,800
J Frost	183,486	183,486	33,028	96,000	100%	0%	0%	496,000
C Adams	172,113	192,112	15,775	54,000	100%	0%	0%	434,000
Total	1,509,051	1,894,046	111,903	490,800				4,005,800

Directors' report for the year ended 30 June 2012

2011

	FIXED REMUNERATION (SALARY/FEEES)		SHORT-TERM INCENTIVE UNDER PPRP [^] (STI AWARDED IN RESPECT OF THE YEAR ENDED 30 JUNE 2010 AND PAYABLE IN FY11)		LONG-TERM INCENTIVE UNDER PPRP [^] (LTI AWARDED IN RESPECT OF THE YEAR ENDED 30 JUNE 2010 AND GRANTED IN FY11)		TOTAL
	PAID FROM 1 JULY 2010 TO 30 JUNE 2011	POST EMPLOYMENT BENEFITS SUPER-ANNUATION	STI AWARDED	% OF STI AWARDED	LTI AWARDED	% OF LTI AWARDED	
Managing Director							
E Bateman*	934,801	15,199	N/A		N/A	N/A	950,000
Senior Executives							
J Bateman	484,801	15,199	0	0	0%	0%	500,000
A Duff	484,801	15,199	0	0	0%	0%	500,000
H Bateman	404,801	15,199	0	0	0%	0%	420,000
J Frost	366,973	33,028	0	0	0%	0%	400,000
C Adams	344,801	15,199	0	0	0%	0%	360,000
M Bardsley	319,801	15,775	0	0	0%	0%	335,576
Total	3,340,779	124,798	0	0	0%	0%	3,465,576

Notes:

[^] **PPRP – Primary Performance Rights Plan.** Short-term incentive based on the achievement of KPIs linked to revenue growth, EBITDA growth, EBIT growth, operating margin and return on capital employed. It will be awarded in respect of the year ended 30 June 2012, during financial year ended 30 June 2013.

** The STI was granted on 15 October 2011.

* The Managing Director does not participate in the PPRP.

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

Current Key Management Personnel Remuneration Mix

The following table outlines the percentage of at risk remuneration as a component of total remuneration for those key management personnel who participate in the Primary Performance Rights Plan (“PPRP”) and those measures upon which recommendations are made in relation to STI under the PPRP.

KMP	FAR	STI	LTI	AT RISK	PPRP STI MEASURES
Dr Edmund Bateman <i>Managing Director</i>	100%	N/A	N/A	N/A	N/A
Andrew Duff <i>Finance Director</i>	62.5%	25%	12.5%	37.5%	There are four key performance components to the STI for the PPRP which apply in various combinations to each KMP: <ul style="list-style-type: none"> – Linked to key performance indicators with metrics including revenue growth, EBITDA growth, EBIT growth, operating margin and return on capital employed. – Strategic objectives – performance against strategic objectives linked to the KMP's business unit and functional responsibility. These objectives may include business unit cost targets, market share growth, quality and efficiency initiatives, new product development, and medical health professional recruitment. – Operating margin – effective implementation of measures linked to the Company's overall financial operating margin. – Sustainability performance – including operational improvement initiatives, performance against budgeted capital cost, and identifying and managing risk.
James Bateman <i>General Manager Pathology</i>	62.5%	25%	12.5%	37.5%	
Henry Bateman <i>General Manager Medical Centres</i>	62.5%	25%	12.5%	37.5%	
Carl Adams <i>General Manager Imaging</i>	69.9%	17.5%	12.6%	30.1%	
John Frost <i>CEO – HCN</i>	62.5%	25%	12.5%	37.5%	

Performance Payment Potential for the year ended 30 June 2012

The following table outlines the minimum and maximum performance payment potential for current key management personnel for the 2012 financial year. Incentive amounts are based on fixed annual remuneration approved by the Board as part of the 2012 remuneration review process and the executive remuneration strategy outlined above, as well as the potential total STI and LTI award under the PRRP (other than option grants) for the financial year ended 30 June 2012 which may be awarded and granted in the year ended 30 June 2013.

	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⁾		PERFORMANCE RIGHTS ⁽³⁾	
Managing Director	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM
E Bateman	N/A	N/A	N/A	N/A	N/A	N/A
Senior Executives						
J Bateman	\$0	\$88,000	\$0	\$132,000	\$0	\$110,000
A Duff	\$0	\$88,000	\$0	\$132,000	\$0	\$110,000
H Bateman	\$0	\$80,000	\$0	\$120,000	\$0	\$100,000
J Frost	\$0	\$64,000	\$0	\$96,000	\$0	\$80,000
C Adams	\$0	\$40,000	\$0	\$60,000	\$0	\$72,000

- (1) The STI paid as cash is based on a whole Group target of EPS between 5% and 12% and will be paid in the financial year 2013 based on performance for the year ended 30 June 2012.
- (2) The STI paid as cash is based on the achievement and assessment of personal performance targets and will be paid in the financial year 2013 based on performance for the year ended 30 June 2012.
- (3) The maximum value for LTI is based on the methodology in the section 'Design of long-term incentive ("LTI") for the year ended 30 June 2012'.

Risk Alignment

Participants in the PRRP are prohibited from selling, assigning, transferring or otherwise dealing with or granting a security interest over any interest in their performance rights or restricted shares. The Company may direct the trustee to make, or procure the making of such arrangements it considers necessary to enforce this restriction.

Further restrictions also apply to Directors and KMP when dealing in the Company's securities under the Policy on Trading by Employees and Directors. Further details of this policy are provided in the Corporate Governance Statement on page 25 of this Annual Report.

B. Non-executive Director Remuneration

Board policy on Non-executive Director Remuneration

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

Board fees are paid to Non-executive Directors only. Fees are not linked to the performance of Primary so that independence and impartiality is maintained. Superannuation contributions are made at a rate of 9%, 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 the year ended 30 June 2012 and a prior year comparison.

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

Directors' report for the year ended 30 June 2012

2011	GROSS SALARY	AUDIT COMMITTEE FEES	SUPER CONTRIBUTIONS	TOTAL
Robert Ferguson ¹	209,801	–	15,199	225,000
Brian Ball	100,000	7,500	–	107,500
John Crawford	95,500	–	4,500	100,000
Michael Christie	38,230	–	3,440	41,670
Stephen Higgs	38,230	–	3,440	41,670
Errol Katz	54,560	–	4,910	59,470
Paul Jones	54,560	–	4,910	59,470
Terence Smith	91,743	–	8,257	100,000
Total	682,624	7,500	44,656	734,780

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

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.

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 2012.

	YEAR ENDED 30 JUNE				
	2012	2011	2010	2009	2008
Profit Attributable to Equity Holders of Primary Health Care Ltd (\$000)	116,615	78,285	131,997	108,502	7,862
Share price at end of year (\$)	2.95	3.43	3.56	5.25	5.20
Interim dividend (cents per share)	5.0	3.0	15.0	7.0	22.0
Final dividend (cents per share)	6.0	5.0	10.0	7.0	5.0
Basic Earnings Per Share (cents)	23.3	15.8	27.8	28.7	3.2

Notes:

- All dividends are franked to 100% at 30% corporate income tax rate.
- Final dividends were declared after the balance date and were therefore paid in the following financial year.

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

On behalf of the Directors



Edmund Bateman – Director

Sydney

25 September 2012

Corporate governance statement for the year ended 30 June 2012

The following description of the governance arrangements of Primary Health Care Limited (“Primary”) for the year ended 30 June 2012 addresses those principles set out in the 2nd edition of the ASX Corporate Governance Principles and Recommendations, including 2010 amendments.

Copies of Primary’s charters and polices are available at Primary’s website at www.primaryhealthcare.com.au in the Investors’ Section under “Corporate Governance”.

The following table is a summary of the ASX Corporate Governance Principles and Recommendations and Primary’s compliance with these guidelines.

	RECOMMENDATION	COMPLIANCE YES/NO
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
2.1	A majority of the Board should be independent Directors.	Yes
2.2	The chair should be an independent Director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> – the practices necessary to maintain confidence in the Company’s integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes Yes Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1	The Board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> – consists of only Non-executive Directors; – consists of a majority of independent Directors; – is chaired by an independent chair, who is not chair of the Board; and – has at least three members. 	Yes Yes Yes Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company’s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company’s management of its material business risks.	Yes
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes

	RECOMMENDATION	COMPLIANCE YES/NO
8.1	The Company should establish a remuneration committee.	Yes
8.2	The remunerations committee should be structured so that it: <ul style="list-style-type: none"> – consists of a majority of independent Directors; – is chaired by an independent chair; and – has at least three members. 	Yes Yes Yes
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Directors and senior executives.	Yes
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Principle 1: Lay solid foundations for management and oversight

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

Under the Charter, the Board is responsible for:

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

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

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

Board Functions

General functions of the Board include:

- selecting, appointing and evaluating the performance of the Managing Director and determining the remuneration and succession planning associated with that position;
- reviewing the procedures for appointing, selecting and monitoring the performance of Senior Executives and succession planning associated with those roles;
- reviewing and approving Senior Executive's development of corporate strategy and performance objectives;
- oversight and approval of major capital expenditure, capital management, acquisitions and divestments, to ensure the integrity of financial and other reporting;
- monitoring corporate performance and determining dividends;
- approving major business initiatives within the Primary Group, and providing advice and guidance to senior management;
- approving the delegation of powers to the CEO and senior management; and
- approving, overseeing and monitoring the Primary Group's governance model.

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

Principle 2: Structure the Board to add value

The skills and experience of each Director on Primary's Board during the year ended 30 June 2012 are included in the Directors' Report. Primary's Constitution provides for a minimum of three Directors. As at the date of this Report the Board comprises six independent Non-executive Directors and four Executive Directors.

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

Directors' independence

The size, composition and independence of Primary's Board is determined pursuant to the Board Charter, Primary's Constitution and the ASX Corporate Governance Principles and Recommendations. The Board recognises that independent Directors are important in assuring shareholders that the Board is properly able to exercise independent judgement when meeting its responsibilities under the Charter. In determining whether a Director is independent of management and generally free from any interest and any business or other relationship that could be perceived to materially interfere with the Director's ability to act in the best interests of Primary, the Board considers whether the Director:

- is a Non-executive Director (that is, is not a member of management); and
- is not a substantial shareholder (that is, a person who has a substantial holding as defined by s 9 of the *Corporations Act 2001*) of Primary or an Officer of, or otherwise associated directly with, a substantial shareholder of Primary; and
- within the last three years, has not been employed in an executive capacity by Primary or another entity in the Primary Group; and
- within the last three years, has not been a principal of a material professional adviser or a material consultant to Primary or another entity in the Primary Group, or an employee of such an adviser or consultant and materially associated with the service provided; and
- is not a material supplier to, or material customer of, Primary or another entity in the Primary Group, or an Officer of, or otherwise associated directly or indirectly with, such a supplier or customer; and
- has no material contractual relationship with Primary, or another entity in the Primary Group, other than as a Director of Primary.

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

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

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

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

Nomination and Remuneration Committee

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

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

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

For the year ended 30 June 2012, members of the Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford
- Mr Terence Smith (until 12 June 2012)
- Dr Errol Katz (from 1 January 2012)

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

Board Selection and Membership

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

The Board also considers that its membership should comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The names, skills, experience, expertise and appointment dates of the current Directors of Primary are set out on pages 7 to 9 of this Report.

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

The Board is also responsible for evaluating the performance of the Managing Director and for monitoring and evaluating the performance of Senior Executives on an annual basis.

Board Induction

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

Advice and Support

The Board periodically reviews the independence of each Director in light of the interests disclosed to the Board and has procedures for potential conflicts to be raised.

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice, at Primary's expense, concerning any aspect of Primary's operations or undertakings, in order to fulfil their duties and responsibilities as Directors.

The Company Secretary also plays an important role in supporting Board members by monitoring adherence to policies and procedures and by providing briefing material for the Board's consideration at Board meetings. This information includes regular reports from the Group's Senior Executives to ensure that the Board can discharge its duties effectively.

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

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

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

Diversity

Primary's Diversity Policy adopts the ASX Corporate Governance Principles and Recommendations published on 30 June 2010, which require the Boards of ASX-listed entities to approve, monitor and report on diversity at all levels, including Board level, particularly in relation to gender diversity. The Diversity Policy applies to all Directors, employees and contractors of the Primary Group.

Primary recognises the importance of a diverse and inclusive workplace in which all individuals, with a broad range of backgrounds, skills, experience and perspectives can contribute to the success of Primary's operations.

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

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

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

Primary's Board of Directors is responsible for:

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

The General Manager, People and Governance is responsible for:

- (a) developing, reviewing and maintaining human resource policies and procedures in accordance with the Diversity Policy and, where relevant, in line with measurable objectives for achieving gender diversity; and
- (b) preparing and reporting to the Equal Opportunity for Women in the Workplace Agency and public reporting program, and providing those findings to the Board for its consideration.

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

Corporate governance statement for the year ended 30 June 2012

A number of measurable objectives for achieving gender diversity were set by the Board for 2011-2012.

2012 MEASURABLE OBJECTIVES		RESPONSIBILITY	BY 30 JUNE 2012
1	Establish a Diversity Committee with executive management appointee	Nomination and Remuneration Committee	Complete
2	Update Primary Group recruitment policies and procedures to reflect the Diversity Policy	Human Resource Managers	Complete
3	Develop a succession plan which aims to increase the representation of women on the Board, subject to the identification of candidates with appropriate skills, qualifications and experience	Nomination and Remuneration Committee	Complete
4	Develop programs to identify women with management potential and implement programs to enhance their skills and experience as a pipeline for future senior/manager and executive roles	General Manager People and Governance with Human Resource Managers	Ongoing

The year ended 30 June 2012 marked several achievements in the support of gender diversity initiatives within Primary, including:

- an extensive recruitment and selection search for an appropriately skilled and experienced female Director, and the appointment of a female Director on 31 August 2012;
- the establishment of improved human resource capabilities across the Group to manage a diverse workforce; and
- greater selection and participation of women in senior managerial roles as a result of management restructures within various business divisions.

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

2013 MEASURABLE OBJECTIVES		RESPONSIBILITY	STATUS
1	Ensure ongoing succession planning which aims to increase the representation of women on the Board, subject to the identification of candidates with appropriate skills, qualifications and experience.	Nomination and Remuneration Committee	Ongoing
2	Develop programs to identify women with management potential and implement programs to enhance their skills and experience as a pipeline for future senior/manager and executive roles.	General Manager People and Governance with Human Resources Managers	Ongoing
3	Develop a Primary Women in Leadership Program targeting the retention of existing women leaders	General Manager People and Governance	30 June 2013

Each year, Primary participates in the Equal Opportunity for Women in the Workplace Agency ("EOWA") public reporting program. Those reports indicate that Primary comprises a diverse range of employees and contractors and is represented by a high number of women across the Medical Centres, Pathology and Imaging business divisions. Women comprise 79% of Primary's full-time, part-time and casual employees. The proportion of women employees throughout the Group, including Senior Executive positions and women on the Board is outlined below.

PRIMARY HEALTH CARE LIMITED	WORKPLACE GENDER PROFILE AS AT 30 JUNE 2012			
	% OF FULL-TIME WOMEN	% OF PART-TIME WOMEN	% OF CASUAL WOMEN	% OF TOTAL EMPLOYEES WOMEN
Directors	0(*)	N/A	N/A	0
Executive Managers	27	N/A	N/A	27
Senior Managers	42	100	N/A	45
Managers	51	90	N/A	53
IT Support	49	75	N/A	50
Senior Health Professionals	22	55	35	36
Scientists	69	85	73	74
Lab Assistants/Technicians	72	80	75	76
Radiology/Ophthalmology Technicians	57	83	65	67
Nursing/Pathology Collectors	91	95	87	92
Dental Nurses	93	100	92	93
Admin & Clerical	81	96	92	89
Couriers	38	49	32	42
Ancillary	56	100	67	67

Note:

* Post 30 June 2012, females comprise 10% of the total number of Directors on Primary's Board.

A copy of the Diversity Policy is available on Primary's website at www.primaryhealthcare.com.au in the Investors' Section under "Corporate Governance". The Policy adopts the ASX Corporate Governance Principles and recommendations published on 30 June 2012 which require Boards of ASX listed entities to approve, monitor and report on diversity at all levels, including Board level and particularly in relation to gender diversity.

Policy on Trading in Primary Securities by Employees and Directors

Primary recognises the importance of establishing and maintaining appropriate compliance standards and procedures to ensure that public confidence in Primary's market integrity is maintained. In accordance with ASX Listing Rule 12.9, Primary's Board adopted a revised Policy on Trading in Primary Securities by Employees and Directors. The Policy is effective from 1 January 2011. It sets out the restrictions and procedures in relation to dealing in any type of Primary securities by employees and Directors, including the prohibition on trading during defined closed periods. The Policy also summarises the law in relation to insider trading.

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

Principle 4: Safeguard integrity in financial reporting

Primary has systems of independent review and authorisation to ensure the integrity of its financial reporting. During the year ended 30 June 2012, Primary formally adopted a new Audit Committee Charter.

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

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

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

The Committee's duties and responsibilities include:

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

Details of the qualifications of the members of the Committee are set out on pages 7 to 9 of this Report. Details of the number of Committee meetings held during the year and members' attendance at those meetings are set out in the Directors' Report on page 5 of this Report.

The members of the Audit Committee for the year ended 30 June 2012 were:

- Mr B Ball (Chairman);
- Mr R Ferguson;
- Mr J Crawford; and
- Dr Paul Jones (from 1 January 2012).

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

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

Declaration of the Managing Director and Chief Financial Officer

The Managing Director and Chief Financial Officer provide the Board with written confirmation that:

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

The Board has received the above declaration from the Managing Director and Chief Financial Officer for this year.

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

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

Principle 7: Recognise and manage risk

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

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

Risk management

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

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

The members of the Risk Committee for the year ended 30 June 2012 were:

- Dr E Katz (Chairman);
- Mr J Bateman;
- Mr A Duff;
- Dr P Jones; and
- Mr H Bateman

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

The Committee has the following duties and responsibilities:

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

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

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

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

Occupational Health, Safety & Environment (OHS&E)

The Board is responsible for:

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

Further information about Primary's management of risks to safety is provided in the Directors' Report on page 10.

Principle 8: Remunerate fairly and responsibly

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

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

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

For the year ended 30 June 2012, members of the Committee were:

- Mr Rob Ferguson (Chairman)
- Mr Brian Ball
- Mr John Crawford
- Mr Terence Smith (until 12 June 2012)
- Dr Errol Katz (from 1 January 2012)

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

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

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

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

Particulars concerning Directors' and Senior Executives' remuneration are set out in the Directors' Report on pages 11 to 19 of this Report.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia
DX: 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

25 September 2012

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 review of the financial statements of Primary Health Care Limited for the financial year ended 30 June 2012, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 September 2012



Deloitte Touche Tohmatsu
ABN: 74 490 121 060
The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia
DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows 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 70.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Independent auditor's report to the members of Primary Health Care Limited

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 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in Pages 11 to 19 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 September 2012

Directors' declaration

1. In the opinion of the Directors of Primary Health Care Limited ("Primary") the Directors declare that:
 - (a) there are reasonable grounds to believe that Primary will be able to pay its debts as and when they become due and payable;
 - (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Primary and the Group;
 - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
 - (d) there are reasonable grounds to believe that Primary and the controlled entities identified in note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between Primary and those controlled entities pursuant to ASIC Class Order 98/1418.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

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

On behalf of the Directors.



Edmund Bateman
Director

25 September 2012

Income statement for the year ended 30 June 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Revenue	3	1,392,067	1,322,094
Share of net profits of associates accounted for using the equity method		–	202
Employee benefits expense	4	588,035	572,149
Property expenses	5	167,863	158,430
Consumables		135,614	133,517
Other expenses		149,496	130,249
EBITDA		351,059	327,951
Depreciation	11	62,191	60,968
Amortisation	13	23,675	21,228
EBIT		265,193	245,755
Interest expense		82,049	87,875
Amortisation of borrowing costs		14,709	9,210
Non-recurring items	6	–	34,700
Profit before tax		168,435	113,970
Income tax expense	8(a)	49,493	34,207
Profit for the year		118,942	79,763
Attributable to:			
Equity holders of Primary Health Care Limited	22	116,615	78,285
Non-controlling interest		2,327	1,478
Profit for the year		118,942	79,763
EARNINGS PER SHARE (CONSOLIDATED)			
	NOTE	2012 CENTS PER SHARE	2011 CENTS PER SHARE
Basic and diluted earnings per share	22	23.3	15.8

Statement of comprehensive income for the year ended 30 June 2012

	CONSOLIDATED	
	2012 \$000	2011 \$000
Profit for the year	118,942	79,763
Other comprehensive income		
Fair value (loss) on cash flow hedges	(21,099)	–
Fair value gain (loss) on available-for-sale investments	2,403	(1,919)
Exchange differences arising on translation of foreign operations	1,406	(699)
Income tax benefit relating to components of other comprehensive income	5,609	576
Other comprehensive (loss) for the year	(11,681)	(2,042)
Total comprehensive income for the year	107,261	77,721
Attributable to:		
Equity holders of Primary Health Care Limited	104,934	76,243
Non-controlling interest	2,327	1,478
	107,261	77,721

Balance sheet as at 30 June 2012

	NOTE	CONSOLIDATED	
		2012 \$000	2011 \$000
Current assets			
Cash	32(a)	10,432	43,252
Receivables	10(a)	158,645	156,701
Consumables		26,075	25,611
Other financial assets	14(a)	4,574	798
Income tax receivable	8(c)	1,301	–
Total current assets		201,027	226,362
Non-current assets			
Receivables	10(b)	2,853	1,957
Property, plant and equipment	11	405,136	397,880
Goodwill	12	3,138,713	3,081,598
Other intangible assets	13	94,023	82,372
Other financial assets	14(b)	1,346	1,168
Deferred tax asset	8(b)	18,849	34,317
Total non-current assets		3,660,920	3,599,292
Total assets		3,861,947	3,825,654
Current liabilities			
Payables	15(a)	119,807	122,503
Tax liabilities	8(d)	–	2,220
Provisions	16(a)	61,642	66,828
Other financial liabilities	17	10,966	–
Interest bearing liabilities	19(a)	3,804	3,754
Total current liabilities		196,219	195,305
Non-current liabilities			
Payables	15(b)	4,873	4,258
Provisions	16(b)	5,618	7,871
Other financial liabilities	17	10,296	–
Interest bearing liabilities	19(b)	1,071,828	1,113,831
Total non-current liabilities		1,092,615	1,125,960
Total liabilities		1,288,834	1,321,265
Net assets		2,573,113	2,504,389
Equity			
Issued capital	21	2,349,364	2,337,758
Reserves	23	(3,529)	7,380
Retained earnings	24	221,951	154,251
Equity attributable to equity holders		2,567,786	2,499,389
Non-controlling interest	25	5,327	5,000
Total equity		2,573,113	2,504,389

Statement of changes in equity for the year ended 30 June 2012

CONSOLIDATED	ISSUED CAPITAL \$000	AVAILABLE FOR SALE REVAL- UATION RESERVE \$000	CASH FLOW HEDGE RESERVE \$000	FOREIGN CURRENCY TRAN- SLATION RESERVE \$000	SHARE -BASED PAYMENTS RESERVE \$000	RETAINED EARNINGS \$000	ATTRIBUT- ABLE TO OWNERS OF THE PARENT \$000	NON- CONTROL- LING INTEREST \$000	TOTAL \$000
Balance at 1 July 2011	2,337,758	(1,072)	–	(360)	8,812	154,251	2,499,389	5,000	2,504,389
Profit for the year	–	–	–	–	–	116,615	116,615	2,327	118,942
Exchange differences arising on translation of foreign operations	–	–	–	1,406	–	–	1,406	–	1,406
Fair value gain on available for sale investments	–	2,403	–	–	–	–	2,403	–	2,403
Fair value (loss) on cash flow hedges	–	–	(21,099)	–	–	–	(21,099)	–	(21,099)
Income tax relating to components of other comprehensive income	–	(721)	6,330	–	–	–	5,609	–	5,609
Total comprehensive income	–	1,682	(14,769)	1,406	–	116,615	104,934	2,327	107,261
Payment of dividends	–	–	–	–	–	(48,915)	(48,915)	(2,000)	(50,915)
Share-based payment	–	–	–	–	884	–	884	–	884
Movement in share capital (Note 21)	11,606	–	–	–	(112)	–	11,494	–	11,494
Balance at 30 June 2012	2,349,364	610	(14,769)	1,046	9,584	221,951	2,567,786	5,327	2,573,113
Balance at 1 July 2010	2,318,578	271	–	339	7,760	138,867	2,465,815	4,422	2,470,237
Profit for the year	–	–	–	–	–	78,285	78,285	1,478	79,763
Exchange differences arising on translation of foreign operations	–	–	–	(699)	–	–	(699)	–	(699)
Fair value (loss) on available for sale investments	–	(1,919)	–	–	–	–	(1,919)	–	(1,919)
Income tax relating to components of other comprehensive income	–	576	–	–	–	–	576	–	576
Total comprehensive income	–	(1,343)	–	(699)	–	78,285	76,243	1,478	77,721
Payment of dividends	–	–	–	–	–	(62,901)	(62,901)	(900)	(63,801)
Share-based payment	–	–	–	–	1,288	–	1,288	–	1,288
Movement in share capital (Note 21)	19,180	–	–	–	(236)	–	18,944	–	18,944
Balance at 30 June 2011	2,337,758	(1,072)	–	(360)	8,812	154,251	2,499,389	5,000	2,504,389

Statement of changes in equity for the year ended 30 June 2012

DIVIDENDS (CONSOLIDATED)	2012 CENTS PER SHARE	2011 CENTS PER SHARE	2012 \$000	2011 \$000
Recognised amounts				
Final dividend – previous financial year	5.0	10.0	24,873	48,376
Interim dividend – this financial year	5.0	3.0	25,020	14,850
Dividend forgone under the Bonus Share Plan	–	–	(978)	(325)
	10.0	13.0	48,915	62,901
Unrecognised amounts				
Final dividend – this year	6.0	5.0		

All dividends paid were 100% franked at the corporate income tax rate (2012: 30%; 2011: 30%). The record date for determining entitlement to the final dividend is 21 September 2012. The final dividend is payable on 8 October 2012. 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 21 September 2012.

The Directors have determined that the DRP and BSP will operate at a nil discount (30 June 2011: 1% 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 2012

	NOTE	CONSOLIDATED	
		2012 \$000	2011 \$000
Cash flows from operating activities			
Receipts from customers		1,439,905	1,356,098
Payments to suppliers and employees		(1,087,464)	(1,076,432)
Interest and other costs of finance paid		(91,480)	(80,713)
Net income tax paid		(26,096)	(24,727)
Payments against restructuring provision		(7,347)	(16,804)
Interest received		726	1,275
Dividends received		461	1,715
Net cash provided by operating activities	32(b)	228,705	160,412
Cash flows from investing activities			
Payment for property plant and equipment		(79,315)	(99,099)
Payment for businesses purchased	32(e)	(66,014)	(84,912)
Payments for subsidiaries	32(e)	(1,000)	(1,538)
Payment for other intangibles		(26,186)	(20,370)
Payment for investments		(2,270)	(2,439)
Proceeds from the sale of property plant and equipment		1,801	10,485
Proceeds from the sale of investments		176	1,223
Net cash (used in) investing activities		(172,808)	(196,650)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		(176,726)	(159,821)
Proceeds from borrowings		136,000	266,273
Dividends paid		(37,628)	(45,248)
Payment for debt issue costs		(10,600)	(7,545)
Proceeds from issues of shares		230	411
Payments for share issue costs		(23)	(312)
Net cash (used in) provided by financing activities		(88,747)	53,758
Net (decrease) increase in cash held		(32,850)	17,520
Cash at the beginning of the year		43,252	25,812
Effect of exchange rate movements on cash held in foreign currencies		30	(80)
Cash at the end of the year	32(a)	10,432	43,252

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Primary Health Care Limited ("Primary") is domiciled in Australia. The consolidated financial statements of Primary for the financial year ended 30 June 2012 comprises Primary and its subsidiaries (together referred to as ("the consolidated entity") or ("the Group")) and the consolidated entity's interest in associated and jointly controlled entities.

Statement of compliance

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

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

The financial statements were authorised for issue by the Directors on 25 September 2012.

Adoption of new and revised standards

Standards affecting presentation and disclosure of items within the financial statements

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Early adoption of Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2012 but are available for early adoption. The reported results and position of the Group is not expected to materially change on adoption of these pronouncements as they do not result in any changes to the Group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

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

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

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

(a) Basis of consolidation

Subsidiaries

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

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

Associated entities

Associates are entities over which the consolidated entity has significant influence, but not control, over the financial and operating policies of the entity. The consolidated entity's share of the total recognised gains and losses of associates is included in the consolidated financial statements on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the consolidated entity's share of the losses exceeds its interest in the associate, the consolidated entity's carrying amount of the associate investment is reduced to nil and no further losses are recognised unless the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to "investment in associates" and "share of net profits of associates". Unrealised losses are eliminated in the same way as unrealised gains.

Jointly controlled entities

Jointly controlled entities are those entities over whose activities the consolidated entity has joint control, established by a contractual agreement, including partnerships. The consolidated entity's share of the jointly controlled entity's 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 jointly controlled entities 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 financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

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

(c) Foreign currency

Foreign currency transactions

Foreign currency transactions are translated to functional currency at the foreign exchange rate ruling at the transaction dates. At balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on that date. Exchange differences arising on retranslation are brought to account as exchange gains or losses in the income statement in the period in which the exchange rates change. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at exchange rates ruling at the date the fair value was determined. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are not retranslated.

Foreign statements of foreign operations

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

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

(d) Revenue recognition

Rendering of health related services

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

Government grants

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

Software revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend and interest revenue

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

Rental income

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

(e) Share-based payments

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

(f) Finance costs

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

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

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

(g) Income tax

Current tax

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

Deferred tax

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Consumables

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

(j) Financial assets

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

Receivables

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

Other Investments

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

Other financial assets

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

(k) Property, plant and equipment

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

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

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

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

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

(l) Leased assets

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

Group entity as lessor

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

Group entity as lessee

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

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

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

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

(m) Goodwill

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	3–10 years
– Operating rights and licences	3–15 years
– Computer software	3–10 years

(o) Useful lives

The useful life of property, plant and equipment and other intangibles are reviewed at least annually and, where changed, 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 and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at 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.

(s) Interest-bearing liabilities

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

(t) Provisions

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

Refer Note 16(d) for further analysis.

(u) Financial instruments issued by Primary

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

(v) Derivatives

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

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

Cash flow hedges

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

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

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

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

2. SEGMENT INFORMATION

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 who conduct their own practices and businesses at its medical centres.

Pathology – This division provides pathology services.

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

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

Inter-segment sales

All inter-segment sales are eliminated on consolidation.

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

Health Technology – This division charges all other Operating Segments a fee for IT research, development and support on behalf of the individual Operating Segment as appropriate.

2012	MEDICAL CENTRES \$000	PATHOLOGY \$000	IMAGING \$000	HEALTH TECHNOLOGY \$000	OTHER \$000	TOTAL \$000
Revenue	289,969	785,413	307,926	48,672	1,159	1,433,139
Intersegment sales	(28,283)	–	–	(12,789)	–	(41,072)
Total Revenue	261,686	785,413	307,926	35,883	1,159	1,392,067
EBITDA	160,020	132,427	59,354	19,870	(20,612)	351,059
Depreciation	16,328	14,904	29,074	1,215	670	62,191
Amortisation	6,589	5,563	3,034	7,905	584	23,675
EBIT	137,103	111,960	27,246	10,750	(21,866)	265,193
Interest expense						82,049
Amortisation of borrowing costs						14,709
Profit before tax						168,435
Goodwill	1,165,699	1,545,813	362,110	65,091	–	3,138,713
Segment assets excl. goodwill	246,196	197,664	174,646	42,474	62,254	723,234
Consolidated assets	1,411,895	1,744,477	536,756	107,565	62,254	3,861,947
Consolidated liabilities	25,585	107,072	46,235	24,065	1,085,877	1,288,834

2011	MEDICAL CENTRES \$000	PATHOLOGY \$000	IMAGING \$000	HEALTH TECHNOLOGY \$000	OTHER \$000	TOTAL \$000
Revenue	274,643	740,052	285,026	48,896	12,406	1,361,023
Intersegment sales	(25,770)	–	–	(12,957)	–	(38,727)
Revenue including share of associates	248,873	740,052	285,026	35,939	12,406	1,322,296
EBITDA	150,353	118,639	43,387	19,526	(3,954)	327,951
Depreciation	16,234	15,221	26,822	531	2,160	60,968
Amortisation	6,296	4,210	3,052	6,660	1,010	21,228
EBIT	127,823	99,208	13,513	12,335	(7,124)	245,755
Interest expense						87,875
Amortisation of borrowing costs						9,210
Non-recurring items	12,331	7,093	9,608	88	5,580	34,700
Profit before tax						113,970
Goodwill	1,115,987	1,545,813	354,707	65,091	–	3,081,598
Segment assets excl. goodwill	242,085	179,638	178,836	41,010	102,487	744,056
Consolidated assets	1,358,072	1,725,451	533,543	106,101	102,487	3,825,654
Consolidated liabilities	18,766	94,256	30,012	4,359	1,173,872	1,321,265

3. REVENUE

	CONSOLIDATED	
	2012 \$000	2011 \$000
Trading revenue	1,390,880	1,308,980
Other revenue		
Interest:		
Other entities	726	1,275
Dividends:		
Liquidation distribution received	461	1,715
Other entities	–	10
Net proceeds from litigation	–	9,376
Profit on sale of available-for-sale financial assets	–	738
	1,392,067	1,322,094

4. EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED	
	2012 \$000	2011 \$000
Salaries and wages	471,318	458,428
Superannuation contributions	40,911	39,974
Other statutory employer obligations	74,921	72,459
Share-based payments	885	1,288
	588,035	572,149

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	
	2012 \$000	2011 \$000
Operating leases	132,762	126,687
Other property expenses	35,101	31,743
	167,863	158,430

6. NON RECURRING ITEMS

	CONSOLIDATED	
	2012 \$000	2011 \$000
Lease tails and make good of closed sites	–	14,700
Redundancies and related costs	–	9,400
Assets written off at closed sites	–	6,700
Legal and other costs	–	3,900
	–	34,700

Non-recurring items in the prior year all related to one off restructuring costs.

7. SHARE-BASED PAYMENTS

(a) Overview

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

During the 2003 financial year, Primary introduced an Employee Option Plan to formalise the issue of options to employees. Under this Plan, at the discretion of the Board, Primary may grant (without payment) share options to key long-term employees, including executives, allowing them to participate in the future growth of Primary. Each option is convertible into one ordinary share of Primary on payment of the exercise price during the two years following the vesting date, which is generally three years after the option is granted. The exercise price is the weighted average market price for the five days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. Primary does not provide any loans or guarantees to enable employees to finance the exercise of their options. Options lapse if the employee ceases to be employed by the Group.

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

A summary of options issued is set out on the following pages. Issues 7 to 17 have been issued to employees and issues 101 to 115 have been issued to independent contractors.

(b) Expenses arising from share-based payment transactions

No options were issued during the financial year (30 June 2011: nil).

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

	CONSOLIDATED	
	2012 \$000	2011 \$000
Options issued to employees	145	174
Options issued to independent contractors	740	1,114
	885	1,288

7. SHARE-BASED PAYMENTS (CONTINUED)

(c) Details of option issues

	GRANT DATE	VALUE PER OPTION AT GRANT DATE	EXPIRY DATE	EXERCISE PRICE	EARLIEST DATE EXERCISABLE
Issue 7a	16 Feb 2005	1.51	7 Mar 2012	\$5.35	7 Mar 2010
Issue 12	31 Oct 2006	1.06	29 Sep 2011	\$9.02	29 Sep 2009
Issue 13	1 Jun 2007	1.24	1 Jul 2012	\$9.35	1 July 2010
Issue 15	2 Oct 2009	0.40 – 0.42	1 Oct 2015	\$5.75	2 Oct 2012
Issue 16	2 Oct 2009	0.41 – 0.44	31 Aug 2018	\$5.93	1 Oct 2011
Issue 17	23 Nov 2009	0.42 – 0.45	1 Oct 2015	\$5.93	2 Oct 2012
Issue 101	28 Feb 2003	0.65 – 1.04	30 Dec 2013	\$0.43	23 Feb 2006
Issue 102	25 Jul 2003	0.60 – 1.20	30 Dec 2011	\$1.15	6 Jan 2005
Issue 103	27 Feb 2004	0.58 – 0.92	24 Sep 2012	\$2.10	1 Jul 2005
Issue 104	29 Oct 2004	0.72 – 0.94	2 Dec 2011	\$3.14	1 Oct 2006
Issue 105	11 Apr 2005	1.21 – 1.39	24 Mar 2012	\$5.45	11 Apr 2008
Issue 106	1 Jun 2005	0.97 – 1.36	1 Jun 2014	\$5.18	1 Jun 2007
Issue 107	5 Oct 2005	1.56 – 1.94	1 Nov 2013	\$7.51	2 Oct 2008
Issue 108	13 Feb 2006	1.74	13 Feb 2012	\$8.30	13 Feb 2010
Issue 109	2 May 2006	1.17 – 1.97	2 Jun 2013	\$8.99	6 Jul 2007
Issue 110	31 Oct 2006	1.04 – 1.25	13 Dec 2013	\$9.02	1 Aug 2009
Issue 111	1 Jun 2007	1.10 – 1.39	19 Dec 2012	\$9.35	1 Oct 2009
Issue 112	2 Nov 2007	1.15 – 1.75	6 Dec 2014	\$9.15	1 Nov 2009
Issue 113	2 Oct 2009	0.30 – 0.43	27 Aug 2017	\$5.75	2 Oct 2010
Issue 114	2 Oct 2009	0.38 – 0.44	27 Feb 2019	\$5.93	18 Feb 2012
Issue 115	25 Jan 2010	0.42 – 0.52	29 May 2019	\$6.03	21 Feb 2012

(d) Movement in number of options outstanding

2012	OPENING BALANCE	GRANTED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE	VESTED AND EXERCISABLE AT END OF YEAR
Issue 7a	200,000	–	–	(200,000)	–	–
Issue 12	110,000	–	–	(110,000)	–	–
Issue 13	30,000	–	–	–	30,000	30,000
Issue 15	1,261,000	–	–	(15,000)	1,246,000	–
Issue 16	893,000	–	–	(141,000)	752,000	32,500
Issue 17	675,500	–	–	(50,000)	625,500	–
Issue 101	125,000	–	(70,000)	(55,000)	–	–
Issue 102	–	–	–	–	–	–
Issue 103	–	–	–	–	–	–
Issue 104	323,500	–	(50,000)	(273,500)	–	–
Issue 106	150,000	–	–	–	150,000	50,000
Issue 107	755,000	–	–	(425,000)	330,000	330,000
Issue 108	30,000	–	–	–	30,000	30,000
Issue 109	545,000	–	–	(82,500)	462,500	462,500
Issue 110	562,500	–	–	(100,000)	462,500	462,500
Issue 111	320,000	–	–	(40,000)	280,000	280,000
Issue 112	1,125,000	–	–	(110,000)	1,015,000	437,500
Issue 113	2,315,000	–	–	(470,000)	1,845,000	322,500
Issue 114	5,495,000	–	–	(387,000)	5,108,000	1,345,000
Issue 115	1,425,000	–	–	(342,500)	1,082,500	–
	16,340,500	–	(120,000)	(2,801,500)	13,419,000	3,782,500
Weighted average exercise price	\$5.86	N/A	\$1.56	\$5.49	\$5.98	\$7.47

7. SHARE-BASED PAYMENTS (CONTINUED)

2011	OPENING BALANCE	GRANTED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	CLOSING BALANCE	VESTED AND EXERCISABLE AT END OF YEAR
Issue 7a	200,000	–	–	–	200,000	200,000
Issue 10	100,000	–	–	(100,000)	–	–
Issue 12	110,000	–	–	–	110,000	110,000
Issue 13	30,000	–	–	–	30,000	–
Issue 15	1,361,000	–	–	(100,000)	1,261,000	–
Issue 16	1,003,000	–	–	(110,000)	893,000	–
Issue 17	715,500	–	–	(40,000)	675,500	–
Issue 101	242,000	–	(117,000)	–	125,000	55,000
Issue 102	10,000	–	(10,000)	–	–	–
Issue 103	211,000	–	(136,000)	(75,000)	–	–
Issue 104	433,500	–	–	(110,000)	323,500	323,500
Issue 106	150,000	–	–	–	150,000	100,000
Issue 107	812,500	–	–	(57,500)	755,000	730,000
Issue 108	30,000	–	–	–	30,000	30,000
Issue 109	575,000	–	–	(30,000)	545,000	545,000
Issue 110	617,500	–	–	(55,000)	562,500	135,000
Issue 111	320,000	–	–	–	320,000	320,000
Issue 112	1,390,000	–	–	(265,000)	1,125,000	125,000
Issue 113	2,635,000	–	–	(320,000)	2,315,000	100,000
Issue 114	5,520,000	–	–	(25,000)	5,495,000	–
Issue 115	1,615,000	–	–	(190,000)	1,425,000	–
	18,081,000	–	(263,000)	(1,477,500)	16,340,500	2,773,500
Weighted average exercise price	\$5.78	N/A	\$1.32	\$5.69	\$5.86	\$7.28

8. TAX BALANCES

(a) Income tax expense

	CONSOLIDATED	
	2012 \$000	2011 \$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	168,435	113,970
Income tax calculated at 30% (2011: 30%)	50,531	34,191
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Acquisition-related costs	1,231	1,097
Share-based payments expense	265	387
Research and development allowance	(105)	(627)
Other	(64)	98
	51,858	35,146
(Over) provision in prior years	(2,365)	(939)
Income tax expense	49,493	34,207
Comprising:		
Current tax	39,609	28,489
Deferred tax	12,249	6,657
(Over) provision in prior years	(2,365)	(939)
	49,493	34,207

(b) Reconciliation of deferred tax balances

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

8. TAX BALANCES (CONTINUED)

2011	1 JULY 2010 OPENING BALANCE	ACQUIRED/ (DISPOSED)	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2011 CLOSING BALANCE
Receivables	(5,595)	–	1,515	–	(4,080)
Consumables	(7,256)	–	(106)	–	(7,362)
Prepayments	(304)	–	141	–	(163)
Available-for-sale financial assets	1,058	–	2	576	1,636
Property, plant and equipment	8,040	–	(2,480)	–	5,560
Intangibles	2,191	–	942	–	3,133
Capitalised costs	(6,624)	–	(1,658)	–	(8,282)
Payables	3,129	–	102	–	3,231
Provisions	21,017	–	372	–	21,389
Lease liabilities	–	–	779	–	779
Amortisation of share issue expenses	12,427	–	(6,266)	–	6,161
Net temporary differences	28,083	–	(6,657)	576	22,002
Tax losses – revenue	13,111	–	(796)	–	12,315
Deferred tax asset	41,194	–	(7,453)	576	34,317

(c) Current tax balances

	NOTE	CONSOLIDATED	
		2012 \$000	2011 \$000
Income tax receivable/(payable) is attributable to:			
Entities in the Tax Consolidated Group		1,500	–
Other		(199)	–
		1,301	–

(d) Other current tax liabilities

	NOTE	CONSOLIDATED	
		2012 \$000	2011 \$000
Franking deficit tax payable	26	–	2,220

As at 30 June 2011, the consolidated franking account of the Group had a franking deficit of \$2,220,407, which was paid to the Australian Taxation Office as a franking deficit tax ('FDT') during the financial year.

The FDT was not imposed as a tax penalty. It was a payment required to make good the excess franking credits utilised on the fully franked dividend distributions made during the year and was offset against the tax liability of the Tax Consolidated Group during the financial year.

(e) Tax consolidation legislation

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

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

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

9. REMUNERATION OF AUDITOR

	CONSOLIDATED	
	2012 \$	2011 \$
Auditing the financial report	890,000	850,000
Other services:		
Tax consulting	118,975	184,500
Advisory services	314,000	144,000
	1,322,975	1,178,500

10. RECEIVABLES

	CONSOLIDATED	
	2012 \$000	2011 \$000
Measured at amortised cost		
(a) Current		
Trade receivables	90,055	93,841
Allowance for doubtful debts	(3,909)	(4,400)
	86,146	89,441
Other receivables and prepayments	72,499	67,260
	158,645	156,701
(b) Non-current		
Other	2,853	1,957
	2,853	1,957
(c) Ageing of trade receivables		
Current	56,237	51,472
30–60 days	14,986	12,751
60–90 days	5,495	5,202
90 days +	13,337	24,416
	90,055	93,841
The ageing of trade receivables is as follows: current \$56.2m (30 June 2011: \$51.5m); past due \$33.3m (30 June 2011: \$42.3m) of which \$29.4m has not been impaired (30 June 2011: \$38.0m). '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	4,400	6,125
Provision for the year	3,070	2,968
Doubtful debts (recovered/written off) during the year	(3,561)	(4,693)
	3,909	4,400

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 32(d)), the Group has pledged \$90.1m of receivables as security over this liability (30 June 2011: \$93.8m). The amount pledged has decreased from 30 June 2011 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 31.

11. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

	FREEHOLD LAND AND BUILDINGS \$000	ASSETS UNDER CONSTRUCTION \$000	LEASEHOLD IMPROVEMENTS \$000	PLANT AND EQUIPMENT \$000	TOTAL \$000
2012					
Net book value					
Opening balance	3,273	24,699	183,534	186,374	397,880
Additions	846	37,923	1,808	38,737	79,315
Capitalised borrowing costs	–	–	2,176	–	2,176
Transfers (note 13)	–	(33,397)	13,750	9,949	(9,698)
Disposals	–	–	(2,296)	(49)	(2,345)
Depreciation expense	(40)	–	(17,169)	(44,982)	(62,191)
Closing balance	4,079	29,225	181,803	190,029	405,136
Cost					
Cost	4,897	29,225	269,859	483,351	787,332
Accumulated depreciation	(818)	–	(88,056)	(293,176)	(382,050)
Impairment provision	–	–	–	(146)	(146)
Closing balance	4,079	29,225	181,803	190,029	405,136

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 6.5% (30 June 2011: 8.0%).

	FREEHOLD LAND AND BUILDINGS \$000	ASSETS UNDER CONSTRUCTION \$000	LEASEHOLD IMPROVEMENTS \$000	PLANT AND EQUIPMENT \$000	TOTAL \$000
2011					
Net book value					
Opening balance	7,305	20,964	163,324	176,133	367,726
Additions	–	58,027	2,827	43,761	104,615
Capitalised borrowing costs	–	–	2,219	–	2,219
Transfers (note 13)	–	(54,292)	30,999	15,707	(7,586)
Impairment provision utilised	–	–	–	15	15
Disposals	(3,941)	–	(853)	(3,347)	(8,141)
Depreciation expense	(91)	–	(14,982)	(45,895)	(60,968)
Closing balance	3,273	24,699	183,534	186,374	397,880
Cost					
Cost	4,051	24,699	254,421	434,712	717,883
Accumulated depreciation	(778)	–	(70,887)	(248,192)	(319,857)
Impairment provision	–	–	–	(146)	(146)
Closing balance	3,273	24,699	183,534	186,374	397,880

12. GOODWILL

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Carrying value		
Opening balance	3,081,598	2,999,778
Acquisition of businesses	57,115	77,639
Acquisition of subsidiaries	–	4,181
Closing balance	3,138,713	3,081,598
(b) Impairment tests		
Goodwill is allocated to the Group's cash-generating units (CGUs) by individual Operating Segment as follows:		
Medical Centres	1,165,699	1,115,987
Pathology	1,545,813	1,545,813
Imaging	362,110	354,707
Health Technology	65,091	65,091
	3,138,713	3,081,598

The carrying amount of goodwill of each CGU is tested for impairment at each reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the 2013 financial year budget. The key assumptions used in determining value in use for 30 June 2012 are:

ASSUMPTION	HOW DETERMINED
Forecast revenues and expenses	Forecast revenues and expenses has been calculated assuming long-term growth rates as follows: <ul style="list-style-type: none"> – Medical Centres – 4.0% (30 June 2011: 4.0%). – Pathology – 4.4% (30 June 2011: 4.4%). – Imaging – 4.0% (30 June 2011: 4.0%). – Health Technology – 5.0% (30 June 2011: 5.0%).
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 2012, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Ten Year Commonwealth Government Bond Rate	The Ten Year Commonwealth Government Bond Rate as at 30 June 2012 was 3.09% (30 June 2011: 5.21%). The Group has used 4.50% for 30 June 2012 impairment testing purposes (30 June 2011: 5.21%).
Weighted Average Cost of Capital (WACC)	The Group's WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest bearing liabilities over the measurement period, split by CGU as follows: <ul style="list-style-type: none"> – Medical Centres – 12.91% (30 June 2011: 13.67%). – Pathology – 12.55% (30 June 2011: 13.31%). – Imaging – 12.55% (30 June 2011: 13.31%). – Health Technology – 15.70% (30 June 2011: 16.66%).

Other key assumptions used

Based on a five year cash flow projection model, terminal growth rates for each of the CGUs are consistent with long-term growth rates assumed.

Sensitivity analysis

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2012.

13. OTHER INTANGIBLE ASSETS (CONSOLIDATED)

2012	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	CAPITALISED DEVELOPMENT COSTS	OPERATING RIGHTS AND LICENCES	COMPUTER SOFTWARE	TOTAL
	\$000	\$000	\$000	\$000	\$000
Net book value					
Opening balance	16,393	18,864	30,267	16,848	82,372
Additions	–	13,758	9,590	2,838	26,186
Transfer from construction in progress (note 11)	–	156	–	9,542	9,698
Disposals	–	–	–	(558)	(558)
Amortisation expense	(4,896)	(4,068)	(5,232)	(9,479)	(23,675)
Closing balance	11,497	28,710	34,625	19,191	94,023
Cost	46,500	36,891	68,160	62,508	214,059
Accumulated amortisation	(35,003)	(8,181)	(33,535)	(43,317)	(120,036)
Closing Balance	11,497	28,710	34,625	19,191	94,023

2011	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	CAPITALISED DEVELOPMENT COSTS	OPERATING RIGHTS AND LICENCES	COMPUTER SOFTWARE	TOTAL
	\$000	\$000	\$000	\$000	\$000
Net book value					
Opening balance	21,289	11,476	29,974	12,894	75,633
Additions	–	9,207	10,742	432	20,381
Transfer from construction in progress (note 11)	–	–	–	7,586	7,586
Amortisation expense	(4,896)	(1,819)	(10,449)	(4,064)	(21,228)
Closing balance	16,393	18,864	30,267	16,848	82,372
Cost	46,500	22,977	58,570	50,686	178,733
Accumulated amortisation	(30,107)	(4,113)	(28,303)	(33,838)	(96,361)
Closing Balance	16,393	18,864	30,267	16,848	82,372

14. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2012 \$000	2011 \$000
Measured at fair value		
(a) Current		
Shares quoted on Australian Securities Exchange (“ASX”)	4,574	798
(b) Non-current		
Other investments	1,278	1,168
Other	68	–
	1,346	1,168

15. PAYABLES

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Current		
Trade payables and accruals	91,040	78,825
Payables and accruals relating to acquisitions	9,540	17,816
Accrued interest	6,780	15,912
Deferred revenue	12,447	9,950
	119,807	122,503
(b) Non-current		
Trade payables and accruals	1,889	652
Payables and accruals relating to acquisitions	2,983	3,606
	4,873	4,258

16. PROVISIONS

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Current		
Provision for employee benefits (note 18(a))	58,295	54,586
Self-insurance provision	3,082	4,630
Restructuring and onerous contract provision	265	7,612
	61,642	66,828
(b) Non-current		
Provision for employee benefits (note 18(a))	3,115	5,485
Self-insurance provision	2,503	2,386
	5,618	7,871

During the year the Group has reclassified all long service leave provisions for employees with greater than ten years service from non-current to current liabilities, including comparatives.

	CONSOLIDATED	
	2012 \$000	2011 \$000
(c) Movements in non employee provisions		
Self-insurance provision		
Opening balance	7,016	8,850
Provisions raised during the year	3,778	3,109
Payments	(5,209)	(4,943)
Closing balance	5,585	7,016
Restructuring and onerous contract provision		
Opening balance	7,612	2,309
Unwinding present value interest cost	–	28
Provisions raised / (written back) during the year	–	22,079
Payments	(7,347)	(16,804)
Closing balance	265	7,612

16. PROVISIONS (CONTINUED)

(d) Nature and purpose of provisions

(i) Employee benefit provisions

Employee benefit provisions include annual leave and long service leave liabilities. The annual leave provision is measured on an undiscounted basis. The long service leave provision is recognised using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

(ii) Self insurance provision

The provision relates primarily to self-insured workers' compensation liabilities under the licensing conditions of the respective state authorities of Victoria, New South Wales, South Australia and Western Australia. The provision for workers' compensation is based upon an estimate of future claims liabilities.

(iii) Restructuring and onerous contract provision

The provision relates to expenditure connected to restructuring the entity's operations.

17. OTHER FINANCIAL LIABILITIES

	CONSOLIDATED	
	2012 \$000	2011 \$000
Current	10,966	–
Non-current	10,296	–
	21,262	–

Other financial liabilities represent the hypothetical cost to the Group as at 30 June 2012 to close out all of the Group's cash flow hedges. The current/non-current classification of the Other financial liability is determined by the maturity dates of the Group's individual cash flow hedges.

The Group does not enter or hold derivative financial instruments for trading purposes.

18. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Provisions		
The aggregate employee benefit and related on-cost liability recognised and included in the financial statements is as follows:		
Provision for employee benefits – current (note 16(a))	58,295	54,586
Provision for employee benefits – non-current (note 16(b))	3,115	5,485
	61,410	60,071
(b) Employee numbers		
Number of employees at end of financial year	10,863	10,671

(c) Superannuation commitments

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.

19. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2012 \$000	2011 \$000
Measured at amortised cost		
(a) Current		
Gross bank loans	2,337	2,141
Finance lease liabilities (note 20(a))	1,467	1,613
	3,804	3,754
(b) Non-current		
Gross bank loans	930,274	973,327
Retail bonds	152,274	152,274
Finance lease liabilities (note 20(a))	1,372	4,115
	1,084,920	1,129,716
Unamortised borrowing costs	(12,092)	(15,885)
	1,071,828	1,113,831

All interest bearing liabilities are secured by mortgages over the Group's freehold land and buildings, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets. A Deed of Cross Guarantee is in place (refer note 30).

20. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
Within one year	1,641	2,253
Later than 1 year but not later than 5 years	1,505	4,036
Minimum future lease payments	3,146	6,289
Less future finance charges	(307)	(561)
Present value of minimum lease payments	2,839	5,728
Included in the financial statements as:		
Current (note 19(a))	1,467	1,613
Non-current (note 19(b))	1,372	4,115
	2,839	5,728
(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	106,238	102,417
Later than 1 year but not later than 5 years	176,868	186,799
Later than 5 years	25,429	27,506
	308,535	316,722
(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	4,286	8,089

20. COMMITMENTS FOR EXPENDITURE (CONTINUED)

(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.

21. ISSUED CAPITAL (COMPANY & CONSOLIDATED)

	2012 NO. OF SHARES 000'S	2011 NO. OF SHARES 000'S	2012 \$000	2011 \$000
Opening balance	497,420	491,366	2,357,623	2,338,443
Exercise of share options	120	313	230	411
Transfer from share-based payments reserve	–	–	112	236
Shares issued via Dividend Reinvestment Plan	3,840	5,416	11,287	18,554
Shares issued via Bonus Share Plan	337	325	–	–
Capital raising/share issue costs, net of tax	–	–	(23)	(21)
Closing balance – Company	501,717	497,420	2,369,229	2,357,623
Reverse acquisition adjustment (1994)			(19,865)	(19,865)
Closing balance – Consolidated			2,349,364	2,337,758

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

22. EARNINGS PER SHARE

	CONSOLIDATED	
EARNINGS	2012 \$000	2011 \$000
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the income statement as follows:		
Profit attributable to equity holders of Primary Health Care Limited	116,615	78,285
WEIGHTED AVERAGE NUMBER OF SHARES	2012 000'S	2011 000'S
The weighted average number of shares used in the calculation of basic earnings per share	499,759	494,991
Potential ordinary shares	21	244
The weighted average number of shares used in the calculation of diluted earnings per share	499,780	495,235

23. RESERVES

	NOTE	CONSOLIDATED	
		2012 \$000	2011 \$000
Cash flow hedge reserve	23(a)	(14,769)	–
Share-based payments reserve	23(b)	9,584	8,812
Available-for-sale revaluation reserve	23(c)	610	(1,072)
Foreign currency translation reserve	23(d)	1,046	(360)
		(3,529)	7,380

(a) Cash flow hedge reserve

The effective portion of any gains or losses on the group's cash flow hedges is recognised in the cash flow hedge reserve.

(b) Share-based payments reserve

The share-based payments reserve arises on the grant of share options to both independent contractors and employees. Amounts are transferred out of the reserve and into issued capital when options are exercised. Further information about share-based payments to both independent contractors and employees is made in note 7 to the financial statements.

(c) Available-for-sale revaluation reserve

The available-for-sale 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.

24. RETAINED EARNINGS

	CONSOLIDATED	
	2012 \$000	2011 \$000
Opening balance	154,251	138,867
Profit attributable to equity holders	116,615	78,285
Dividends paid	(48,915)	(62,901)
Closing balance	221,951	154,251

25. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2012 \$000	2011 \$000
Opening balance	5,000	4,422
Share of profit for the year	2,327	1,478
Dividends paid	(2,000)	(900)
Closing balance	5,327	5,000

26. FRANKING ACCOUNT

	CONSOLIDATED	
	2012 \$000	2011 \$000
Opening deficit (credit) balance as at 1 July	2,220	(5,306)
Tax paid during the financial year	(26,096)	(24,727)
Franking credits attached to dividends paid:		
– Interim 2012	10,721	6,378
– Final 2011	10,661	21,064
Other movements	–	4,811
Closing (credit) deficit balance as at 30 June	(2,494)	2,220

27. RELATED PARTY DISCLOSURES

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

(b) Equity interests in related entities

Details of interests in controlled entities are shown note 29.

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 and the rendering of IT services occurred between entities within the wholly-owned Group at commercial rates.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Equity holdings and transactions

(a) Shareholdings

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

2012	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
R Ferguson	190,800	–	–	190,800
B Ball	87,000	–	–	87,000
EG Bateman	35,061,405	–	1,149,562	36,210,967
JD Crawford	79,711	–	2,777	82,488
P Jones	10,000	–	4,200	14,200
H Bateman	129,484	–	326	129,810
J Bateman	90,936	–	(27,000)	63,936
A Duff	25,770	–	22,000	47,720
J Frost	11,169	–	389	11,558

2011	OPENING BALANCE	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
R Ferguson	190,800	–	–	190,800
B Ball	87,000	–	–	87,000
EG Bateman	33,275,985	–	1,785,420	35,061,405
MJ Christie	3,592,488	–	–	3,592,488
JD Crawford	76,772	–	2,939	79,711
S Higgs	606,278	–	–	606,278
P Jones	10,000	–	–	10,000
H Bateman	151,133	–	(21,649)	129,484
J Bateman	132,436	–	(94,500)	37,936
A Duff	4,620	–	21,150	25,770
J Frost	10,757	–	412	11,169
M Bardsley	10,886	–	–	10,886

(b) Key management personnel compensation

The key management personnel compensation included in Employee Benefits expense (refer Income Statement) is as follows:

	CONSOLIDATED	
	2012 \$000	2011 \$000
Short-term employee benefits	4,569	4,031
Post-employment benefits	170	169
Share-based payments	–	–
	4,739	4,200

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.

29. 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	
		2012 %	2011 %
Primary Health Care Limited	Australia		
Idameneo (No. 123) Pty Ltd	Australia	100	100
Artlu Unit Trust	Australia	100	100
Digital Diagnostic Imaging Pty Ltd (a)	Australia	100	72
Austrials Pty Ltd	Australia	100	100
John R Elder Pty Ltd	Australia	100	100
Idameneo (No. 124) Pty Ltd	Australia	100	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 (b)	Australia	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
Saftsals Pty Ltd	Australia	100	100
Aksertel Pty Ltd	Australia	100	100
Onosas Pty Ltd	Australia	100	100
MGSF Pty Ltd	Australia	100	100
PSCP Holdings Pty Ltd	Australia	100	100
Wellness Holdings Pty Ltd	Australia	100	100
PHC Healthcare Holdings Pty Ltd	Australia	100	100
PHC Medical Centre Holdings Pty Ltd	Australia	100	100
Sidameneo (No. 456) Pty Ltd	Australia	100	100
Larches Pty Ltd	Australia	100	100
Kelldale Pty Ltd	Australia	100	100
Pacific Medical Centres Pty Ltd	Australia	100	100
PHC Pathology Holdings Pty Ltd	Australia	100	100
Symbion Pathology (India) Private Limited	India	100	100
AME Medical Services Pty Ltd	Australia	100	100
Gippsland Pathology Service Pty Ltd	Australia	100	100
Jandale Pty Ltd	Australia	100	100
Integrated Health Care Pty Ltd	Australia	100	100
Queensland Specialist Services Pty Ltd	Australia	100	100
PHC Pathology Holdings Asia Pty Ltd	Australia	100	100
Specialist Diagnostic Services Pty Limited	Australia	100	100
Queensland Medical Services Pty Ltd	Australia	100	100
PHC Diagnostic Imaging Holdings Pty Ltd	Australia	100	100
Norcoray Pty Ltd	Australia	50	50
Norcoray Unit Trust (c)	Australia	50	50
North Coast Nuclear Medicine (QLD) Pty Ltd	Australia	77	77
Orana Services Pty Ltd	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

29. SUBSIDIARIES (CONTINUED)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
		2012 %	2011 %
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) The Group purchased the remaining 28% of equity in Digital Diagnostic Imaging Pty Ltd on 1 July 2011 (equity holding effective 1 July 2011: 100%)
- b) Incorporated during the financial year
- c) These Australian controlled entities are required to prepare audited financial reports.
- d) All entities are domiciled in their country of incorporation. No controlled entities carry on material business operations other than in their country of incorporation.
- e) Other than the controlled entities referred to in c) above, no other Australian controlled entities are required to prepare financial reports or to be audited for statutory purposes. These entities have obtained relief from these requirements because;
 - They have entered into a Deed of Cross Guarantee (refer note 30); or
 - They are small proprietary companies; or
 - Their trust deeds do not specify these requirements.

30. 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

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 2012, 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

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 2012 are materially consistent with the Group's consolidated Income Statement and consolidated Balance Sheet disclosed elsewhere in this financial report.

31. FINANCIAL RISK MANAGEMENT

(a) 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 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.

(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).

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

SEGMENT	CONSOLIDATED	
	2012 \$000	2011 \$000
Pathology	60,253	50,074
Imaging	18,269	18,760
Medical Centres	10,097	10,645
Health Technology	1,414	14,344
Corporate	22	18
	90,055	93,841

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 10.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2012	CONTRACTUAL CASH FLOWS				
	CARRYING AMOUNT \$000	TOTAL \$000	LESS THAN 1 YEAR \$000	1 TO 5 YEARS \$000	> 5 YEARS \$000
Consolidated					
Gross bank loan	932,611	1,023,540	60,620	962,920	—
Retail bonds	152,274	191,274	12,000	179,274	—
Accrued interest	6,780	6,780	6,780	—	—
Finance lease liabilities	2,839	3,146	1,641	1,505	—
Trade payables and accruals	92,929	92,929	91,040	1,889	—
Payables relating to acquisitions	12,523	12,523	9,540	2,983	—
	1,199,956	1,330,192	181,621	1,148,571	—

The repayment of contractual cash flows due in the period less than one year from 30 June 2012 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2012: \$90.1m).

2011	CONTRACTUAL CASH FLOWS				
	CARRYING AMOUNT \$000	TOTAL \$000	LESS THAN 1 YEAR \$000	1 TO 5 YEARS \$000	> 5 YEARS \$000
Consolidated					
Gross bank loan	975,468	1,093,892	77,647	1,014,292	1,953
Retail bonds	152,274	215,274	14,000	201,274	—
Accrued interest	15,912	15,912	15,912	—	—
Finance lease liabilities	5,728	6,289	2,253	4,036	—
Trade payables and accruals	79,477	79,477	78,825	652	—
Payables relating to acquisitions	21,422	21,422	17,816	3,606	—
	1,250,281	1,432,266	206,453	1,223,860	1,953

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. When considered appropriate, the risk is managed by the Group by the use of interest rate swap contracts.

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

2012	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$000	FIXED INTEREST RATE			NON INTEREST BEARING \$000	TOTAL \$000
			LESS THAN 1 YEAR \$000	1 TO 5 YEARS \$000	> 5 YEARS \$000		
Consolidated							
Financial assets							
Cash	3.20	10,432	–	–	–	–	10,432
Receivables	–	–	–	–	–	161,498	161,498
Investments	–	–	–	–	–	5,920	5,920
Financial liabilities							
Payables	–	–	–	–	–	(129,332)	(129,332)
Finance leases	8.20	–	(1,467)	(1,372)	–	–	(2,839)
Gross bank loan	6.45	–	(2,337)	(930,274)	–	–	(932,611)
Retail bonds	7.53	(152,274)	–	–	–	–	(152,274)
		(141,842)	(3,804)	(931,646)	–	37,018	(1,040,274)

The following table details the Group's exposure to interest rate risk as at 30 June 2011.

2011	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$000	FIXED INTEREST RATE			NON INTEREST BEARING \$000	TOTAL \$000
			LESS THAN 1 YEAR \$000	1 TO 5 YEARS \$000	> 5 YEARS \$000		
Consolidated							
Financial assets							
Cash	4.55	43,252	–	–	–	–	43,252
Receivables	–	–	–	–	–	158,658	158,658
Investments	–	–	–	–	–	1,966	1,966
Financial liabilities							
Payables	–	–	–	–	–	(126,761)	(126,761)
Finance leases	11.81	–	(1,613)	(4,115)	–	–	(5,728)
Gross bank loan	7.96	(956,775)	(3,348)	(13,392)	(1,953)	–	(975,468)
Retail bonds	8.96	(152,274)	–	–	–	–	(152,274)
		(1,065,797)	(4,961)	(17,507)	(1,953)	33,863	(1,056,358)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (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 2012, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on profit and loss would have been as follows:

	PROFIT (LOSS)	
	50BP INCREASE \$000	50BP DECREASE \$000
Consolidated		
30 June 2012 – variable rate instruments	(2,845)	2,845
30 June 2011 – variable rate instruments	(5,632)	5,632

(e) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values. The following financial assets are remeasured at fair value at reporting date on the following basis:

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.

(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 maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the interest bearing liabilities disclosed in note 19, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 23 and 24. The Group's policy is to borrow centrally using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

32. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED	
	2012 \$000	2011 \$000
(a) Reconciliation of cash		
For the purposes of the cash flow statement includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash	10,432	43,252
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	116,615	78,285
Depreciation of plant and equipment	62,191	60,968
Amortisation of intangibles	23,675	21,228
Net (profit) loss on sale of property plant and equipment	333	(4,249)
Share of net profit of associates	–	(202)
(Profit) on sale of investments	–	(785)
Non-controlling interest	2,327	1,478
Increase (decrease) in:		
Trade payables and accruals	4,270	(1,912)
Provisions	(7,439)	(3,538)
Deferred revenue	2,497	(4,474)
Tax balances	11,947	11,864
Share option reserve	884	1,288
Decrease (increase) in:		
Consumables	(464)	(1,307)
Receivables and prepayments	(2,840)	(7,442)
Deferred borrowing costs	14,709	9,210
Net cash provided by operating activities	228,705	160,412

(c) Non cash investing and financing

During the financial year 3,840,301 (2011: 5,415,730) and 337,210 (2011: 325,116) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	CONSOLIDATED	
	2012 \$000	2011 \$000
(d) Financing facilities		
Current		
Secured Loan facility		
Amount used	2,337	2,141
Amount unused	–	–
Non Current		
Secured Syndicated Debt facilities		
Amount used	920,000	885,726
Amount unused	–	38,137
Secured Bilateral multi-option facility		
Amount used	–	75,000
Amount unused	100,000	–
Secured Loan facility		
Amount used	10,274	12,601
Amount unused	7,482	5,350

On 21 October 2011 Primary completed financial close on the refinancing of the Group's syndicated bank debt facility, which was due to mature in December 2012.

The \$1.02bn refinancing provides an extended bank debt maturity profile for Primary as follows:

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

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

(e) Businesses and subsidiaries acquired

(i) Health-related practices

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

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

(ii) Summary

	CONSOLIDATED	
	2012 \$000	2011 \$000
THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:		
Fair value of identifiable net assets acquired		
Health related practices	–	792
Goodwill		
Health-related practices	57,115	77,639
	57,115	77,639
Consideration – cash paid to acquire businesses		
Health-related practices	57,115	78,431
Controlled entities	1,000	1,538
Decrease in payables relating to acquisitions	8,899	6,481
	67,014	86,550
Cash paid for acquisitions	67,014	86,550
Less cash acquired	–	–
Net payments for the purchase of businesses	67,014	86,550

33. SUBSEQUENT EVENTS

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.

34. CONTINGENT LIABILITIES

	CONSOLIDATED	
	2012 \$000	2011 \$000
Treasury bank guarantees		
Statutory requirement	17,897	17,897
Other	6,548	5,011
	24,445	22,908

35. PARENT ENTITY DISCLOSURES

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

BALANCE SHEET	2012 \$000	2011 \$000
Assets		
Current	154	53
Non-current	3,299,268	3,863,618
Total assets	3,299,422	3,863,671
Liabilities		
Current	11,814	18,053
Non-current	1,082,528	1,536,046
Total liabilities	1,094,342	1,554,099
Net assets	2,205,080	2,309,572
Equity		
Issued Capital	2,369,229	2,357,623
Retained earnings	(158,964)	(56,863)
Cash flow hedge reserve	(14,769)	–
Share-based payments reserve	9,584	8,812
Total equity	2,205,080	2,309,572

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

STATEMENT OF COMPREHENSIVE INCOME	2012 \$000	2011 \$000
(Loss) profit for the year	(86,753)	26,624
Other comprehensive (loss)	(14,769)	–
Total comprehensive income (loss)	(101,522)	26,624

36. 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 2012 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 Loan Facility, Secured Working Capital Facilities A, B and C and Secured Loan Facility);
- (ii) Primary has not materially breached any loan covenants or debt obligations (whether or not relating to Primary Bonds Series A) during the period covered by this Report; and
- (iii) Key financial ratios are set out below. A description of these ratios and how they are calculated is included in section 3.1 of the Primary Bonds Series A Second Part Prospectus.

	30 JUNE 2012	31 DEC 2011
Primary Bonds Series A		
Gearing Ratio	0.50	0.53
Interest Cover Ratio	4.32	3.86
Working Capital Ratio	1.03	1.19

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
10 Smith Street
PARRAMATTA NSW 2150

Share Registry

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

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 19 September 2012

Ordinary Share Capital

501,717,314 fully paid ordinary shares are held by 7,969 individual shareholders.

All issued ordinary shares carry one vote per share.

13,419,000 unlisted share options have been granted to 619 persons.

Share options do not carry any voting rights.

5. Distribution of shareholders as at 19 September 2012

NUMBER OF SHARES HELD	INDIVIDUAL SHAREHOLDERS
1 – 1,000	2,674
1,001 – 5,000	3,681
5,001 – 10,000	955
10,001 – 100,000	644
100,001 – 999,999,999	93
100,000,000 and over	0
Total	8,047

753 shareholders hold less than a marketable parcel of shares.

6. Top 20 shareholders as at 19 September 2012

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL
National Nominees Limited	105,766,782	21.08
HSBC Custody Nominees	84,950,533	16.93
J P Morgan Nominees Australia	78,267,081	15.60
UBS Nominees Pty Ltd (PB SEG Account)	25,497,472	5.08
Idameneo (No 122) Pty Ltd	23,656,866	4.72
BNP Paribas Noms Pty Ltd (Master Custodian DRP Account)	23,656,866	4.63
Citicorp Nominees Pty Limited	21,337,425	4.25
HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	8,943,397	1.78
Citicorp Nominees (Colonial First State Investment Account)	8,689,982	1.73
UBS Nominees Pty Ltd	8,625,284	1.72
BNP Paribas Noms Pty Ltd (DRP Account)	8,337,063	1.66
J P Morgan Nominees Australia Limited (Cash Income Account)	8,220,202	1.64
Dr. Edmund Bateman & Mrs. Belinda Bateman	6,489,568	1.29
RBC Investor Services Australia Nominees Pty Limited	5,253,454	1.05
AMP Life Limited	4,920,452	0.98
Abtourk Syd 391 Pty Ltd	2,855,086	0.57
Argo Investments Limited	2,823,947	0.56
HSBC Custody Nominees (Australia) Limited- GSCO ECA	2,728,635	0.54
QIC Limited	2,568,378	0.51
Charado Pty Ltd	2,555,053	0.51
Total	435,693,876	86.84

7. Substantial shareholders

ORDINARY SHAREHOLDERS	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Maple-Brown Abbott Limited	46,719,307	9.34%
Schroder Investment Management Australia Ltd	45,429,228	9.05%
EG Bateman and related entities	39,310,941	7.92%
BT Investment Management Limited	35,425,356	7.06%
Caledonia Investments Pty Ltd	33,423,488	6.66%
Sumitomo Mitsui Trust Holdings, Inc and its subsidiaries	30,840,207	6.15%
National Australia Bank Limited and its associated entities	30,707,874	6.12%
BNP Paribas Investment Partners (Australia) Ltd	25,063,313	5.00%

Information in the table above is as per the most recent substantial shareholder notices received by the Company as at 19 September 2012.

8. Primary Bonds Series A as at 14 September 2012

1,522,740 Primary Bonds Series A are held by 2,004 individual bonds holders.
Primary Bonds Series A do not carry any voting rights.

9. Distribution of Primary Bonds Series A as at 19 September 2012

NUMBER OF HELD	INDIVIDUAL PRIMARY BONDS SERIES A HOLDERS
1 – 1,000	1,853
1,001 – 5,000	132
5,001 – 10,000	6
10,001 – 100,000	12
100,001 and over	1
	2,004

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

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