PRIMARY HEALTH CARE LIMITED

2015 ANNUAL REPORT

ACN 064 530 516

Growing ▶

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One patient's journey...

At 7.30am, Claire presents at a Primary Medical Centre following a fall at home, concerned about pain in her wrist. She asks to see her regular GP.

At 8.00am, Claire's GP examines her wrist and refers her for an X-ray. *At 8.35am*, Claire's GP consults remotely with one of Primary's radiologists and they review the films together. The X-ray looks normal, but the wrist tenderness suggests a scaphoid fracture. Primary's radiologist recommends a CT scan of Claire's wrist.

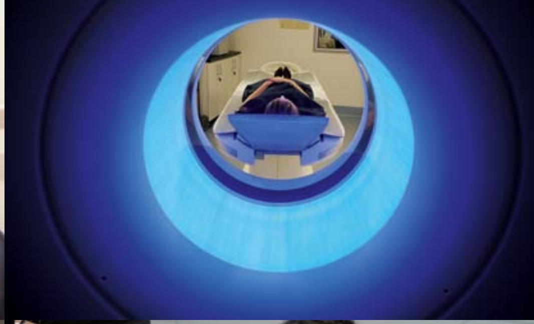
At 9.30am Claire has a CT scan at the Centre. Further consultation between her GP and Primary's radiologist confirms the diagnosis of an undisplaced scaphoid fracture.

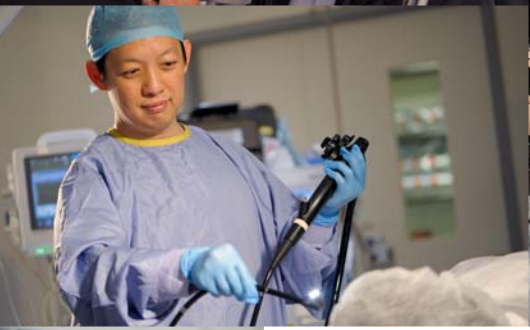
At 10.00am, Claire sees a physiotherapist in the Centre to have a thermoplastic splint fitted. As Claire is in her 50s, her GP also arranges a pathology test at the Centre to check for any underlying conditions contributing to minimal trauma fractures.

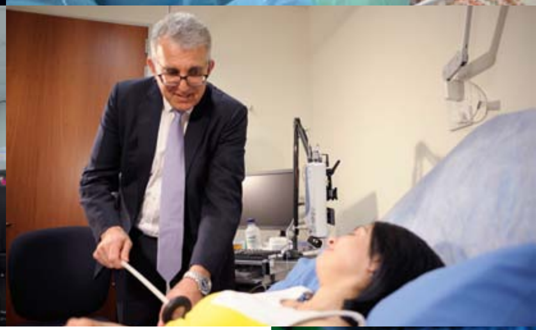
***By 10.30am*, Claire has been diagnosed, made comfortable and her treatment plan has commenced.**

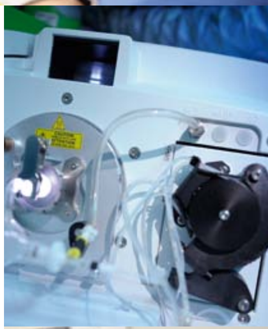
Claire has just interacted with all four of Primary Health Care's core business units.

All in one Medical Centre.







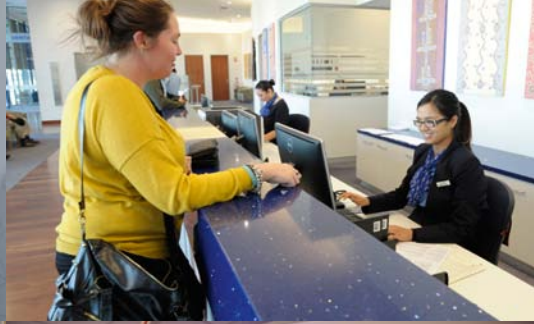
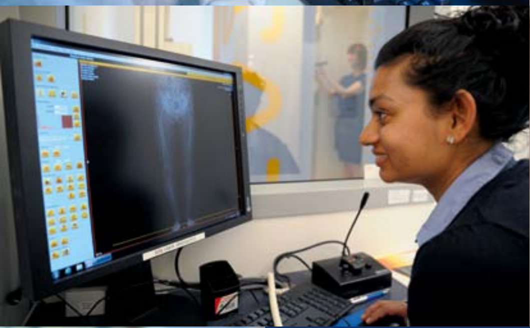


Providing *affordable, accessible, high quality* healthcare to over 15 million patients 365 days a year.



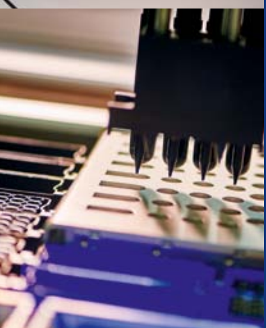





A network of leading healthcare practitioners supported by modern medical technology.










With *71 Medical Centres* across Australia, we undertake in excess of *8 million* consultations each year.

Dr Kevin Bullen
LEAD INDEPENDENT DOCTOR AND GENERAL PRACTITIONER
Warringah Medical & Dental Centre, Brookvale NSW

Dr Debra Norris
PATHOLOGIST IN CHARGE – HISTOLOGY AND MEDICAL DIRECTOR
Main Laboratory, QML Pathology, Murarrie Queensland

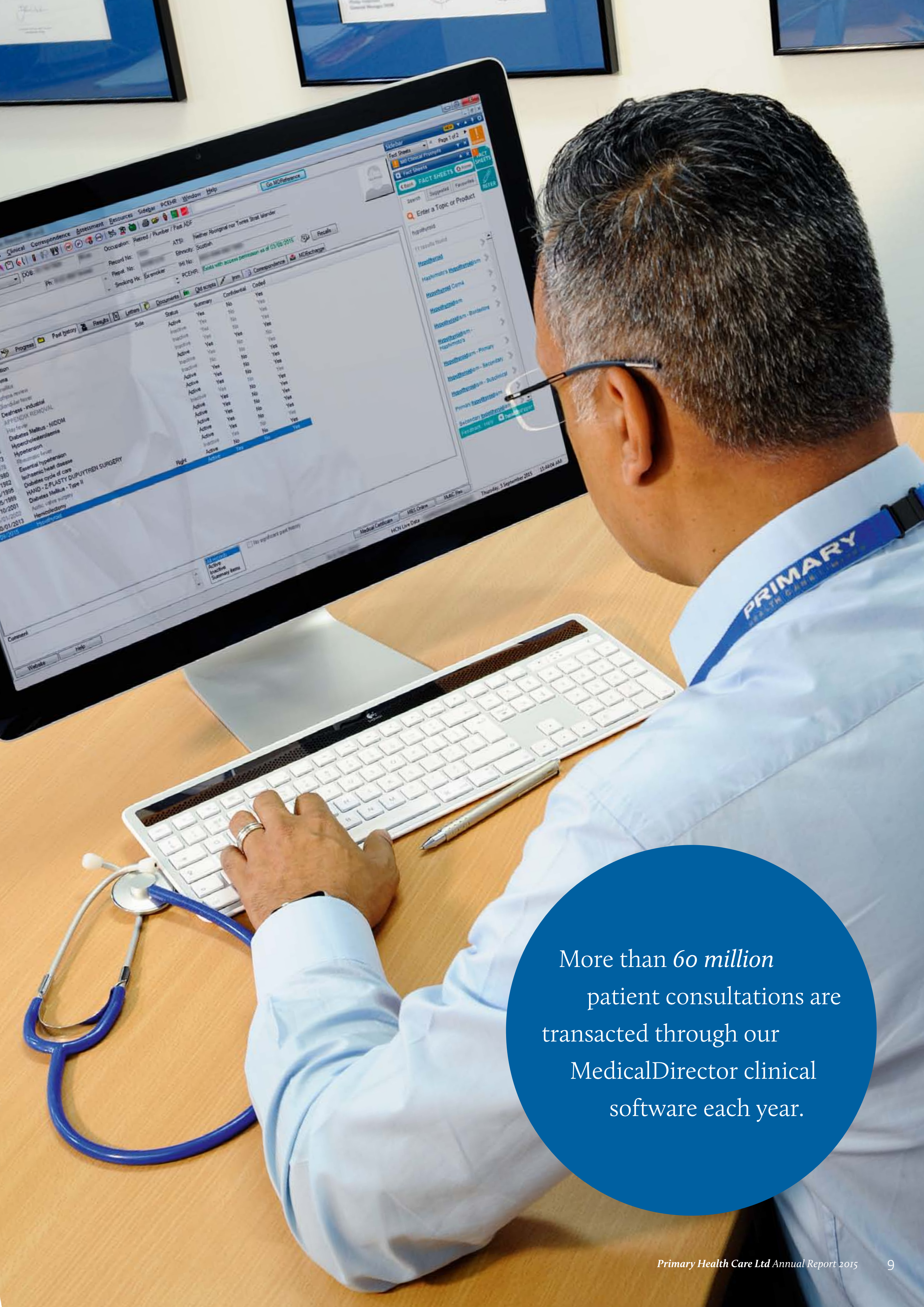
Dr Melody Caramins
PATHOLOGIST AND NATIONAL HEAD, GENETICS
Main Laboratory, Laverty Pathology, North Ryde NSW

One in three private pathology tests in Australia is taken in one of our pathology facilities. That's a total in excess of *15 million* patient cases each year.

A/Prof Afaf Haddad
HEAD OF ANATOMICAL PATHOLOGY AND MEDICAL DIRECTOR
Main Laboratory, Dorevitch Pathology, Heidelberg Victoria

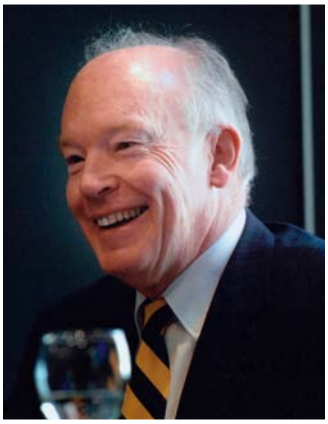
Our radiologists conduct approximately *3 million* examinations each year.

Dr Carl Blecher
RADIOLOGIST AND DIRECTOR OF CT
Bridge Road Imaging, Richmond, Victoria



More than *60 million* patient consultations are transacted through our MedicalDirector clinical software each year.

TRIBUTE TO
DR EDMUND BATEMAN
1941–2015



Dr Edmund Bateman was born in 1941, the eldest of seven children. His mother was a barrister and father a specialist physician. Their parenting was often said to have formed the foundation of Dr Bateman's own life skills.

After graduating from Sydney University's medical school, Dr Bateman trained as a resident for three years at the Mater Hospital in North Sydney. He then commenced practice as a General Practitioner ('GP') in a six-doctor partnership at Brookvale on Sydney's Northern Beaches, performing not only the great variety of medical services provided by today's GPs, but also disciplines such as obstetrics and anaesthesia which are now the preserve of specialists.

In 1978 Dr Bateman set up his own general practice in Brookvale, practising on his own for seven years. It was during this time that he planned to develop a large-scale medical centre, based on the model of care which he had experienced at the Mater Hospital. In 1985 he realised this aspiration with the opening of Primary's first medical centre at Brookvale.

Brookvale became the model for all Primary's medical centres; now 71 in number with more on the way. With Dr Bateman's drive, energy and guidance, Primary's size and complexity increased over the years with the development and acquisition of pathology, diagnostic imaging, medical technology and even private health insurance businesses.

From a single medical centre, Primary has grown into an ASX100 company. Today Primary Health Care professionals provide approximately 7% of all GP services rendered in Australia, around one third of all pathology services and 11% of all diagnostic imaging services.

Dr Bateman's achievement is not limited to the success of Primary as a business. Dr Bateman was passionate about healthcare and continued to see patients even after Primary listed on the ASX. Through Primary's model of care, Dr Bateman revolutionised the age-old profession of general practice medicine. In fact, the enormous scale and growth of Primary has helped to shape the Australian healthcare system – the company's original ambition of making high quality healthcare affordable and accessible to more Australians remains core to its operations to this day. This philosophy will continue to guide Primary's business model into the future.

Whatever Dr Bateman's success as a doctor and businessman may have been, those close to him knew his greatest joy and achievement was his family.

He married in 1965 to Belinda (nee Probert) after meeting at the University of Sydney and over the years they became the proud parents of four children and grandparents of fifteen grandchildren. Dr Bateman often commented that Belinda was the love of his life and was his most trusted adviser in business, as well as in the other interests they shared together including Australian art, agriculture, and thoroughbred racing and breeding.

The Batemans purchased their first rural property of 1,200 acres in 1971. Since that first purchase, they continued to expand their rural interests, owning approximately 30,000 acres where they operated commercial and stud cattle (winning numerous First Prizes at the Sydney Royal Easter Show and equivalent interstate shows), sheep and crops. Dr Bateman was also a pioneer in agriculture, exporting the first Murray Grey Bull to the United States and also importing the first frozen cattle embryos of the Saler breed of cattle from the US to Australia for herd improvement.

Dr Bateman will be missed by all. His legacy and impact on the Australian healthcare system will continue to be felt for years to come.

CHAIRMAN'S LETTER

Dear Shareholders,
On behalf of the Board of Primary Health Care Limited ("Primary"), it gives me great pleasure to present to you the results for the year ended 30 June 2015.

FINANCIAL RESULTS

In the 2015 financial year, the Primary Group recorded $1.6 billion of revenue, representing an increase of 6.2 per cent over the previous year, with solid growth across all of the businesses. Net profit after tax was $136.5 million, up 19.1 per cent, and earnings per share were 26.7 cents, up 17.6 per cent. Excluding significant items, underlying net profit after tax was $119.1 million, while underlying earnings per share were 23.3 cents.

The Directors declared a final dividend of 11.0 cents per share, 50% franked. Together with the interim dividend of 9.0 cents per share which was fully franked, dividends for the year totalled 20.0 cents per share, in line with last year.

EXECUTIVE TEAM

Primary has undergone significant change in its executive ranks in the last 12 months, most notably:

» The retirement of Dr Edmund Bateman as Managing Director and Chief Executive Officer effective 30 January 2015 and the appointment of Mr Peter Gregg effective 2 March 2015, and
» The resignation of Mr Andrew Duff as Chief Financial Officer on 19 June 2015 and the appointment of Mr Malcolm Ashcroft on 10 July 2015.

As you may be aware, Dr Bateman founded Primary in 1985 on the Northern Beaches of Sydney at Brookvale where he was practising as a general practitioner ("GP"). His vision was to provide affordable, accessible, high quality healthcare for all Australians. The first large-scale Primary medical centre at Brookvale provided year-round, bulk-billed GP care, supported by a variety of ancillary services. It was a model that provided the foundation for the growth of Primary's medical centres.

Today, thanks to Dr Bateman, Primary operates 71 medical centres, with in excess of eight million patient visits a year. It also carries out about a third of all private pathology tests in Australia and provides over three million diagnostic imaging examinations each year. Dr Bateman has also been instrumental in establishing and growing the infrastructure, support and leadership which underpin our GPs, pathologists, radiologists and other healthcare practitioners in their critical roles.

My fellow Directors and I offer heartfelt appreciation and admiration to Dr Bateman for his unwavering hard work, vision and drive in forming this great company.

We were very saddened to learn of Dr Bateman's passing on 13 September this year. His legacy, not just at Primary but in the Australian healthcare industry, lives on. Dr Bateman's obituary appears on the opposite page.

With Dr Bateman's retirement, the Board was committed in taking this company into its next phase and as a result we searched for a Managing Director with experience in company transitions. We were fortunate to have Peter Gregg join Primary in March 2015. Peter has a strong commercial background in transformation, change management and strategy. In his short time with the Group he has already achieved much, including negotiating the settlement with the Australian Taxation Office ("ATO") to support our healthcare practitioners, and undertaking a strategic review of the Group which sets the future direction of the business. I am excited about the evolution of the Group under Peter's leadership.

BOARD

The 2015 financial year saw significant transformation in the composition of Primary's Board. During the year, three Executive Directors stepped down to focus on their respective executive roles. At the same time, we increased the number of Non-executive Directors on the Board, with the appointment of Mr Robert Hubbard in December 2014 and Mr Gordon Davis in August 2015. These changes build on the skill set of existing Directors and have increased the depth of experience and diversity of views in the Committees of the Board. The changes have also broadened the succession options available. The new Board now has a majority of independent Non-executive Directors.

The Board is currently engaged in a Board Performance Assessment, which will include the development of a Board Skills Matrix. Through this exercise, we will be looking for areas in which to further enhance the Board's collective skills, experience and diversity.

You can read more about the Board's composition and governance in our annual Corporate Governance Statement, which is available at www.primaryhealthcare.com.au/corporate-governance.

REMUNERATION

As part of our renewed focus on corporate governance, this year we have sought to improve our remuneration framework in line with best practice. These changes will take effect in financial year 2016 and are set out in detail in the Remuneration Report. They will support the delivery of Primary's business strategy and engender a high-performance culture by incorporating demanding performance measures, including key financial and non-financial measures of performance, such as:

» short-term incentives as 25% deferred equity and 75% cash;
» long-term incentives as 100% deferred equity, re-tested after 3 years; and
» incentives in line with appropriate measures for both short (NPAT) and long-term (rTSR and ROIC) company performance.

CONCLUSION

Looking to the future, I believe that Primary is well positioned to continue growing. The business is underpinned by strong fundamentals, with a unique national footprint and scale across its core businesses. Front-line medical care is the most cost-effective form of healthcare in Australia and, with an ageing population, there will be an increasing need for these services.

I would like to conclude by thanking my fellow Board members, Primary's team of leaders, medical professionals, and hard working staff, for their dedication and performance, and, together with you our shareholders, for your ongoing support for this great company.

Yours sincerely,

Rob Ferguson
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,
It was a privilege to be appointed as Managing Director and Chief Executive Officer of Primary in March this year and it gives me great pleasure to write to you for the first time in this role.

NET PROFIT AFTER TAX

$136.5M

▲ 19.1%

FINAL DIVIDEND

11¢/share

◀▶ 0%

UNDERLYING NPAT [1]

$119.1M

▲ 3.9%

1 Underlying results exclude significant items including tax deductibility of medical centre acquisitions and tax settlement of healthcare practitioners' tax liabilities, plus non-cash impairments. The reconciliation of "reported" to "underlying" is on page 26 of this Report.

Along with the Chairman, I would also like to acknowledge Primary's founder, Dr Bateman for his vision, tenacity and drive in growing the company from a single medical centre in Brookvale 30 years ago to a company with a market capitalisation of over $2 billion. We were very saddened to hear of Dr Bateman's passing in September 2015. Dr Bateman's legacy remains through one of Primary's core objectives – to provide high quality healthcare which is both affordable and accessible for all Australians.

As I have engaged with many of the stakeholders over the last six months, I have often been asked my reasons for joining Primary. I believe there is a lot to like about this great company. It is uniquely positioned in the healthcare sector with an exceptional national footprint and an attractive model with scale across the interlinked businesses of Medical Centres, Pathology, Imaging and MedicalDirector, our GP software and on-line resource for hospitals.

Supporting the future healthcare needs of the Australian community is one of the fundamental issues we face today. I intend to build on Primary's vision to deliver affordable front-line care through expansion of our multi-disciplinary medical centres which are increasingly becoming the preferred option for patients and Governments alike. This is where I will be focusing the Group's investment while ensuring we remain disciplined in our deployment of capital in order to drive sustainable and growing returns for you, our shareholders.

YEAR IN TRANSITION

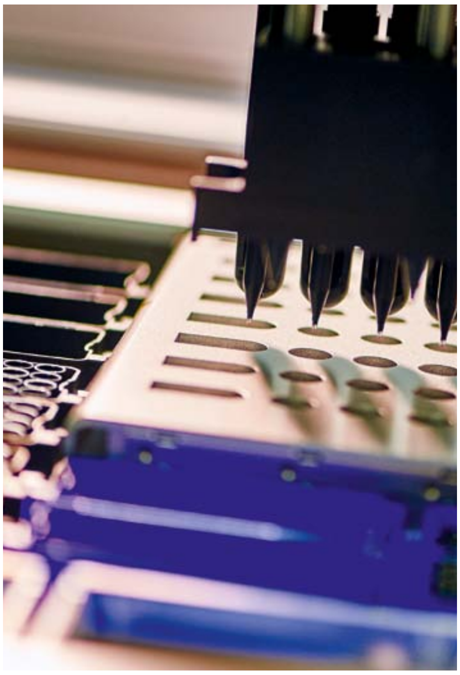
Turning to the 2015 financial year, the Chairman has made reference to the quantum of the changes which occurred at Primary in the period. I would describe this a challenging transitional year, not least due to Dr Bateman's ill-health and retirement, changes in the Government's policy around Medicare rebates, and the issues we addressed with the ATO over the tax treatment of healthcare practice acquisitions.

Overall, the results for the year reflect reasonable top-line revenue growth across all our core businesses with total revenue of $1.6 billion growing six per cent on the previous year. Statutory net profit after tax ("NPAT") was up 19 per cent, but our underlying NPAT, after adjusting for one-off items, was only up four per cent. Looking at the four divisions of Medical Centres, Pathology, Imaging and MedicalDirector, each contributed positively to the Group's performance at the earnings before interest and tax ("EBIT") line. However, EBIT growth was not as strong as revenue growth and so the results were not where I would have liked them to have been. We will be striving for an uplift in earnings in financial year 2016.

Nevertheless, we have achieved significant milestones during this year. In the financial arena, we changed our accounting treatment of healthcare practice acquisitions. We are now amortising the majority of the healthcare practice acquisition costs, typically in the region of 80 per cent, over the life of the acquisition contracts. This more closely aligns the costs of acquisitions with the revenue they generate and ensures that our balance sheet does not continue to grow with unamortised acquisition goodwill.

In June this year, we received a ruling from the ATO that healthcare practitioner acquisitions were tax deductible for the company. In order to ensure our healthcare practitioners were not disadvantaged, we reached agreement with the ATO in July to offset the potential tax liabilities of these practitioners against our refund. The agreement will enhance our recruitment and retention of healthcare practitioners and ultimately support the growth of our business. Overall, we have realised a net refund from the ATO of $45 million relating to financial years 2010 to 2015 which will be used to pay down debt. Primary will also pursue an out-of-time objection for the financial years 2003 to 2007, which will not affect our healthcare practitioners, although the granting of our claims is subject to the sole discretion of the ATO.




CHIEF EXECUTIVE OFFICER'S REPORT

On the operational side, our bulk-billed IVF offering was launched in July 2014 and has already changed the lives of many families, making IVF more affordable and accessible in Australia. We also recently launched a new imaging centre at Bridge Road, Richmond in Victoria. It represents one of the country's largest dedicated imaging facilities with state-of-the-art equipment and a team of high quality experts, capable of providing patients and their specialists with the best diagnostic information and reporting available. It is a model for future expansion in our imaging business.

During the year I made the decision to combine the various corporate offices of the businesses into a single location and we will be moving to our new head office at St Leonards in New South Wales in 2016. This will reduce the physical distance between senior executives, create a more collaborative and communicative environment, and build a better understanding of the linkages and potential benefits between these connected businesses.

As we are entering the next phase in our company's growth, we have also begun a review of our brand. With increasing confusion in the market regarding the term "primary health care" as a company name, the review will include the name itself. We aim to bring together our breadth of services under a strong, cohesive and accessible brand, ensuring it is seen as a trusted provider of Australia's healthcare needs, a valued partner of Australia's healthcare practitioners, and a respected brand for all our stakeholders.

STRATEGIC REVIEW

During the second half of the year we undertook a comprehensive Strategic Review of the Group. Reassuringly, this concluded that Primary is strategically well-positioned with significant opportunities for growth. Going forward we will be investing in the businesses, but with a strict focus on earning appropriate returns on capital and on strengthening the balance sheet.

Medical centres are at the core of our model and, as the Chairman mentioned, we have been a pioneer in the development of large-scale multi-disciplinary medical centres where patients can have all of their healthcare needs met under one roof. Importantly, these centres generate revenue across the group and earn attractive returns on capital. As we currently have approximately seven per cent of GP visits in the country, there is room for growth. We plan to develop five large-scale multi-disciplinary centres of around 1,500 square metres and one super-centre of over 3,000 square metres, along the lines of our centre at Brookvale in New South Wales, over the next 18 months.

Within the Medical Centre business there is opportunity for us to improve capital efficiency and reduce costs through enhanced recruitment and retention of healthcare practitioners. These practitioners, in particular the GPs, form the core of our Medical Centre business. I believe we are akin to a professional services firm and quality engagement with our healthcare practitioners is essential if we want to lower our acquisition costs and achieve better retention rates in the future. The company is developing more flexible and bespoke offerings in relation to the recruitment and retention of healthcare practitioners to better meet their differing needs and to recognise the changing demographics within this group. We are looking to provide our practitioners with assistance in their career development, training and lifestyle needs, and will strive to make Primary a 'partner of choice'. We are increasing investment both in clinical training enabling existing practitioners to meet all their continuing education needs and in registrar training through the Primary Health Care Institute.

Primary has a strong market position in the Australian pathology market, with highly competitive laboratories in terms of both quality and efficiency and with world-class experts in their respective fields. Demand for pathology in Australia is expected to continue to grow, as the population ages and with increasing reliance on testing and diagnosis. In Australia, we are looking to expand our offerings in non-routine specialties such as oncology, haematology, IVF and genetics. We are also exploring expansion opportunities into the densely populated countries of South-East and North Asia. These opportunities will be developed in conjunction with local partners and will seek to capitalise on our expertise in Australia, in particular in specialised, non-routine testing.

Turning to the imaging business, Primary has a network of 146 imaging centres spread across hospitals, medical centres and community centres. Imaging is a high growth market in Australia with increasing use of this technology in guiding medical diagnosis and treatment. With a market share in the region of 11 per cent, we see this business as offering us scope for growth. We have identified a number of opportunities to improve performance across the existing network and we will continue to invest in both radiologists and equipment where we can make good returns. The company will also expand its footprint of large-scale imaging clinics, using the Bridge Road Imaging Centre in Victoria as a model.

More than 60 million patient consultations are transacted through Primary's MedicalDirector clinical software each year. There is an opportunity to leverage this strategic footprint and develop new services and products around data analytics, consumer connectivity and e-health, which could increase the Group's potential income streams. The company is currently evaluating strategic partners and assessing the appropriate corporate structure and investment in MedicalDirector.

Our Strategic Review initiatives seek not only to invest for growth and improve returns but also to strengthen the balance sheet. We will achieve the latter through a range of initiatives including recycling non-core assets, establishing a property trust to fund new centres and clinics, and reviewing capital expenditure requirements particularly in information technology. In terms of non-core asset sales, in July 2015 we sold our stake in Vision Eye Institute Limited for a total of $38 million (recognising a pre-tax profit of $16.9 million on our original investment) and we have commenced a sales process for the Barangaroo office site which has a carrying value of $39 million.

While there will be a transition period during which these strategic initiatives are implemented, we are confident they will deliver improved growth and capital returns for the Group, as they leverage off the considerable experience and strategic strengths of Primary.

In the meantime, we are driving a profit improvement program covering a range of initiatives both from the Strategic Review and from operational activities, with the aim of delivering a two to three per cent uplift in annualised NPAT margins. These include:

- lowering capital costs through improved recruitment and retention of healthcare practitioners, reviewing capital spend, and REIT funding of new centres and clinics;
- driving revenue growth from capturing network benefits across the Group; and
- reducing operating costs through back office efficiencies, removal of duplication, and Group-wide procurement benefits.

The Strategic Review represents an exciting transition for the business. With many moving parts, we have not yet provided any guidance for financial year 2016. We plan to provide an update at our Annual General Meeting in November this year.

In conclusion, I would like to recognise and thank all those in the management team and all staff who have assisted in the matters we have addressed and achieved in this year of transition. I would also like to welcome the new corporate team members, as I build the capacity, skills and experience to drive this company into the next phase of growth. I believe that the Strategic Review initiatives we are implementing will enhance Primary's existing scale, footprint, and expertise, and ensure the company is well placed to grow its operations and to drive sustainable returns for you, our shareholders.

Yours sincerely,

Peter Gregg
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

EXECUTIVE LEADERSHIP TEAM

Building the capacity, skills and experience to drive the Primary Group into the next phase of growth.

Key Management Personnel

1. PETER GREGG
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr Gregg was appointed as Primary's Managing Director & Chief Executive Officer effective 2 March 2015.

Peter has a strong commercial background in transformation, change management and strategy.

More details of Peter's skills and experience can be found in his Director profile on page 22.

2. MALCOLM ASHCROFT
CHIEF FINANCIAL OFFICER

Mr Ashcroft was appointed to the position of Chief Financial Officer (CFO) in July 2015.

Malcolm joined Primary from CIMIC Group Limited, where he was Deputy CFO since January 2013. He was previously a partner at KPMG, where he was the National Leader of the CFO Advisory practice, a member of the National Audit Leadership Executive, and was an adviser to a number of leading companies.

Malcolm has a proven track record in financial management and business transformation and has international experience in Asia, the Middle East and the USA.

3. MATTHEW BARDSLEY
GROUP DIRECTOR – INFORMATION INNOVATION

Mr Bardsley has over 20 years' experience in Information Technology with over 15 years within healthcare. In 2000, he formed Digital Diagnostic Imaging ("DDI"), a company which developed the electronic delivery of quality diagnostic images over low bandwidth connections. DDI became part of the Primary Group in 2011, at which time Matthew became the Primary Group's Chief Information Officer (CIO).

Matthew has recently been appointed to the role of Group Director for Information Innovation, responsible for the strategic direction and innovation for the MedicalDirector division and helping to inform the broader Group strategy through these initiatives.

4. HENRY BATEMAN
GENERAL MANAGER – MEDICAL CENTRES

Mr Bateman is General Manager of the Primary Group's Medical Centres division, having been appointed to the role in 2008. Previously, as Head of Operations (Medical Centres), Henry established a management team and structure that conducted rapid roll-out and development of large-scale multidisciplinary medical centres.

Henry joined Primary in 2000. Formerly a commercial lawyer, his experience with Primary also includes overseeing the development of the Primary Group's commercial litigation and contracts as Company Solicitor.

Henry also served as an Executive Director of Primary from 2011 until 2015.

5. JAMES BATEMAN
GENERAL MANAGER – DIAGNOSTICS

Mr Bateman is the General Manager of the Primary Group's Diagnostics division, which encompasses Pathology and Imaging, having previously served as General Manager of the Group's Pathology division (since 2001).

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

James also served as an Executive Director of Primary from 2011 until 2015.

Other Executives

6. GREG BATEMAN
GENERAL COUNSEL

Mr Bateman was appointed to the position of General Counsel in 2005. For the 23 years prior to that he was a partner in a law firm where he specialised in corporate and commercial law. Greg has acted for the Primary Group from its founding in 1985. His many other clients sought his assistance in takeovers, acquisitions, and corporate advice. Greg was the legal consultant to the House of Representatives Standing Committee on Legal and Constitutional Affairs which tabled its 1991 report "Corporate Practices and the Rights of Shareholders" in the Federal Parliament. Greg is the author of the 362–page book "Company Meetings: What You Need to Know".

7. YVETTE CACHIA
GROUP DIRECTOR – HUMAN RESOURCES

Ms Cachia was appointed Group Director – Human Resources in March 2015 with responsibility for Primary's human resources strategy and management, including reward and recognition, learning and development, employment policy and employee relations.

Other Executives


6.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Prior to this appointment, Yvette was the General Manager, People and Governance (from September 2011) and Company Secretary (from November 2008), with responsibilities across the Primary Group in corporate governance, company secretariat, human resources, insurance and incident management.

8. MAXINE JAQUET
GROUP DIRECTOR – COMMERCIAL

Ms Jaquet was appointed Group Director – Commercial in July 2015, joining Primary from Qantas Airways Limited where she was the Head of Alliances since 2010.

Maxine has extensive experience as a commercial and operational executive. She has managed a number of significant business transformations in the FMCG and Industrials sectors on a national and global level. Maxine has specific expertise in negotiating and establishing complex commercial partnerships, growing sales and distribution capability, and driving operational performance improvement.

9. JENNY LEVY
CHIEF INFORMATION OFFICER

Ms Levy was appointed to the role of the Group's Chief Information Officer (CIO) in July 2015, having joined Primary in 2014 as CIO of the Information Innovation Division.

Jenny has formerly held CIO roles at Perpetual Limited and Sydney Ports Corporation and has also held executive roles at Westpac Banking Corporation, along with a Non-executive Director position in the IT recruitment sector.

Jenny has extensive experience in technology management, delivering information technology strategy and transformation whilst leading cultural change.

10. ADAM LIEUTENANT
GENERAL MANAGER – PROPERTY

Mr Lieutenant joined Primary in 2000. He is General Manager of the Property group and has over 20 years' experience in the property industry, with over 15 years' experience in healthcare.

Adam is responsible for overseeing the property portfolio across the Primary Group including the identification of new sites, the development and maintenance of new and existing sites and the management of lease agreements.

11. MARK NEEHAM
GROUP DIRECTOR – GOVERNMENT RELATIONS

Mr Neeham was appointed to the role of Group Director – Government Relations in May 2015, with responsibility for developing and implementing Primary's relationship strategies with Commonwealth and State Governments, parliamentarians, industry and professional bodies, as well as preparing and advocating policy priorities for Primary.

Mark joined Primary from the Crosby|Textor Group where he was Executive Director.

Having worked in senior professional positions for political parties in Australia and the UK, Mark has extensive experience in strategy, campaigns, management, government relations and public policy, and also has extensive international experience.

12. JANET PAYNE
GROUP DIRECTOR – CORPORATE AFFAIRS

Ms Payne was appointed to the position of Group Director – Corporate Affairs in July 2015.

Janet joins Primary from CIMIC Group Limited where she was head of investor relations for over three years. Previously she worked in a range of roles, including investor and media advisory and board advisory. Janet managed the Initial Public Offering and established investor relations at Qantas Airways Limited. She has also worked in finance, having started her career at KPMG in London and Sydney.

13. ALEX SMITH
GROUP DIRECTOR – STRATEGY

Dr Smith joined Primary in February 2015 as Strategy and Investor/Corporate Relations Manager and was appointed to the role of Group Director, Strategy in May 2015.

Previously, Alex was one of Australia's top-rated healthcare equity analysts, holding senior positions at Citigroup and JPMorgan. Prior to this he was a Research Scientist at CSIRO.

Alex's role is to oversee all facets of Primary's strategic development to maximise opportunities for long-term value creation.

2015 HIGHLIGHTS

Revenue grew across all core businesses in a challenging transition year for Primary. The tax treatment of healthcare practice acquisitions by Primary was resolved. Primary refinanced its $1.25 billion bank facility, extending the maturity profile and improving terms.

Financial Performance

REVENUE

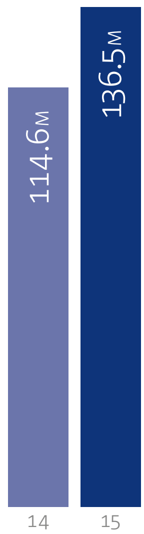
$1,618M

▲ 6.2%

NET PROFIT AFTER TAX

$136.5M

▲ 19.1%



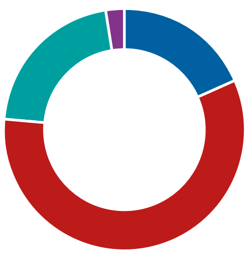
EARNINGS PER SHARE

26.7¢/share

▲ 17.6%

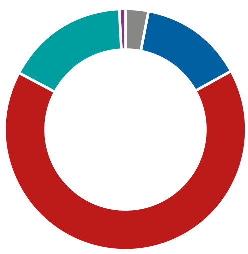
Divisional Composition

REVENUE



◆ Medical Centres	$297M
◆ Pathology	$938M
◆ Imaging	$339M
◆ MedicalDirector	$38M

EMPLOYEES

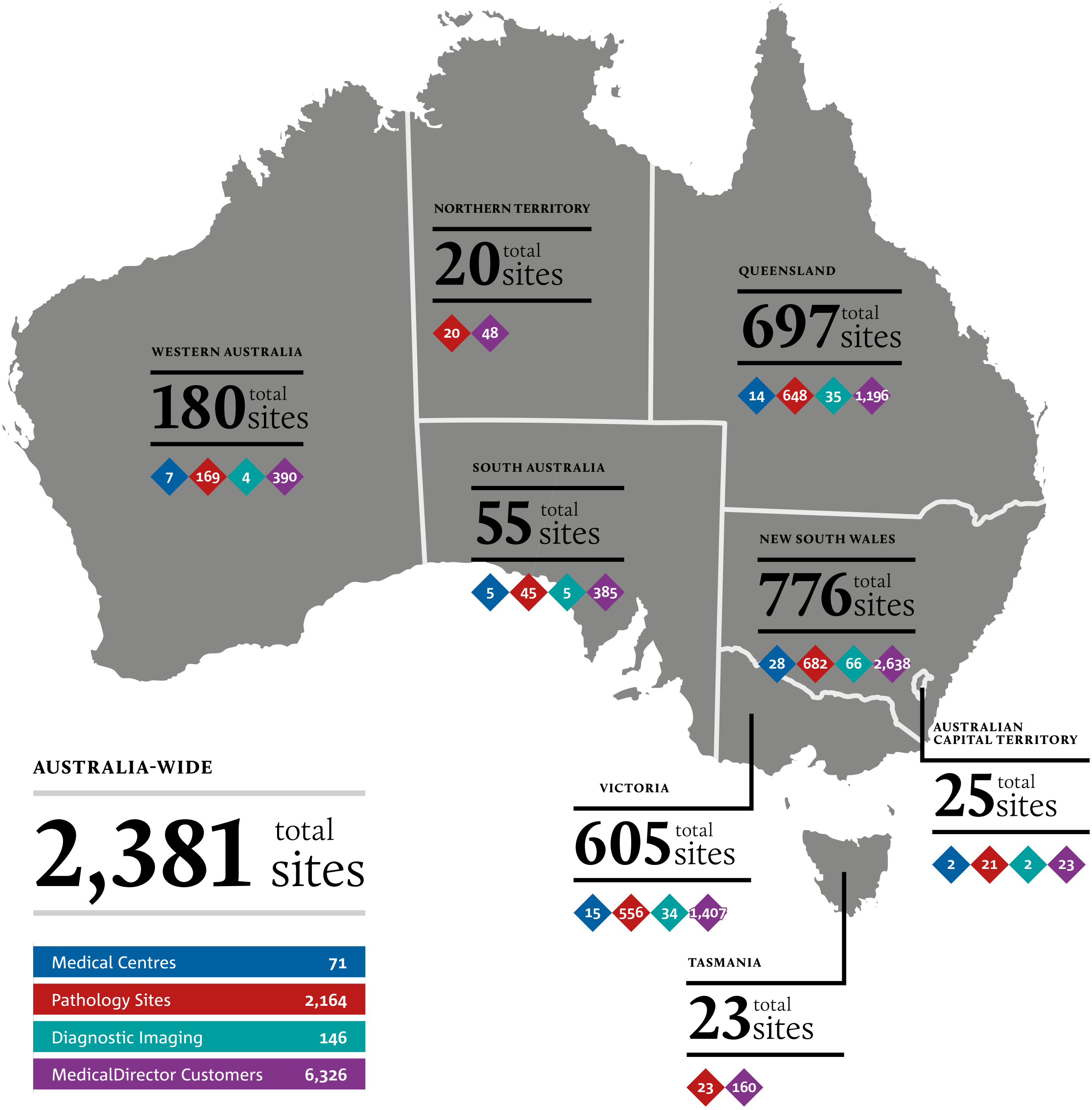


◆ Corporate	373
◆ Medical Centres	1,669
◆ Pathology	7,831
◆ Imaging	1,963
◆ MedicalDirector	86

GENDER DIVERSITY

	F %	M %
◆ Key Management Personnel	17	83
◆ Other Executives/ General Managers	32	68
◆ Senior Managers	35	65
◆ Other Managers	60	40

Our Nationwide Coverage



AUSTRALIA-WIDE

2,381 total sites

Medical Centres	71
Pathology Sites	2,164
Diagnostic Imaging	146
MedicalDirector Customers	6,326

OUR STRATEGIC GROWTH MODEL

Uniquely positioned in the healthcare sector, with an exceptional national footprint and an attractive model of interconnected businesses.

Our Strategic Priorities

Invest *for growth*

Opportunity for domestic growth with approximately 7% and 11% share in Medical Centres and Imaging respectively.

Look to selective and capital-light expansion opportunities overseas in Pathology.

Improve *returns on capital*

Focus on capital discipline to ensure investments undertaken drive improved returns.

Opportunities for margin enhancement by investing in better performing activities and optimising under-performing activities.

Strengthen *balance sheet*

Reduced Balance Sheet debt and strong capital management will enable investment from existing capital base.

Engage *stakeholders*

Enhanced engagement with all stakeholder groups is key to underpin successful implementation of Strategic Review.

Focus items for 2016

◆ MEDICAL CENTRES

- Invest in 5 large-scale and 1 Brookvale-style Medical Centres over next 18 months

◆ PATHOLOGY

- Expand service offering in specialist areas such as oncology, haematology, IVF and genetics
- Explore pathology opportunities in South-East and North Asia

◆ IMAGING

- Invest in radiologists and equipment

◆ MEDICALDIRECTOR

- Develop new income streams around data analytics, consumer connectivity and e-health

◆ MEDICAL CENTRES

- Develop bespoke recruitment and retention models for healthcare practitioners
- Target pre-tax return on invested capital of 15–20% on new sites

◆ PATHOLOGY

- Continue to lower cost base
- Expand collection centre footprint only at reasonable returns

◆ IMAGING

- Develop greater efficiencies in operating costs
- Optimise community and medical centre sites

CAPITAL RECYCLING

- Sale of stake in Vision Eye Institute Limited for $38m post end of FY2015
- Barangaroo held for sale, in accounts at $39m

PROPERTY TRUST

- Establish REIT to develop new medical and imaging centres off balance sheet

CAPITAL EXPENDITURE

- Review of spend including IT

CAPITAL MANAGEMENT

- Ensure dividend payout ratio provides sustainable capital management

PATIENTS

- Further develop multi-disciplinary centres, ongoing service innovations

HEALTHCARE PRACTITIONERS

- Enhance communication, recruitment, retention and training, aiming to be ‘partner of choice’

INVESTORS

- Provide greater detail and transparency

GOVERNMENT

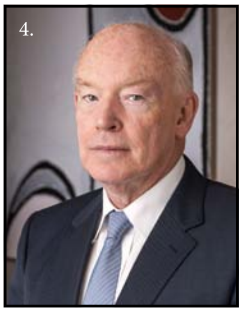
- Proactive dialogue and participation in Government reviews

STAFF

- Single Head Office for all divisions and improve employee engagement

BOARD OF DIRECTORS

FY2015 has seen significant transformation in the composition of Primary's Board, with a greater proportion of Non-executive Directors.



1. MR ROBERT FERGUSON
B.Ec (Hons).

NON-EXECUTIVE CHAIRMAN (AGE 69)

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

Mr Ferguson is Chairman of GPT Management Holdings Limited (since 2010; a Director since May 2009) and Chairman of SmartWard Holdings Pty Limited. Mr Ferguson is also a Director of Tyro Payments Limited and Watermark Market Neutral Fund Limited (since May 2013). He was Chairman of Bentham IMF (Australia) Limited from 2009 to January 2015 (a Director since November 2004) and Deputy Chair of the Sydney Institute from 1993-2013.

2. MR PETER GREGG B.Ec.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (AGE 60) (FROM 2 MARCH 2015)

Mr Gregg was appointed as Primary's Managing Director & Chief Executive Officer in 2015. Prior to joining Primary, Mr Gregg was Deputy Chief Executive Officer and Chief Financial Officer at Leighton Holdings Limited from 2009 to 2014, holding the office of Director from December 2010 until March 2014. Prior to this, he was Chief Financial Officer and Executive General Manager of Strategy at Qantas Airways Limited from 2000 to 2008.

Mr Gregg is currently a Non-executive Director of Ausenco Limited (since August 2014) and has previously held directorships with the Australian Rugby League Commission, Queensland Rail, Skilled Group and Stanwell Limited.

3. MR BRIAN BALL B.Ec.

NON-EXECUTIVE DIRECTOR (AGE 66)

Mr Ball was appointed as a Non-executive Director in 1994. He is a member of the Nomination and Remuneration Committee and the Audit Committee and served as Audit Committee Chair until 27 February 2015. Mr Ball is also a Non-executive Director and Chairman of the Audit Committee of Transport Health Pty Ltd (a wholly-owned subsidiary of Primary).

Mr Ball recently retired as 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.

4. DR EDMUND BATEMAN MB,BS.
(1941–2015)

NON-EXECUTIVE DIRECTOR

Dr Bateman was a founding member of the Board as Managing Director & Chief Executive Officer since 1994. He oversaw 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. Dr Bateman served as Managing Director & Chief Executive Officer until his retirement from that role at the end of January 2015. Dr Bateman subsequently remained on the Board as a Non-executive Director, until his sad passing on 13 September 2015.

5. MR GORDON DAVIS MBA, GAICD.

NON-EXECUTIVE DIRECTOR (AGE 59) (FROM 3 AUGUST 2015)

Mr Davis was appointed as a Non-executive Director in August 2015. He holds a Bachelor of Forest Science (Honours) and a Master of Business Administration from the University of Melbourne and a Master of Agricultural Science from the University of Tasmania. He is a Graduate of the Australian Institute of Company Directors.

Prior to becoming a Non-executive Director, Mr Davis was Managing Director of AWB Limited between 2006 and 2010. He has also served in a senior capacity on various industry associations.

Mr Davis is currently a Non-executive Director of Nufarm Limited (since May 2011) where he serves on the Audit and Risk Committee, the Remuneration Committee and as the Chair of the Health, Safety and Environment Committee. He also holds positions in community-focused organisations including Chair of Greening Australia Limited, CIBUS Group and is Director of the Advisory Board of The Nature Conservancy. He is also Chairman of VicForests (a government business enterprise), where he also chairs the Executive Remuneration Committee.

6. MR ROBERT HUBBARD

BA (Hons), FCA, MAICD.

NON-EXECUTIVE DIRECTOR (AGE 56) (FROM 18 DECEMBER 2014)

Mr Hubbard was appointed as a Non-executive Director in December 2014. On 27 February 2015, he became the Chairman of the Audit Committee and a member of the Risk Management Committee. He holds a Bachelor of Accounting (Honours) degree from the University of Birmingham. He is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors.

Mr Hubbard previously held numerous partnership positions in the accounting, corporate finance, assurance and audit divisions of PricewaterhouseCoopers and acted as external auditor for some of Australia's largest ASX-listed companies. He is currently Chairman of Central Petroleum Limited (since 2015; a Director since December 2013) and a Non-executive Director of Bendigo and Adelaide Bank Limited (since April 2013, where he is Chairman of the Audit Committee and a member of the Risk Committee), Orocobre Limited (since November 2012, where he is Chairman of the Audit Committee) and JK Tech Pty Ltd.

Mr Hubbard is also Chairman of the Audit and Risk Management Committee at the University of the Sunshine Coast, a Member of the Council of the University of the Sunshine Coast, a Director of Multiple Sclerosis Research Australia and Chairman of Opera Queensland.

7. DR PAUL JONES MB,BS, FAMA.

NON-EXECUTIVE DIRECTOR (AGE 60)

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

Dr Jones has over 30 years' experience in a broad range of general medical practice, including 9 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 was a member of the ACT Health Minister's GP Task Force in 2009. In 2010 he was awarded Fellowship of the AMA.

8. DR ERROL KATZ

MPP, MB,BS (Hons), LLB (Hons).

NON-EXECUTIVE DIRECTOR (AGE 45)

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

Dr Katz has degrees in Medicine and Law from Monash University, and a Masters in Public Policy from Harvard University, where he was a Menzies Scholar. He has worked as a doctor at the Alfred Hospital, as a strategy consultant at the Boston Consulting Group and in strategy and operational roles at Visy Industries. More recently he has held investment management roles at Co-Investor Capital Partners. Dr Katz 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 and Deputy Chair of Monash Health, the largest public hospital network in Victoria. At Monash Health, Dr Katz chairs the Quality Committee and is a member of the Remuneration and Audit Health Committees.

9. MS ARLENE TANSEY

Juris Doctor (JD), MBA, BBus(Admin), FAICD.

NON-EXECUTIVE DIRECTOR (AGE 58)

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

Before becoming a Non-executive Director, Ms Tansey worked in commercial and investment banking in Australia and in investment banking and law in the United States, including senior roles at Macquarie Bank and ANZ.

Ms Tansey has a Juris Doctorate (Law) from University of Southern California and an MBA in finance and international business from New York University. She is a Member of Chief Executive Women and a Fellow of the Australian Institute of Company Directors.

Ms Tansey is currently Chairman of Urbanise.com Limited (since June 2014) and Future Fibre Technologies Limited (since March 2015), a Non-executive Director of Adelaide Brighton Limited (since April 2011), Lend Lease Investment Management Limited, Infrastructure NSW and the Australian Research Alliance for Children & Youth. She was a Non-executive Director of Pacific Brands Limited from March 2010 to October 2013.

Company Secretary

MR CHARLES TILLEY

B.Sc (Hons) LLB (Hons).

COMPANY SECRETARY

Mr Tilley was appointed to the position of Group Company Secretary in February 2015. Mr Tilley joined Primary in July 2014 as a Senior Legal Counsel, advising the Primary Group on various matters concerning litigation and employment law. Prior to joining Primary, Mr Tilley worked as a lawyer in the financial services industry.

REVIEW OF OPERATIONS

Primary's four divisions of Medical Centres, Pathology, Imaging and MedicalDirector, each contributed positively to the Group's performance in FY2015.

OPERATING REVENUE

$297M

▲ 6.5%

18%

OF PRIMARY GROUP OPERATING REVENUE

MEDICAL CENTRES

Revenue was $297 million (net of $31 million of intersegment revenue), up 6.5% in FY2015, while underlying EBITDA grew by 2.4%. The margin compression reflected the investment the business made in IVF and Transport Health Insurance together with deepening investment in Primary Health Care Institute and clinical engagement teams during the year. The division experienced subdued patient volumes in the last quarter of the year, impacted by some extreme weather events and a slow start to flu season.

Uncertainty over the potential tax liabilities of healthcare practitioners in relation to medical practice acquisitions during the second half of the year and concerns regarding the potential introduction of co-payments by the Government also impacted performance in the second half. With the settlement negotiated with the ATO in June, the tax concerns have now been resolved.

Underlying EBIT declined by 3.3%, reflecting higher amortisation costs in the year. This was due to a net increase in the overall number of healthcare practitioners recruited over the past five years and an increasing proportion of new healthcare practitioners being recruited out of area, resulting in a higher proportion of practice acquisition costs being fully amortised over the life of the contract.

With 31 registrars practising in its centres and practitioners' continuing education needs now provided by the Primary Health Care Institute, Primary is showing a major commitment to quality and training which will drive improved outcomes for the patient and business in the future.

Primary has acquired a site for development of a new medical centre at Corrimal, New South Wales and has identified 5 further new large-scale medical centre sites to add to its 71 existing centres.

OPERATING REVENUE

$938M

▲ 5.7%

58%

OF PRIMARY GROUP OPERATING REVENUE

PATHOLOGY

Revenue growth was 5.7%.

Each year our pathologists, scientists and staff analyse and report in excess of 15 million patient cases and in excess of 50 million patient tests.

In FY2016, the division will continue to expand its service offering, for example through an extended range of genetic testing. The business will also be exploring opportunities offshore and in outsourced contracts.

Vitamin D, B12 and Folate Medicare cuts and revised classifications of items (imposed in November 2014) negatively impacted revenue and earnings in the year and contributed to the decline in both underlying EBITDA and EBIT of 2.1% and 4.0% respectively.

Operating costs, including the Approved Collection Centre ("ACC") rental expense and labour costs, increased in line with expectations. The division has maintained a disciplined approach to ACC activities in the period and will only expand at pricing that delivers reasonable returns. Investment is ongoing in our operating platforms to continue to drive efficiencies and leverage the scale of the business.

OPERATING REVENUE

$339M

▲ 7.3%

21%

OF PRIMARY GROUP OPERATING REVENUE

IMAGING

Revenue growth was strong at 7.3%. During the year the Imaging division successfully extended its immigration visa medicals contract (commenced August 2014) for a further five years.

Primary is Australia's second largest diagnostic imaging network (by revenue) conducting approximately 3 million examinations during FY2015. There are 146 diagnostic imaging sites across New South Wales, the ACT, Victoria, South Australia, Western Australia, and Queensland.

The multi-disciplinary Bridge Road Imaging Facility was opened in July 2015 and provides the model for future expansion; this concept will be expanded to other states. It represents one of the country's largest dedicated imaging facilities with state of the art equipment and a team of high quality experts, capable of providing patients and their treating specialists with the best diagnostic data available. The Bridge Road Facility will ramp up during FY2016.

During FY2015 we were successfully awarded a number of key new and existing hospital imaging contracts.

Primary continues to invest in radiologists and equipment and exploring expansion options whilst working to maximise return on investment from existing sites.

OPERATING REVENUE

$38M

▲ 2.7%

3%

OF PRIMARY GROUP OPERATING REVENUE

MEDICALDIRECTOR

MedicalDirector experienced strong growth in its two core revenue streams with GP and Specialist revenues up 6.4% and Publishing & Knowledge revenues up 5%, offsetting a decline in one-off project revenues. Whilst EBITDA was in line with last year, EBIT increased 21.9% as the amortisation of intangible assets arising on the acquisition of Health Communication Network, which completed in the first half of FY2015.

New product momentum has continued with the launch of online appointments and cloud-hosted GP software. In September 2015, MedicalDirector was awarded the contract to deliver the online clinical information portal for the Victorian Department of Health & Human Services. This will see publishing revenues ramp up in FY2016.

MedicalDirector transacts more than 60 million patient consultations through its software platforms each year. This provides a significant opportunity to leverage this footprint and offer new services around e-health, data analytics and consumer connectivity. Primary is currently evaluating strategic partners to address these markets and provide more value to the current user base.

SUMMARY OF FINANCIAL RESULTS FOR FY2015

$M	YEAR ENDED 30 JUNE 2015 UNDERLYING	YEAR ENDED 30 JUNE 2015 REPORTED	YEAR ENDED 30 JUNE 2014 RESTATED
Revenue	**1,618.4**	1,618.4	1,524.1
EBITDA	**400.5**	260.0	399.1
Depreciation and amortisation	**(152.4)**	(162.1)	(143.6)
EBIT	**248.1**	97.9	255.5
Finance costs	**(66.5)**	(66.5)	(71.7)
Income tax	**(62.5)**	105.1	(69.2)
Net profit after tax	**119.1**	136.5	114.6
Earnings per share	**23.3**	26.7	22.7
Dividend per share	**20.0**	20.0	20.0

Key points of the results are in comparison to FY2014:

- Revenue up 6.2%
- Underlying EBITDA flat at $400.5 million
- Underlying NPAT up 3.9%, reported NPAT up 19.1%
- Underlying EPS up 2.6%, reported EPS up 17.6%
- Final dividend of 11.0cps (FY2014: 11.0cps), 50% franked (FY2014: 100% franked), taking total dividends to 20.0cps (FY2014: 20.0cps)

Underlying results for FY2015 exclude the impact of significant items relating to:

- Settlement with the ATO regarding the tax deductibility of medical practice acquisitions for Primary and, partially offsetting this, agreement by Primary to settle any outstanding tax liabilities of its healthcare practitioners on medical practice sales. Refer Note 6(B) on page 68 of this report.
- Asset impairment and other non-cash charges.
- Depreciation and amortisation accelerated write-downs during the year.

The reconciliation of "reported" to "underlying" is as follows:

$M	EBITDA	DEPRECIATION AND AMORTISATION	INCOME TAX	PROFIT AFTER TAX
Reported	**260.0**	**(162.1)**	**105.1**	**136.5**
Less: ATO refund for tax deductibility of medical practice acquisitions	–	–	(155.7)	(155.7)
Plus: ATO settlement on behalf of healthcare practitioners	110.5	–	–	110.5
Plus: Impairment of assets	11.0	–	(3.3)	7.7
Plus: Other items	19.0	–	(5.7)	13.3
Plus: Depreciation and amortisation accelerated write-down	–	9.7	(2.9)	6.8
Underlying	**400.5**	**(152.4)**	**(62.5)**	**119.1**

During the year, Primary reassessed its accounting policy for the acquisition of healthcare practices. The change is detailed in Note 2 on page 63 of this Report. This resulted in a restatement of the closing balances for FY2014 as follows:

$M	30 JUNE 2014 (RESTATED)	RESTATEMENT	30 JUNE 2014 (REPORTED)
Goodwill	2,798.2	(512.3)	3,310.5
Other intangibles	272.4	139.9	132.4
Deferred tax asset	7.4	(4.1)	11.5
Retained earnings	2,371.0	(376.4)	2,747.6

As a result of the accounting policy change, amortisation expense increased by $55.0 million for the year ended 30 June 2015 (30 June 2014 restatement increase: $49.7 million).

OPERATING OVERVIEW

The underlying results of the group by division are set out below:

$M	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Revenue		
Medical Centres	**327.9**	309.6
Pathology	**937.8**	887.4
Imaging	**339.0**	316.1
Health Technology (MedicalDirector)	**38.2**	37.2
Other	**6.6**	4.1
Intersegment	**(31.1)**	(30.3)
Total	**1,618.4**	1,524.1
Underlying EBITDA		
Medical Centres	**180.1**	175.8
Pathology	**153.4**	156.7
Imaging	**73.3**	73.0
Health Technology (MedicalDirector)	**20.2**	20.2
Other	**(26.5)**	(26.6)
Total	**400.5**	399.1
Underlying EBIT		
Medical Centres	**103.9**	107.5
Pathology	**129.0**	134.4
Imaging	**34.3**	34.8
Health Technology (MedicalDirector)	**13.9**	11.4
Other	**(33.0)**	(32.6)
Total	**248.1**	255.5

DEPRECIATION AND AMORTISATION

Underlying depreciation and amortisation expense was $152.4 million for the year, up 6.1% compared with $143.6 million for the prior year. The increase primarily reflected the increase in the Medical Centres division. Reported depreciation and amortisation included an additional charge of $9.7 million for accelerated asset-write downs in the year.

DEBT AND FINANCE COSTS

On 22 April 2015 Primary completed financial close on the extension and amendment of its $1.25 billion syndicated bank debt facilities. Primary now has two non-amortising tranches of $625 million each, maturing in November 2018 (previously November 2017) and April 2020 (previously November 2018). The refinancing has improved financial covenants and moved the facilities to an unsecured basis. The early refinancing has both extended Primary's debt maturity profile and delivered interest expense savings.

Primary's Retail Bonds (Primary Bonds Series A; ASX code PRYHA) matured on 28 September 2015 and the redemption of the bonds was funded from existing facilities.

DIVIDEND

The final dividend was 11.0 cents per share, 50% franked, paid on 14 September 2015.

Primary's ability to frank dividends is impacted by the ATO refund to be received in FY2016, and the potential further refund relating to the period FY2003–FY2007.

SUBSEQUENT EVENTS

On 31 July 2015 Primary announced the sale of approximately 36 million shares in Vision Eye Institute Limited ("VEI") for a purchase price of approximately $34 million. The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI of approximately 5 million shares for approximately $4 million. The disposal of Primary's shareholding in VEI has resulted in a pre-tax gain of $16.9 million which will be included in Primary's FY2016 results. Cash proceeds of $38 million have been applied to pay down debt.

The Directors of Primary Health Care Limited submit their Directors' Report for the financial year ended 30 June 2015 (referred to as "the year" or "FY2015"), accompanied by the Financial Report of Primary and the entities it controlled from time to time during the year (referred to as "Primary", "the Company" or "the Group"). Pursuant to the requirements of the *Corporations Act 2001* (Cth) ("Corporations Act"), the Directors report as follows:

DIRECTORS

Continuing Directors during FY2015

- Mr Robert Ferguson
- Mr Brian Ball
- Dr Edmund Bateman (served as Managing Director & Chief Executive Officer until 30 January 2015 and then as Non-executive Director from 31 January 2015 until his death on 13 September 2015)
- Dr Paul Jones
- Dr Errol Katz
- Ms Arlene Tansey

New Directors during FY2015

- Mr Peter Gregg (commenced as Managing Director & Chief Executive Officer on 2 March 2015)
- Mr Robert Hubbard (commenced 18 December 2014)

New Directors since the end of FY2015

- Mr Gordon Davis (commenced 3 August 2015)

Directors who ceased during FY2015

- Mr Henry Bateman (until 27 February 2015)
- Mr James Bateman (until 27 February 2015)
- Mr Andrew Duff (until 27 February 2015)

Details of the qualifications and experience of each of the Directors are set out on pages 22-23 (for current Directors) and page 31 (for Directors who ceased during FY2015).

GROUP COMPANY SECRETARY

Details of the qualifications and experience of Mr Charles Tilley, the Group Company Secretary, are set out on page 23 of this Report.

DIRECTORS' MEETINGS DURING FY2015

The number of meetings of the Board and of each Board committee held during FY2015 and the number of meetings attended by each Director are set out below:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		RISK MANAGEMENT COMMITTEE	
2015	**ELIGIBLE**	**ATTENDED**	**ELIGIBLE**	**ATTENDED**	**ELIGIBLE**	**ATTENDED**	**ELIGIBLE**	**ATTENDED**
R Ferguson	15	15	4	4	6	6	N/A	N/A
P Gregg^	5	5	N/A	N/A	N/A	N/A	N/A	N/A
B Ball	15	13	4	3	6	3	N/A	N/A
E Bateman**	3	2	N/A	N/A	N/A	N/A	N/A	N/A
R Hubbard^	8	8	2	2	N/A	N/A	2	2
P Jones	15	14	4	4	N/A	N/A	3	3
E Katz	15	14	N/A	N/A	6	6	3	3
A Tansey	15	14	4	4	6	6	N/A	N/A
H Bateman^	10	10	N/A	N/A	N/A	N/A	2	2
J Bateman^	10	10	N/A	N/A	N/A	N/A	2	2
A Duff^	10	10	N/A	N/A	N/A	N/A	2	2

Notes:

^ The following individuals did not serve as Directors throughout the whole of FY2015: A Duff, H Bateman, J Bateman, P Gregg and R Hubbard.

** Dr E Bateman was granted a leave of absence by the Directors from 26 September 2014.

The Audit Committee for FY2015 comprised: Mr R Hubbard (Chair) (from 27 February 2015), Mr B Ball (prior to 27 February 2015 Mr Ball served as Chair), Mr R Ferguson, Dr P Jones and Ms A Tansey.

The Nomination and Remuneration Committee for FY2015 comprised: Mr R Ferguson (Chair), Mr B Ball, Dr E Katz and Ms A Tansey.

The Risk Management Committee for FY2015 comprised: Dr E Katz (Chair), Dr P Jones, Mr H Bateman (until 27 February 2015), Mr J Bateman (until 27 February 2015), Mr A Duff (until 27 February 2015) and Mr R Hubbard (from 27 February 2015).

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;
- a provider of diagnostic imaging services;
- a provider of pathology services; 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 healthcare practitioners who provide services from its medical centres. Further details of these activities can be found on page 65 of this Report.

There was no significant change in the Group's principal activities during the year.

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 24-28 of this Report.

EVENTS AFTER THE END OF THE YEAR

On 31 July 2015 Primary announced the sale of approximately 36 million shares in Vision Eye Institute Limited ("VEI") for a purchase price of approximately $34 million. The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI of approximately 5 million shares for approximately $4 million. The disposal of Primary's shareholding in VEI has resulted in a pre-tax gain of $16.9 million which will be included in Primary's FY2016 results. Cash proceeds of $38 million have been applied to pay down debt.

Refer to Note 6(B) on page 68 of this Report for details of the impact of the ATO settlements on current and future periods.

There has not been any other matter or circumstance that has arisen since the end of the financial year which, in the opinion of the 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 (including the Group's business strategies) 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of Primary by a member or other person entitled to do so under section 237 of the Corporations Act.

DIVIDENDS

In respect of FY2015:

- an interim dividend of 9.0 cents per share (100% franked), was paid to the holders of fully paid ordinary shares on 7 April 2015; and
- a final dividend of 11.0 cents per share (50% franked), was paid to the holders of fully paid ordinary shares on 14 September 2015.

Primary operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). During FY2015, shares issued pursuant to the DRP and BSP were 8,881,468 (2014: 1,693,557) and 1,457,533 (2014: 44,446) respectively.

ROUNDING OFF OF AMOUNTS

Primary is an entity 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 unissued ordinary shares of Primary under option at the date of this Report are set out below. No option holder has any right under the options to participate in any other share issue of Primary or of any other entity.

2015	OPENING BALANCE	EXERCISED DURING YEAR	LAPSED DURING THE FINANCIAL YEAR	CLOSING BALANCE
Issue 15	**1,041,000**	–	(886,000)	**155,000**
Issue 16	**714,500**	–	(464,500)	**250,000**
Issue 17	**535,500**	–	(535,500)	**0**
Issue 112	**580,000**	–	(580,000)	**0**
Issue 113	**1,532,500**	–	(860,500)	**672,000**
Issue 114	**3,140,500**	–	(255,000)	**2,885,500**
Issue 115	**1,192,500**	–	(432,500)	**760,000**
Balance as at the date of this Report	**8,736,500**	–	(4,014,000)	**4,722,500**

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Primary were issued during, or since the end of, FY2015 on the exercise of options.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS

NEW AND CONTINUING DIRECTORS

The qualifications, experience and special responsibilities of new and continuing Directors can be found in the Director profiles on pages 22-23 of this Report.

FORMER EXECUTIVE DIRECTORS

Mr Henry Bateman, LLB. Executive Director (age 39) (until 27 February 2015)

Mr Bateman was appointed as an Executive Director in 2011 and ceased as a Director on 27 February 2015. He has been the General Manager of the Group's Medical Centres division since 2008 and was a member of the Risk Management Committee. Mr Bateman holds a Bachelor of Laws from Bond University. Mr Bateman is a Director of a number of Primary's wholly-owned operational subsidiaries.

Further details of Mr Bateman's skills and experience appear in his executive profile on page 16 of this Report

Mr James Bateman, MBA. Executive Director (age 47) (until 27 February 2015)

Mr Bateman was appointed as an Executive Director in 2011 and ceased as a Director on 27 February 2015. He is the General Manager of the Group's Diagnostics division. Mr Bateman was a member of the Risk Management Committee. Mr Bateman holds a Master of Business Administration in Health Care Management from the Wharton School, University of Pennsylvania.

Further details of Mr Bateman's skills and experience appear in his executive profile on page 16 of this Report

Mr Andrew Duff, ACA. Finance Director (age 54) (until 27 February 2015)

Mr Duff was appointed as an Executive Director in 2011. Mr Duff is a Member of the Institute of Chartered Accountants in Australia. He was a member of the Risk Management Committee until ceasing as a Director on 27 February 2015. From 29 September 2014 until 27 February 2015, Mr Duff served as Primary's Acting Managing Director & Chief Executive Officer. He served as Chief Financial Officer until 10 July 2015 and ceased employment with Primary on 31 August 2015.

DIRECTORS' INTERESTS

The following table sets out each Director's relevant interest in ordinary shares (directly and indirectly owned) in Primary, and in debentures and interests in registered schemes made available by the Group as at the date of this Report:

2015	OPENING BALANCE (ORDINARY SHARES)	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
B Ball	87,000	–	–	87,000
E Bateman	20,745,739	–	(9,291,973)	11,453,766
G Davis	15,000	–	–	15,000
R Ferguson	190,800	–	–	190,800
P Gregg	–	–	–	–
R Hubbard	–	–	11,000	11,000
P Jones	9,874	–	4,499	14,373
E Katz	2,000	–	–	2,000
A Tansey	10,000	–	–	10,000

The Directors from time to time invest in various debentures and securities offered by Primary and certain subsidiaries. The level of interests held directly and indirectly by a Director as at the date of this Report were:

DIRECTOR	NATURE OF PRODUCT	Relevant interest
P Jones	SHARES UNDER OPTION	35,000*
E Bateman	PRIMARY BONDS – SERIES A	2,500**

* Since the end of FY2015, 17,500 of these options expired unexercised.

** Since the end of FY2015, all Primary Bonds on issue have been redeemed.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Subject to the following, no insurance premium was paid during or since the end of FY2015 for a person who is or has been an officer or auditor of the Group.

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. 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, any other statutory provision, or judge-made law. Pursuant to this requirement, each Director of Primary is party to deeds of Indemnity, Board Papers Inspection and D&O Coverage, which provide for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute.

Primary has not otherwise, during or since the end of FY2015, indemnified or agreed to indemnify an officer or auditor of Primary or any related body corporate against a liability as such an officer or auditor.

PAST EMPLOYMENT WITH EXTERNAL AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") has been Primary's external auditor since 1995. There is no person who has acted as an officer of the Group during the year who has previously been a partner at Deloitte when that firm conducted Primary's audit.

NON-AUDIT SERVICES

During the year Deloitte has performed certain other services in addition to their statutory duties as auditor.

The Audit Committee reviews the non-audit services performed by the auditor on a case-by-case basis. A new policy was adopted on 5 June 2015 which outlines the processes for approval of non-audit services by the auditor. In accordance with advice received from the Audit Committee, 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. The Directors are so satisfied because the Audit Committee or its delegate has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the auditor's independence.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included in this Annual Report. Details of amounts paid or payable to the auditor of the Group for audit and non-audit services provided during the year are given in Note 29 on page 93 of this Report.

MANAGEMENT OF SAFETY RISKS

Primary is committed to ensuring that the health and safety of employees, contractors and the general public is given the highest priority. Primary's Workplace Health and Safety ("WHS") performance is monitored through regular monthly reports being provided to senior management, a monthly WHS Dashboard provided to the Board and quarterly performance reporting to the Board. WHS is incorporated into business planning, purchasing and contracting policies and the design of workplaces.

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

In order to improve Primary's health and safety performance, resources are allocated to the maintenance and improvement of the WHS management system. During FY2015 there was a detailed review of the resources devoted to the management of current WHS Systems in place. Professional health and safety staff work very closely with the Employee Representative Committees, which have been established over a number of years, in order to incorporate employee representation and consultation into WHS initiatives, as well as providing a forum for dissemination of information to improve health and safety across all business units.

Primary recognises its responsibilities to contractors. As part of our health and safety procedures, contractors are required to provide evidence that they have WHS management systems in place. Workplace induction is provided to contractors prior to the commencement of any work. The Group also has monitoring procedures in place for addressing any WHS issues that may arise. A key initiative during FY2015 was the introduction of an online Contractor Induction Program. The implementation of this system will continue in FY2016.

Key health and safety performance indicators are as follows:

	FY2015	FY2014
Number of WorkCover prosecutions	ZERO	ZERO
Number of sites subject to WHS Internal Audit	48	39
Number of Incidents Resulting in Lost Time Injuries	107	80
Lost time incidents per million hours worked	4.4	3.4

For FY2015, all incidents were investigated and there was no systemic breakdown in the WHS Management System.

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

Training in WHS 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 risk assessment.

Primary is engaged in continuous improvement to raise health and safety standards. During FY2015 there was a comprehensive review and revision of WHS procedures to ensure they continue to meet the health and safety needs of Primary. This review of procedures, particularly in relation to risk management, will continue in FY2016.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any site-specific environmental licences or permits which would constitute particular or significant environmental regulation under the laws of the Australian Government or an Australian Territory.

Primary, through its internal policy and processes, is committed to managing operations in an environmentally sustainable manner to maximise resource efficiency in relation to the consumption of energy and natural resources and minimise waste.

LETTER FROM CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE

Dear Shareholders,

I am pleased to present the Remuneration Report for the financial year ended 30 June 2015, outlining the nature and amount of remuneration for Primary's Non-executive Directors and other Key Management Personnel.

At Primary's 2014 Annual General Meeting ("AGM"), Primary received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. In other words, Primary received a "first strike".

Since the 2014 AGM, the Board has sought feedback from stakeholders about the ways in which we could improve our remuneration practices to deliver sustainable value for our shareholders.

We are re-aligning Primary's executive remuneration framework with this in mind and implementing new practices appropriate for Primary's circumstances, strategy and direction. Given the time frame of receiving the "first strike" at the end of November 2014, seeking feedback and developing the new framework, these changes will come into effect in FY2016 onwards.

The Remuneration Report outlines the changes the Board has made to executive remuneration in detail. Below is a brief summary of the concerns that were raised by certain proxy advisers in conjunction with last year's Remuneration Report and the changes we are making in response to these concerns.

ISSUE RAISED	RESPONSE IN FY2016 REMUNERATION STRUCTURE
For both short-term incentive (STI) and long-term incentive (LTI) awards (i.e., at-risk components) the awards are delivered in cash	✓ 25% of STI will be in rights. 50% will be deferred for 12 months and 50% for 24 months. ✓ 100% of LTI will be in performance rights and will be deferred for 3 years. ✓ The plan aims to ensure key executives acquire and hold, over a reasonable time, meaningful shareholdings in Primary.
For STI awards, no specific metrics or weightings were disclosed	✓ The metrics for STI awards will be set out in the Remuneration Report. For FY2016, it is intended that the STI will be granted based on Group financial performance (70%) and on non-financial short-term strategic objectives and individual performance measures (30%). ✓ The Group financial performance will be with respect to budgeted NPAT which the Board is satisfied is a challenging but achievable outcome. ✓ The non-financial short-term strategic objectives and individual performance measures will be a mix of financial and non-financial Key Performance Indicators (KPIs).
For LTI awards, two-thirds of the awards vest less than three years from grant **A single metric (EPS) is used to assess LTI performance. For executives other than the CEO, this is the same metric as the STI financial metric**	✓ 100% of LTI will be in performance rights, deferred for 3 years and subject to testing at the end of 3 years. ✓ The Board is introducing sufficiently stretched performance hurdles relating to total shareholder return (TSR) and Return on Invested Capital (ROIC) for the vesting of LTIs.
Significant salary increases were granted and no explanation was provided	✓ Fixed annual remuneration (including base salaries) have been benchmarked by independent, external consultants to a market peer group of 20 companies, which is not too small and not "cherry picked". ✓ In addition independent, external benchmarking of Senior Executive remuneration has been done to ensure the appropriate mix of fixed and at-risk remuneration and adjusting fixed, incentive mixes and performance indicators to improve alignment with business.
The Board does not have a majority of independent Directors	✓ 3 Executive Directors have stepped down from the Board and 2 additional Non-executive Directors have joined the Board, resulting in a majority of independent Non-executive Directors.

In addition I would like to point out that the Board exercised its discretion in relation to the appropriate metric against which to measure the short and long-term incentives awarded to executives for FY2015. The Group target for FY2015 was Earnings per Share ("EPS") growth of between 5 and 12%. Notwithstanding the fact that reported EPS growth for the year was 17.6% and hence exceeded the Group target, the Board determined not to use this metric. Instead, the Board determined to use the underlying EPS growth of 2.6% as the appropriate metric. The decision was made to exclude the one-off items which amounted to a net benefit to shareholders, including the ATO refund and associated settlement in connection with the potential tax liabilities of our healthcare practitioners. As a result, no long-term incentives and no short-term incentives linked to EPS growth were awarded to executives for FY2015, even though considerable efforts on the part of management were involved in securing the ATO refund and settlement.

In conclusion, the Board will continue to meet our commitment to shareholders to improve remuneration governance and practice, ensure appropriate positioning relative to market benchmarks, and build alignment between the strategic business environment and the remuneration of senior executives tasked with pursuing and achieving important outcomes in an increasingly complex healthcare environment.

The Board is also focusing on succession planning, including developing internal candidates as well as reviewing and assessing appropriate external candidates. A number of female Senior Executives have recently been appointed to the Chief Executive Officer's team, including a Group Director, Commercial and Group Director, Corporate Affairs.

As Chair of the Remuneration Committee, I would like to thank shareholders for their ongoing support and invite feedback from shareholders regarding the changes made during FY2015.

I hope you will continue to support us by voting to adopt this Remuneration Report at the upcoming 2015 AGM.

Yours sincerely

R Ferguson

Rob Ferguson
CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE

REMUNERATION REPORT FOR FY2015

The Directors of Primary present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for Primary for FY2015.

This Remuneration Report outlines Primary's remuneration policy and practices, together with details of the specific remuneration arrangements that apply to the Key Management Personnel ("KMP") of the Group in accordance with the requirements of the Corporations Act and stakeholder expectations. KMP of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of Primary and the Group, directly or indirectly, including any Director (whether executive or otherwise) of Primary. Throughout this Remuneration Report, the term "Senior Executives" is also used to refer to all executives who fall within the definition of KMP. The use of the term "Executive" encompasses the Managing Director & Chief Executive Officer, Senior Executives, and General Managers of the Group for FY2015.

This Remuneration 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 Remuneration Report; and
- details of the actual remuneration outcomes for Senior Executives.

This Remuneration Report outlines important changes to Primary's remuneration policy and practices for KMP, many of which will take effect from 1 July 2015, (i.e., commencing FY2016) because of the timing of the 2014 AGM (which was held in late November 2014). Since then, a major review of the structural elements of KMP remuneration practices has occurred, with particular focus on the importance of reinforcing the link between remuneration and business performance and shareholder outcomes.

It is important to note that, while the Directors have undertaken significant efforts to review and make changes to remuneration governance during FY2015, these changes will not be fully reflected in this Remuneration Report. However, this Remuneration Report discloses many of the changes that will apply for FY2016. To this effect, the Board is also reviewing the remuneration governance framework, documented policies and procedures and intends to make continued improvements towards attaining a market best practice approach to the governance of KMP remuneration at Primary.

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

TABLE OF KEY MANAGEMENT PERSONNEL ("KMP") FOR FY2015

KMP (FY2015)	TITLE
Mr Rob Ferguson	**Non-executive Chairman**
Mr Peter Gregg	**Managing Director & Chief Executive Officer (from 2 March 2015)**
Dr Edmund Bateman	**Managing Director & Chief Executive Officer (from 1 July 2014 until 30 January 2015)** **Non-executive Director (from 31 January 2015) (deceased 13 September 2015)**
Mr Matthew Bardsley	**General Manager – Information Innovation**
Mr Brian Ball	**Non-executive Director**
Mr Henry Bateman	**General Manager – Medical Centres**
Mr James Bateman	**General Manager – Diagnostics**
Mr Robert Hubbard	**Non-executive Director**
Dr Paul Jones	**Non-executive Director**
Dr Errol Katz	**Non-executive Director**
Ms Arlene Tansey	**Non-executive Director**
Mr Carl Adams	**General Manager – Imaging (until 30 January 2015)**
Mr Andrew Duff	**Finance Director (from 1 July 2014 until 25 September 2014)** **Acting Managing Director & Chief Executive Officer (from 29 September 2014 until 28 February 2015)** **Chief Financial Officer (from 2 March 2015 until 10 July 2015)**

KMP (FY2014)	TITLE
Mr Rob Ferguson	Non-executive Chairman
Dr Edmund Bateman	Managing Director & Chief Executive Officer
Mr Carl Adams	General Manager – Diagnostic Imaging
Mr Brian Ball	Non-executive Director
Mr Matthew Bardsley	General Manager – Information Innovation
Mr Henry Bateman	General Manager – Medical Centres
Mr James Bateman	General Manager – Pathology
Mr Andrew Duff	Finance Director
Dr Paul Jones	Non-executive Director
Dr Errol Katz	Non-executive Director
Ms Arlene Tansey	Non-executive Director

NOMINATION AND REMUNERATION COMMITTEE

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

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

Membership of the Committee is reviewed and determined on an annual basis by the Board. The Committee comprises four independent directors. During FY2015, members of the Committee were:

- Mr Rob Ferguson (Chair);
- Mr Brian Ball;
- Dr Errol Katz; and
- Ms Arlene Tansey.

The Nomination and Remuneration Committee has the authority to seek any information which is relevant to its functions from any officer or employee of Primary. 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 Committee provided by remuneration consultants are provided independently of those to whom the recommendations relates. Further information about the parameters under which external remuneration consultants are engaged is provided below.

ARRANGEMENTS FOR ENGAGING REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISERS

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

All remuneration consultants are engaged by, and report directly to, the Committee. Prior to selection and engagement, the Committee considers the nature and scope of the project to be undertaken and its alignment with the skills, experience, and expertise of the consultants. The Committee also assesses the independence of the consultants and any potential conflicts of interest. Once engaged, all substantive interaction between a remuneration consultant and Primary occurs through the Committee. Where expressly authorised by the Committee, consultants are permitted to liaise with specified management personnel on procedural matters.

All reports and recommendations provided by remuneration consultants are:

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

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

EXTERNAL CONSULTANTS ENGAGED DURING FY2015 AND TO THE DATE OF THIS REPORT

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	NATURE OF ENGAGEMENT AND AMOUNT PAID (WHERE APPLICABLE)
Aon Hewitt	Nomination and Remuneration Committee	Independent benchmarking review of KMP and Senior Executive remuneration and at-risk remuneration review of market comparators. Aon Hewitt was paid $61,985 for remuneration advice during FY2015 in respect of this advice.
Godfrey Remuneration Group	Nomination and Remuneration Committee	Independent benchmarking review of KMP and Senior Executive remuneration and at-risk remuneration review of market comparators. Re-assessment of risk and reward mechanisms in Primary Executive Incentive Plan. Godfrey Remuneration Group was paid $3,520 for services after 30 June 2015 and up to the date of this Report.

BOARD RESPONSE TO 2014 AGM VOTE ON THE 2014 REMUNERATION REPORT

At Primary's 2014 AGM, more than 25% of eligible votes were cast against the adoption of the 2014 Remuneration Report resulting in a "first strike". Pursuant to section 300A(1)(g) of the Corporations Act, the Directors set out the information in the balance of this Remuneration Report to detail their actions to date, and planned future actions, in response.

POST-2014 AGM PLANNING AND ACTIONS

Since the 2014 AGM held in late November 2014, the Committee and the Board have been engaging with investors and independent remuneration consultants (Aon Hewitt and Godfrey Remuneration Group) to address concerns about the appropriate approaches to KMP remuneration moving forward.

Recommendations in relation to Primary's remuneration positioning and strategy have been sought in relation to:

- Base Package (Fixed Annual Remuneration);
- Short-term incentive (STI);
- Long-term incentive (LTI);
- Total Remuneration packages (base + STI + LTI);
- recommendations on remuneration quantum and structures; and
- the remuneration governance framework relevant to executive remuneration.

The reassessment of Primary's executive remuneration planning undertaken during FY2015 involves benchmarking the market competitiveness of remuneration practices for the Managing Director & Chief Executive Officer and direct reports with a view to ensuring that they are reasonable, market competitive and appropriate to Primary's circumstances.

As part of the remuneration re-setting process, the independent consultants have been provided with an understanding of:

- Primary's current business circumstances and future plans;
- the views of the Committee on Senior Executive remuneration including:
  - competitive positioning of Base Packages and Total Remuneration packages (Base + STI + LTI);
  - the use of STI and LTI plans; and
  - design features including award opportunities under the STI and LTI plans;
- the views of the Committee on Non-executive Director remuneration including:
  - competitive positioning of Main Board Package;
  - the use of equity; and
  - Board and shareholder sentiments regarding current market best practice;
- the issues that have been raised by stakeholders in relation to KMP remuneration policies or practices; and
- the views of the Committee regarding the governance of KMP remuneration and the extent to which it should be formalised.

Remuneration benchmarking has been conducted from a group of companies that are as similar as possible to Primary, not only in terms of industry sector, but more importantly also size and complexity of the group businesses. Research indicates that market capitalisation has a stronger correlation with remuneration than do assets, number of employees or profit and therefore this is the underlying basis for group selection. A benchmarking group should be balanced with an equal number larger and smaller than Primary within a range of around half to double the market capitalisation of Primary to ensure that statistics derived from the group are highly relevant.

A. SENIOR EXECUTIVE REMUNERATION

BOARD POLICY ON REMUNERATION

The Board is continuing to review Primary's remuneration policy in line with changes to Primary's remuneration strategy to appropriately motivate, reward and retain key employees, as well as providing short and long-term value for shareholders by linking executive remuneration to sound business performance and sustained growth.

The Board's appointment of a new Managing Director & Chief Executive Officer during the year ended 30 June 2015 has resulted in the development of Primary's corporate function. A remuneration framework which has an appropriate degree of consistency will encourage the creation of a collaborative and directionally-aligned executive team. At-risk remuneration rewards linked to Primary's financial performance signal the importance for operational and functional groups to work closely together to achieve Primary's long-term financial objectives.

Primary's remuneration framework will aim to:

- support the execution of Primary's business strategy in accordance with the risk framework deemed appropriate for the organisation;
- link a substantial component of pay to performance and shareholder value for outperformance;
- be appropriately equitable and market-competitive;
- attract, motivate and reward high-calibre executives;
- create a high-performance culture by incorporating demanding performance measures including key financial and non-financial measures of performance;
- provide a mix of STI and LTI to reflect the timeframes and impacts of planning;
- provide LTIs which relate to overall company performance and assist executives to build a long-term investment in Primary securities to strongly align their interests with those of shareholders;
- promote decisions required of executive roles; and
- encourage consistency reward in alignment with strategic plans and business outcomes which create short and long-term shareholder value.

THE PRIMARY EXECUTIVE INCENTIVE PLAN ("PEIP")

History and operation of the PEIP up to and including FY2015

During 2010, Primary established a Primary Performance Rights Plan ("PPRP"). The PPRP was approved by shareholders at Primary's Annual General Meeting on 26 November 2010. The PPRP was initially designed to facilitate the grant of performance rights (conditional rights to acquire a share, subject to the achievement of specified service and performance hurdles), to eligible participants. Due to changes in taxation shortly after the PPRP was approved, the Committee determined that future long-term incentive awards would be made as deferred cash over a three-year period. The Plan was re-named the Primary Executive Incentive Plan ("PEIP").

The core objectives of the PEIP aim to:

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

The Committee is responsible for administering the PEIP in accordance with the following framework:

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

Structure of the PEIP up to and including FY2015

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

BASE SALARY FIXED ANNUAL REMUNERATION	VARIABLE REWARD		
	SHORT-TERM INCENTIVE		LONG-TERM INCENTIVE
■ Salary (cash), compulsory superannuation and salary sacrifice. ■ Reviewed annually with any changes effective from 1 January each year. ■ Compensation in line with the Senior Executive's role, value and contribution to Primary. ■ Based on external benchmarking data targeted to be near the median of the competitive talent market. ■ Differentiated by a range of individual levels based on experience, performance, complexity, size and scope of business unit and market demands.	**Individual Targets** (60% of total available STI reward) ■ 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. ■ Capped at a percentage of the Senior Executive's fixed remuneration. The percentage is determined on an individual basis.	**Group Target** (40% of total available STI reward) ■ Linked to Group performance metrics such as EPS Growth which is assessed on an annual basis. ■ For FY2015, the Board determined to use earnings per share growth ("EPS Growth") in a range of 5% to 12% as the key measure for performance-based long-term incentive awards. **This target was not met and no award will be made in respect of FY2015.**	■ This component of compensation is at-risk and only earned if performance metrics are achieved in the year awarded. ■ The LTI is subject to continued service requirements as the LTI is released in 3 equal tranches over a 3-year period, commencing one year after the date on which the LTI was first granted. ■ For FY2015, the Board determined to use earnings per share growth ("EPS Growth") in a range of 5% to 12% as the key measure for performance-based long-term incentive awards. **This target was not met and no award will be made in respect of FY2015.**

SHORT-TERM AND LONG-TERM INCENTIVE TARGETS

The Committee approved the use of an Earnings Per Share Growth ("EPS Growth") target with a range set annually. This target was used for 100% of the long-term incentive and 40% of the short-term incentive target. The Committee recognises the need to re-set this approach in line with market practice, which is explained on pages 40-42 of this Report and takes effect from 1 July 2016.
The following table sets out the STI/LTI proportions awarded for FY2011-FY2015 inclusive in relation to the EPS Growth target range:

FINANCIAL YEAR	EARNINGS PER SHARE GROWTH ("EPS GROWTH") TARGET RANGE (%)	EPS GROWTH RANGE ACHIEVED	% OF RELEVANT STI/LTI PROPORTION AWARDED
2011	5–12	(25.5%)	0
2012	5–12	12.6%	100
2013	10–17	28.3%	100
2014	7–13	9.7%	60
2015	**5–12**	**2.6%**	**0**

The target of 5% to 12% for FY2015 was to be awarded according to the following schedule:

NORMALISED FY2015 EPS GROWTH (%)	% OF STI COMPONENT AWARDED
5%	30%
6%	40%
7%	50%
8%	60%
9%	70%
10%	80%
11%	90%
12%	100%

Reported EPS Growth was 17.6%. Underlying EPS Growth was 2.6%. However, the Board determined to use the underlying EPS growth of 2.6% as the appropriate metric. The decision was made to exclude the one-off items which amounted to a net benefit to shareholders, including the ATO refund and associated settlement in connection with the potential tax liabilities of healthcare practitioners. As a result, no long-term incentives and no short-term incentives linked to EPS growth were awarded to executives for FY2015, even though considerable efforts on the part of management were involved in securing the ATO refund and settlement.

REMUNERATION LEVELS AND MIX

Proposed changes in remuneration philosophy governing Primary's remuneration approach take account of the importance of the key drivers of executive variable reward related to growth in shareholder returns and the value of the Group. In relation to the quantum and mix of total remuneration, base packages will be aligned with 50th percentile of the market, based on a tailored, balanced comparator group of companies of similar size operating in similar sectors of the market. It is intended that total remuneration packages will be positioned around 75th percentile of the market when target performance is achieved. Similarly for any given sample there are likely to be a number of executives who will receive no STI even though the target level offered is unlikely to have been nil, due to below threshold performance.

REVIEW OF REMUNERATION COMPONENTS

Fixed annual remuneration

Fixed annual remuneration ("FAR") includes base salary, superannuation contributions and non-monetary benefits. The Board has engaged external remuneration consultants to benchmark all KMP remuneration based on an external market comparator group and the scope and requirements of respective roles. Base package ranges should apply around policy mid-points to allow recognition of individual competence in the role.

Benchmarking comparators

Market data is based on a reference to a group of 20 companies, which is sufficiently large to generally produce reasonably robust statistics, but sufficiently small to be reasonably specific. The group will be balanced with 10 larger and 10 smaller than the Primary size reference point. The range available for selection is confined to ASX listed companies with market capitalisations of between half and double the reference market capitalisation. Companies with invalid CEO data (part-year or contract information) will be excluded, since the CEO benchmark forms an anchor point in the modelling that follows the preparation of market data. To the extent possible the comparators will include companies that may be seen as direct competitors with Primary for talent, capital or customers. In order to fulfil the remaining quota it is generally necessary to include companies that are not directly comparable due to the relatively small size of the Australian market. This is achieved by selecting companies that are in the same global industry classification standard ("GICS") sub-industry classification, and then stepping back through levels of GICS up to the level of sector.

It is noted that this approach differs from the approach applied by many proxy advisors, which in some cases does not consider industry factors or balancing of data samples. However, this approach is understood to produce better tailored and specific outcomes and is therefore more appropriate in relation to detailed internal benchmarking for the purposes of Board decision making.

Short-term incentive for FY2016

The changes planned for the STI from 1 July 2015 (i.e., for FY2016 and following) are outlined in the table below:

FEATURE	DESCRIPTION
Participation from 1 July 2015	The Managing Director & Chief Executive Officer, KMP and Senior Executives.
Instrument	The STI award is delivered in the form of 75% cash and 25% equity in the form of rights.
Award Value	The potential STI award value is set as a percentage of actual base salary paid during the year. STI targets for the Senior Executives are based on the nature of each individual's role and market competitiveness. The STI award is to be determined through by assessing performance objectives (financial and non-financial) against an STI ranging from threshold to stretch. The threshold is the minimum level of performance that warrants payment of a small incentive. The target is a challenging and achievable level of performance and a stretch opportunity, although rarely achieved, would be awarded for an outstanding level of performance. The Committee will fully outline the key performance indicators (KPIs) for key management personnel, and the award opportunity ranges (threshold, target and stretch targets) that are aligned to performance ranges, in the 2016 Remuneration Report. No award will be made where performance objectives have not been met.
Performance Hurdle	Opportunities will be offered that will provide an appropriate balance to the STI which will be a target of 25% of the award. STI deferral will be based on calculating the award following the completion of the period, and then a portion of that will be deferred into equity (50% of the award will be deferred year 1 and 50% year 2), and 75% cash (based on market data and Board views of the planning horizon of Senior Executive roles). The Board will aim to continue making annual grants of LTI with three year performance conditions that overlap with STI measurement periods and thus provide an appropriate and sufficient disincentive to short-term decision making behaviour. The STI will be adjusted to reflect a majority weighting on Group financial performance (70%), which is expected to link positively with long-term value creation for shareholders, and a minority weighting on non-financial short-term strategic objectives and individual performance measures (30%) which are also expected to have a positive link with long-term value creation. Group Target The target of the financial metric is set with respect to the budgeted Net Profit After Tax ("NPAT") for FY2016, which has been appropriately challenged by the Board and which the Board is satisfied represents a challenging but achievable objective (i.e., is not an easy target). A threshold level that represents a "near miss" of the budgeted NPAT has been set that would deliver a substantially reduced reward, and a stretch level of significant outperformance has been set that would be unlikely to be achieved, but which would deliver a reward materially greater than target, so as to motivate sustained performance. Individual Target Individual key performance indicator objectives ("KPIs") will be a mix of financial and non-financial measures with weighting of objectives structured according to whether those KMP and Senior Executives have responsibilities which relate to profit and loss ("P&L") or are functional. KPIs for each KMP and Executive will be approved by Primary's Managing Director & Chief Executive Officer during Primary's annual strategic planning and budgeting process and will reflect the contribution required from each individual (and the part of the business for which they have responsibility) in order for Primary to meet its agreed annual business plans and budget. KPIs are approved by the Committee and the Committee will also set key performance objectives for the Managing Director & Chief Executive Officer. An individual's objectives are aligned to the following categories: The STI award mix for individuals with **P&L** responsibilities will include KPIs linked to: ■ to quantified performance objectives associated with Primary's financial objectives which are linked to the individual's area of accountability; ■ strategic milestones with longer-term horizons associated with the Group's growth; ■ delivering business improvements relating to efficiencies, risk management, compliance, WHS and ensuring high personal and organisational levels of operational excellence; ■ personal leadership behaviours aligned with Primary's values. The STI award mix for individuals with **functional** responsibilities will include KPIs linked to: ■ strategic milestones with longer-term horizons associated with the Group's growth; ■ delivering business improvements relating to efficiencies, risk management, compliance, WHS and ensuring high personal and organisational levels of operational excellence; ■ personal leadership behaviours aligned with Primary's values.

FEATURE	DESCRIPTION
Assessment	Progress against objectives will be conducted quarterly. A formal review of each individual's progress against objectives will be conducted twice annually by the Managing Director & Chief Executive Officer. Following the full year performance review, the Managing Director & Chief Executive Officer will make recommendations to the Committee and subsequently to the Board regarding the level of STI payment to be made to each individual. The Committee and the Board will assess both individual performance against objectives for all KMP including the Managing Director & CEO, and business performance at the end of the financial year and approve the actual STI payments to be made.
Deferral Terms	STI performance conditions will be assessed at the end of each financial year to determine the value of the STI award for that period. 25% of any STI award will be deferred in rights with the number of rights offered being determined by reference to Primary's volume weighted average share price during the ten trading days commencing on the first trading day after Primary's announcement of its annual financial results. 50% of the deferred component will be deferred for 12 months and the remaining 50% will be deferred for 24 months.

Long-term incentive for FY2016

The changes planned for the LTI from 1 July 2015 (i.e., for FY2016 and following) are outlined in the table below:

FEATURE	DESCRIPTION
Participation from 1 July 2015	The Managing Director and CEO, KMP and Senior Executives.
Instrument	100% of the LTI award is delivered as equity in the form of performance rights.
Grant Value	The potential LTI award value is set as a percentage of actual base salary paid during the year and will vary depending on the nature of each individual's role and market competitiveness. The LTI award is to be determined by assessing financial performance objectives against an LTI ranging from threshold to stretch. The threshold is the minimum level of performance that warrants payment of a small incentive. The target is a challenging and achievable level of performance and a stretch opportunity, although rarely achieved, would be awarded for an outstanding level of performance. The Committee will fully outline the financial LTI measures for key management personnel, and the award opportunity ranges (threshold, target and stretch targets) that are aligned to performance ranges, in the 2016 Remuneration Report.
Performance Period	100% of the performance rights granted will have a three year performance period. The assessment of the performance hurdle will occur three years after the date of the grant and determine the number of rights which will vest and convert to fully paid ordinary shares in Primary.
Performance Hurdle	■ 50% weighting against return on invested capital ("ROIC") adjusted for goodwill. ROIC is a measure which is a long-term internal focus of the Group, and is expected to lead to shareholder value creation over the long-term when capital usage is appropriately quantified as a percentage above the WACC (Weighted Average Cost of Capital). The Board sees it as important to remove goodwill from the calculation because this is an accounting item being carried that is out of management's control and which has little relevance to the management of capital. The performance objective in relation to the adjusted ROIC target will be set such that it is appropriately challenging given the removal of goodwill from the calculation, and the Board will communicate with shareholders regarding the adjustment and its rationale. ■ 50% weighting against relative total shareholder return. Total Shareholder Return ("TSR") has the most direct alignment with the experience of shareholders. The vesting conditions will be based on relative TSR ("rTSR") against a broad comparator group (based on Industrial & Service companies within a range of the ASX300).

FEATURE	DESCRIPTION
Assessment	ROIC The Board will base the target on a premium to the return that may be reasonably expected given the business plans and anticipated circumstances that will prevail over the measurement period. A threshold level of performance has been set that represents a reasonable expectation of ROIC over this period, and a stretch objective that represents a materially higher ROIC outcome than may reasonably be expected has been set that would result in the full 50% portion vesting, but which would be unlikely to occur. rTSR In the case of the rTSR measure, the target and threshold will be the same, as is understood to be accepted practice (50th percentile of the comparator group would result in 25% vesting), with a stretch/maximum of 75th percentile of the comparator group at which point the full 50% portion of the LTI would vest.
Vesting Schedule	Primary ROIC performance It is anticipated that: ■ below the minimum ROIC target range – 0% vests; ■ between the minimum and towards the upper end of the ROIC target range – progressive vesting in equal increments; or ■ at or above maximum ROIC target range – the full 50% portion vests. Primary rTSR Where Primary's rTSR is below the performance of the comparator index – 0% vests. Where Primary's rTSR exceeds the performance of the comparator index – the full 50% portion vests. A positive TSR gate will be applied to this measure (to ensure that participants don't receive an award for performing less poorly than comparators).
Re-testing	Performance rights that do not vest over the initial three year performance period will be re-tested over the initial performance period plus a further 12 months, only if no vesting occurs at the first test. After that, performance rights which have not vested at that time will lapse.
Cessation of Employment	The performance rights of "good leavers" will be held in accordance with the original terms and conditions and subject to testing in the ordinary course, although the grant in the year of termination will be pro-rata forfeited to reflect the portion of the remuneration year (financial year) not completed. The unvested performance rights of all other leavers will lapse upon termination.
Dividends	No dividends are payable on unvested performance rights awarded under the LTI.
Clawback	The Board will retain its discretion, in circumstances where an employee is found to have engaged in serious misconduct, to make adjustments or to determine forfeiture of any unvested or vested and restricted equity.

PRIMARY'S FINANCIAL PERFORMANCE

The table below demonstrates the performance of the Primary over the five years ended 30 June 2015:

	YEAR ENDED 30 JUNE				
	2015	**2014**	**2013**	**2012**	**2011**
Revenue	**1,618,469**	1,524,115	1,440,036	1,392,067	1,322,094
Profit attributable to equity holders of Primary Health Care Ltd ($000)	**136,495**	114,553^	150,111	116,615	78,285
Share price at end of year ($)	**5.04**	4.54	4.78	2.95	3.43
Interim dividend (cents per share)	**9.0**	9.0	6.5	5.0	3.0
Final dividend (cents per share)	**11.0**	11.0	11.0	6.0	5.0
Basic Earnings Per Share (cents)	**26.7**	22.7^	29.9	23.3	15.8

Notes:

^ These amounts are restated following a change in Primary's accounting policy adopted in FY2015.

The Board considers:

- the increase in Primary's earnings; and
- the positive consequences of Primary's performance on shareholder wealth, as evidenced by:
  - the increase or maintenance of dividend payment levels; and
  - the increase in Primary's share price over the five year period;

as well as other factors, demonstrate a positive relationship between the Board's remuneration policy and Primary's performance.

DETAILS OF CONTRACTS OF CEO AND KMP

The terms of employment for Primary's new Managing Director & Chief Executive Officer, Peter Gregg, are formalised in his employment contract. Mr Gregg's contract has no fixed term. It can be terminated by Primary on 12 months' notice. Primary can terminate the contract immediately by paying the total fixed annual remuneration in lieu of the notice period and direct Mr Gregg not to perform all or part of his duties for up to 6 months of the notice period. Other new KMP are employed on individual service contracts which outline the terms of their employment.

The remuneration arrangements for the Managing Director & Chief Executive Officer for the year ended 30 June 2015 are outlined below.

TERM/CONDITION	DESCRIPTION
Fixed remuneration	Total fixed remuneration of $1,500,000 per annum (inclusive of superannuation and other fringe benefits). This is subject to annual review, the first such review being in January 2016.
Short-term incentive	Entitlement to receive a pro-rata short-term incentive (**STI**) for FY2015 with a maximum value of $875,000 (pro-rated from the commencement date). 50% of the STI award will be in unrestricted cash and the other 50% will be in equity, which will vest after 2 years, subject to the comments below regarding treatment on termination.
Long-term incentive	Mr Gregg will be eligible to receive a long-term incentive (**LTI**) award for the 2015-2017 performance period with a maximum value of $875,000, which will vest annually over 3 years (and otherwise remains subject to the terms of the Primary Executive Incentive Plan rules (or any replacement plan rules) and the comments below regarding treatment on termination).
Entitlements on cessation of the engagement	Either Mr Gregg or Primary may terminate his employment by giving the other 12 months' notice (or payment in lieu). Primary is only entitled to require Mr Gregg not to attend the Primary Group's premises and not to perform all or part of his duties (i.e., place Mr Gregg on 'garden leave') for up to 6 months of the notice period. Primary may end Mr Gregg's employment at any time without notice in certain circumstances (including where Mr Gregg has engaged in serious misconduct or has been dishonest, fraudulent or negligent in the performance of his duties). If Mr Gregg's employment is terminated without notice or because he resigns, he forfeits any entitlement to unvested STI and LTI (subject to the Board exercising its discretion to the contrary). If Mr Gregg's employment ends for any other reason, then the Board has discretion to forfeit a pro-rata amount of any unvested STI and LTI and the balance may vest subject to the achievement of the relevant performance conditions.
Post-employment restraints	Mr Gregg is restricted from competing with the Primary Group and/or soliciting its clients, suppliers, directors, contractors and/or employees for 6 months from the last date he works for Primary (i.e. from the date of termination or from when Mr Gregg is placed on 'garden leave').

The remuneration and other terms of employment for other KMP at Primary have historically not been formalised in employment and service agreements and are governed by common law. This situation is changing as all new KMP now enter into Executive Services Agreements on joining the Group. Those KMP who are not on formalised employment contracts to date have been with the Group for many years and the Board is satisfied that the mutual obligation of notice of termination and confidentiality affords an appropriate degree of risk mitigation during the transition of expanding the functional capability of the Group's corporate executive office.
No termination payments will be made that exceed the termination benefit limit (unless shareholders approve such additional amounts).

NO FEES FOR EXECUTIVE DIRECTORS

During FY2015, no Executive Director received a fee-for-service for their role as a Director.

OPTION PLAN

Primary's Employee Option Plan has been dormant since 2010 and the Committee currently has no plans to reactivate it. Options were, from time to time, previously issued to Senior Executives under the plan at the sole discretion of the Board. Further details of the Plan are included in Note 16 to the financial statements on page 77. The Board did not consider issuing options to Senior Executives in the normal course of events until the Senior Executive had served a minimum of two years with Primary. The options would 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 FY2015 (FY2014: nil). During the year, no Director or Senior Executive exercised options that were granted to them as part of their compensation and no options vested.

REMUNERATION FOR FY2015

A history of Primary's remuneration structure prior to 30 June 2015 has been set out above at page 38.

Short-term incentive – "STI" relating to FY2015

The STIs awarded to KMP under the PEIP in respect of the year ended 30 June 2013 (FY2013) were reported in Primary's 2014 Annual Report.

The STIs awarded to KMP under the PEIP in respect of the year ended 30 June 2014 (FY2014) are reported in this Remuneration Report.

As at the date of this Report, no STI awards have been paid to KMP in respect of FY2015. Any awards paid will be reported in Primary's 2016 Annual Report.

For FY2015, where awarded, the STI will comprise a cash incentive payment linked to both group performance and the achievement of certain KPIs based on a range of performance hurdles such as capital and financial management, strategic financial planning, WHS and risk management, team leadership, and succession planning. The percentage of fixed annual remuneration ("FAR") which is available for award to eligible participants varies according to the participant's level within the PEIP. The performance hurdles relevant for Primary's KMP are provided further in this Remuneration Report below.

Long-term incentive – "LTI" relating to FY2015 and relevant prior financial years

History of LTI payments

For FY2012, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share growth ("EPS Growth") target of between 5-12%, with payment of deferred cash increasing in equal increments for each percentage of EPS Growth, to a maximum of 12%. This Group EPS target was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP were awarded the relevant maximum LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2012 was paid in October 2013. The second one-third of each LTI award in respect of FY2012 was paid in October 2014. The final one-third of each LTI award in respect of FY2012 will be paid in October 2015.

For FY2013, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share growth ("EPS Growth") target of between 10-17%, with payment of deferred cash increasing in equal increments (starting at 0% for EPS Growth < 10% to 100% for EPS Growth = or > 17%) for each percentage of EPS Growth to a maximum of 17%. The total of this Group EPS target was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP were awarded the relevant maximum LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2013 was paid in September 2014. The second one-third of each LTI award in respect of FY2013 will be paid in October 2015. The final one-third of each LTI award in respect of FY2013 will be paid around October 2016.

For FY2014, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share growth ("EPS Growth") target of between 7-13%, with payment of deferred cash increasing in equal increments (starting at 0% for EPS Growth < 7% to 100% for EPS Growth = or > 13%) for each percentage of EPS Growth to a maximum of 13%. In FY2014, EPS Growth of 9.7% was achieved. Accordingly, all eligible participants at levels 1 to 3 of the PEIP were awarded an appropriately proportionate amount of their allocated LTI as a percentage of FAR. The first one-third of each LTI award in respect of FY2014 will be paid in October 2015. The second one-third of each LTI award in respect of FY2014 will be paid around October 2016. The final one-third of each LTI award in respect of FY2014 will be paid around October 2017.

For FY2015, the LTI comprised an at-risk incentive payment based on a Group Earnings Per Share Growth ("EPS Growth") target of between 5-12%, with payment of deferred cash increasing in equal increments (starting at 0% for EPS Growth < 5% to 100% for EPS Growth ≥ 12%) for each percentage of EPS Growth to a maximum of 12%. **In FY2015, the EPS Growth target was not achieved and therefore no LTI will be awarded with respect to FY2015.**

As noted elsewhere in this Remuneration Report, the LTI plan is to be replaced for FY2016 with one that reflects current market best-practice.

Table of STI and LTI opportunities in relation to FY2015

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

PEIP – FY2015 – PERCENTAGE OF FIXED ANNUAL REMUNERATION AS STI AND LTI

LEVEL	STI (% OF FAR) MAXIMUM AVAILABLE	LTI (% OF FAR) ^^ MAXIMUM AVAILABLE (RESTRICTED FOR 3 YRS)
L1 CEO (Peter Gregg from 2 March 2015)^	**58.3% (23.3% EPS Growth Target/35% KPIs)**	**58.3%**
L1 CEO (Edmund Bateman until 30 January 2015)*	**0%**	**0%**
L1 Acting CEO (Andrew Duff from 29 September 2014 to 1 March 2015)†	**40% (16% EPS Growth Target/24% KPIs)**	**20%**
L1 KMP & Other	**40% (16% EPS Growth Target/24% KPIs)**	**20%**
L2	**25% (10% EPS Growth Target/15% KPIs)**	**18%**
L3(A) & (B)	**20% (8% EPS Growth Target/12% KPIs)**	**15%**
L4	**15% (6% EPS Growth Target/9% KPIs)**	**0%**

^ The award to the CEO is as follows: 50% of the STI award will be in unrestricted cash and the other 50% will be in equity, which will vest after 2 years. LTI award will vest annually over 3 years.

* See table below at pages 46-47 for details of retirement benefit and other payments to Dr E Bateman.

^^ No LTI will be awarded for FY2015 as the relevant EPS Growth target was not met.

† A one-off payment will be made to Mr Duff in respect of his work as Acting Managing Director & Chief Executive Officer. Please see page 47 for more information.

Key Management Personnel remuneration mix for FY2015

The following table sets out the percentage of fixed and at-risk remuneration as a component of total available remuneration for those KMP who participated in the Primary Executive Incentive Plan ("PEIP") in FY2015 and those measures upon which recommendations are made in relation to STIs awarded under the PEIP:

<table>
<tr><th>KMP</th><th>FAR</th><th>STI</th><th>LTI</th><th>AT-RISK</th><th>STI MEASURES</th></tr>
<tr><td>Peter Gregg
Managing Director & Chief Executive Officer (from 2 March 2015)</td><td>46.2%</td><td>26.9%</td><td>26.9%</td><td>53.8%</td><td>The Managing Director & Chief Executive Officer has primary responsibility for company earnings (EBITDA) and is asked to focus on the development and implementation of Primary's strategic growth model, including investing for growth, improving returns on capital, strengthening the balance sheet, engaging stakeholders and on long-term leadership development and alignment.</td></tr>
<tr><td>Edmund Bateman
Managing Director & Chief Executive Officer (until 30 January 2015)</td><td>100%</td><td>0%</td><td>0%</td><td>0%</td><td>No STI or LTI will be awarded in relation to FY2015, rendering Dr Bateman's remuneration as 100% fixed for FY2015.</td></tr>
<tr><td>Andrew Duff
Finance Director (from 1 July 2014 until 25 September 2014)
Acting Managing Director & Chief Executive Officer (from 26 September 2014 until 1 March 2015)
Chief Financial Officer (from 2 March 2015 until 10 July 2015)</td><td>62.5%</td><td>25.0%</td><td>12.5%</td><td>37.5%</td><td rowspan="5">There are several key performance components to the STI for the PEIP which apply in various combinations to each KMP:
– Linked to key performance indicators with metrics including revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed;
– Strategic objectives – performance against strategic objectives linked to the KMP's business unit and functional responsibility. These objectives may include business unit cost targets, market share growth, quality and efficiency initiatives, new product development, medical health professional recruitment, investor relations, and business acquisitions;
– Operating margin – effective implementation of measures linked to Primary's overall financial operating margin;
– Sustainability performance – including operational improvement initiatives, performance against budgeted capital cost, and identifying and managing risk; and
– Leadership and culture – including human capital management initiatives, succession planning, training, and development.</td></tr>
<tr><td>James Bateman
General Manager – Diagnostics</td><td>62.5%</td><td>25.0%</td><td>12.5%</td><td>37.5%</td></tr>
<tr><td>Henry Bateman
General Manager – Medical Centres</td><td>62.5%</td><td>25.0%</td><td>12.5%</td><td>37.5%</td></tr>
<tr><td>Carl Adams
General Manager – Diagnostic Imaging (until 30 January 2015)</td><td>62.5%</td><td>25.0%</td><td>12.5%</td><td>37.5%</td></tr>
<tr><td>Matthew Bardsley
General Manager – Information Innovation</td><td>62.5%</td><td>25.0%</td><td>12.5%</td><td>37.5%</td></tr>
</table>

Dollar value of at-risk remuneration potential for KMP for FY2015

The following table sets out the minimum and maximum at-risk remuneration potential for KMP for FY2015. Incentive amounts are based on fixed annual remuneration approved by the Board as part of the 2015 remuneration review process and the executive remuneration strategy outlined above, as well as the potential total STI and LTI award under the PEIP for FY2015 which may be awarded and granted in FY2016.

	SHORT-TERM INCENTIVE PAID AS CASH LINKED TO GROUP EPS GROWTH TARGET (1)		SHORT-TERM INCENTIVE PAID AS CASH LINKED TO KPIS (2)		LONG-TERM INCENTIVE DEFERRED CASH (3)	
	MINIMUM ($)	MAXIMUM ($)	MINIMUM ($)	MAXIMUM ($)	MINIMUM ($)	MAXIMUM ($)
Chief Executive Officer						
P Gregg (4)	0	116,666 (4)	0	175,000 (4)	0	291,666
Key Management Personnel						
J Bateman	0	124,880	0	187,320	0	156,100
A Duff	0	124,880	0	187,320	0	156,100
H Bateman	0	124,880	0	187,320	0	156,100
M Bardsley	0	75,520	0	113,280	0	94,400
C Adams (5)	0	0	0	0	0	0

(1) The STI paid as cash is based on a whole Group target of EPS Growth between 5% and 12%. This target was not met in FY2015 and so **no** STI will be paid in relation to this performance measure.

(2) The STI paid as cash is based on the achievement and assessment of personal performance targets and will be determined and paid in FY2016 based on performance for FY2015.

(3) The maximum value for the LTI for FY2015 is based on the methodology provided under 'Long-Term Incentive' on page 38. **No** LTI will be awarded in respect of FY2015.

(4) Mr Gregg's maximum potential STI award for FY2015 is $291,666.

(5) No STI or LTI are anticipated to be paid to Mr Adams in respect of FY2015.

DETAILS OF REMUNERATION PAID AND AWARDED IN FY2015

The following information discloses the total remuneration awarded in FY2015 of:

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

The tables below show the total remuneration for each KMP in FY2015 and prior year comparison for FY2014:

	FIXED REMUNERATION (SALARY/FEES)			SHORT-TERM INCENTIVE UNDER PEIP^ (STI AWARDED FOR FY2014 AND PAID IN FY2015)		LONG-TERM INCENTIVE UNDER PEIP^ (LTI AWARDED IN FY2015 FOR FY2014)		
		POST-EMPLOYMENT BENEFITS						
2015	SALARY 1 JULY 2014 TO 30 JUNE 2015 ($)	SUPER-ANNUATION ($)	TERM-INATION PAYMENT ($)	STI ($)	% OF STI	LTI ($)	% OF LTI	TOTAL FOR FY2015 ($)
Chief Executive Officer								
P Gregg (from 2 March 2015)	423,301	9,392	–	–	–	–	–	432,693
E Bateman** (until 30 January 2015)	940,003	14,088	1,500,000	900,000	90	–	–	3,354,091
Key Management Personnel								
C Adams*** (until 30 January 2015)	274,926	12,643		151,872	84	54,240	60	493,681
A Duff*†	1,294,485	18,783		237,048	84	84,660	60	1,634,976
M Bardsley	442,217	18,783		151,872	84	54,240	60	667,112
J Bateman*	720,466	18,783		237,048	84	84,660	60	1,060,957
H Bateman*	720,467	18,783		237,048	84	84,660	60	1,060,958
Total	4,815,865	111,255	1,500,000	1,914,888		362,460		8,704,468

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

Notes:

^ PEIP – Primary Executive Incentive Plan. The STI is based on the achievement of KPIs linked to revenue growth, EBITDA growth, EBIT growth, operating margin, and return on capital employed. The LTI is based on Group EPS Growth and is paid in three consecutive equal annual instalments.

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

** In addition to the amounts disclosed above, Dr Bateman received $1,371,122 on or about 8 February 2015 in respect of accrued annual leave and long service leave at the time of his cessation of employment with Primary on 30 January 2015.
The stated retirement benefit of $1,500,000 was paid to Dr Bateman on or about 8 February 2015 in accordance with the applicable termination benefits cap under the Corporations Act and as approved by the Board.
Other relevant transactions with Dr Bateman are set out in the Key Management Personnel Disclosures on page 48 of this Report.

*** In addition to the amounts disclosed above, Mr Adams received $64,653 on or about 26 February 2015 in respect of accrued unused annual leave entitlements at the time of his cessation of employment with Primary on 30 January 2015.

† As part of his fixed remuneration referable to FY2015, Mr Duff was awarded a one-off incentive payment of $250,000 in relation to his service as Acting Managing Director & Chief Executive Officer from 26 September 2014 to 28 February 2015.

B. NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of all individuals who are Non-executive Directors of Primary for their ordinary services as Directors of either Primary 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 Annual 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 are maintained. Superannuation contributions were made at a rate of 9.5% in FY2015 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 scheme in place for Primary's Non-executive Directors. No Primary securities held by Non-executive Directors were acquired through any such plan.

The table below outlines the total fees paid to Primary's Non-executive Directors for FY2015 and a prior year comparison:

2015	DIRECTORS' FEES FOR PRIMARY	AUDIT COMMITTEE FEES	DIRECTORS' FEES FOR SUBSIDIARY BOARDS*	SUPER CONTRIBUTIONS	TOTAL
Robert Ferguson (1)	216,217	–	–	18,783	235,000
Brian Ball	100,457	6,278	21,309	12,164	140,208
Edmund Bateman	–	–	–	–	–
Paul Jones	100,457	–	21,308	11,568	133,333
Errol Katz	100,457	–	–	9,543	110,000
Robert Hubbard	53,868	9,247	–	5,996	69,111
Arlene Tansey	100,457	–	–	9,543	110,000
Total	671,913	15,525	42,617	67,597	797,652

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

* The relevant subsidiary is Transport Health Pty Ltd ACN 099 028 127.

1 Mr Ferguson's remuneration for FY2015 was a fixed fee inclusive of fees for his role as Chair of the Nomination and Remuneration Committee.

C. KEY MANAGEMENT PERSONNEL DISCLOSURES

EQUITY HOLDINGS OF KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Share option holdings

KMP (OR RELATED PARTY)	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR AS COMPEN-SATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	LAPSED OR EXPIRED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF YEAR	VESTED AND UNEXER-CISABLE AT THE END OF THE YEAR
Paul Jones	35,000	Nil	Nil	Nil	Nil	35,000^	N/A	N/A	N/A

^ 17,500 of these options lapsed after the end of FY2015.

Shareholdings

The number of shares in Primary held (directly, indirectly or beneficially) by each KMP or their related parties are set out below.

KMP (OR CLOSELY RELATED PARTY)	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR AS COMPENSATION	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Carl Adams	33,134	–	(33,134)	–
Matthew Bardsley	10,886	–	–	10,886
Henry Bateman	641,754	–	(517,355)	124,399
James Bateman	53,000	–	45,000	98,000
Andrew Duff	75,900	–	(60,900)	15,000

* Shareholdings of Directors are discussed on page 32 of this report under 'Directors' Interests'.

LOANS TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

No loans have been made to any of the key management personnel or their related parties.

TRANSACTIONS WITH DR EDMUND BATEMAN

During the year ended 30 June 2015, Primary conducted certain transactions with Dr Edmund Bateman, who held the office of Managing Director & Chief Executive Officer until 30 January 2015 and who held the office of Non-executive Director from 2 February 2015 until his death on 13 September 2015. Accordingly, he was a member of the *key management personnel* of Primary and was therefore a related party pursuant to Accounting Standard AASB 124.

Litigation conducted by Dr Bateman and Primary entities

During the year ended 30 June 2015, Primary incurred legal costs in relation to the following matters:

- defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Age* in 2010; and
- a joint action commenced by Primary and Dr Bateman in relation to allegations core to the Primary business model. These actions comprised defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Sydney Morning Herald* in 2010. In addition, as part of the same proceedings, a subsidiary of Primary brought a claim of injurious falsehood against the same defendants in relation to the same articles.
- Payments of legal costs for these proceedings in periods FY2010-2015 totalled $795,404. An additional $868,214 is to be paid in FY2016 in relation to *The Sydney Morning Herald* proceedings.

Primary currently has a receivable in its accounts from Dr Bateman in the amount of $125,000 in relation to the above sets of proceedings.

Both sets of proceedings have been settled on confidential terms and no further legal costs are anticipated in relation to these proceedings.

Primary notes that the articles in question have since been removed from all Fairfax websites.

Consultancy services provided by Dr Bateman since his retirement as Managing Director & Chief Executive Officer

Since Dr Bateman's retirement as Managing Director & Chief Executive Officer, Primary engaged Dr Bateman to provide consultancy services to Primary. These services commenced on 3 February 2015. The consultancy agreement had an initial term of 12 months and entitled Dr Bateman to consultancy fees of $70,833 (plus GST and adjusted for superannuation contributions) per month. It had been envisaged by both parties that the services would continue for a period of at least 12 months. However, on 10 August 2015 Primary and Dr Bateman mutually agreed to materially vary the terms of the consultancy arrangements so that they terminated on 31 August 2015.

Payments made to Dr Bateman for these services during FY2015 totalled $460,087 (an additional $76,195 was paid in FY2016 prior to termination of the consultancy). During this period (or subsequently) Dr Bateman was not paid any fees in relation to his role as a Non-executive Director of Primary.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

- occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing with the Director or Executive 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; or
- are trivial or domestic in nature.

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

Peter Gregg
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

29 September 2015

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Primary is committed to ensuring that its policies and practices reflect a high standard of corporate governance.

The Board has adopted a comprehensive framework of Corporate Governance Guidelines. Throughout FY2015, Primary's governance arrangements were generally consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

In accordance with ASX Listing Rule 4.10.3, Primary's FY2015 Corporate Governance Statement can be viewed at:

www.primaryhealthcare.com.au/corporate-governance

Deloitte.

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The Board of Directors
Primary Health Care Limited
30-38 Short Street
Leichhardt NSW 2042

29 September 2015

Primary Health Care Limited

Dear Directors

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

As lead audit partner for the audit of the financial statements of Primary Health Care Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 29 September 2015

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Primary Health Care Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss, the statement of other comprehensive income, the statement of cash flow 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 54 to 93.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 49 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 29 September 2015

DIRECTORS' DECLARATION

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

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

(B) in the Directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view); and

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

(D) there are reasonable grounds to believe that Primary and the controlled entities identified in Note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between Primary and those controlled entities pursuant to ASIC Class Order 98/1418; and

(E) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2015.

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

On behalf of the Directors

Peter Gregg
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

29 September 2015

FINANCIAL STATEMENTS CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	CONSOLIDATED 2015 $000	CONSOLIDATED RESTATED 2014 $000
Revenue	4	**1,618,469**	1,524,115
Employee benefits expense	5	**695,174**	638,959
Property expenses	5	**229,506**	208,287
Consumables		**160,957**	147,470
ATO settlement	6(B)	**110,508**	–
IT expenses		**20,497**	20,730
Other expenses	5	**141,830**	109,577
EBITDA		**259,997**	399,092
Depreciation	10	**68,961**	62,899
Amortisation of intangibles	11	**93,124**	80,716
EBIT		**97,912**	255,477
Finance costs	5	**66,512**	71,747
Profit before tax		**31,400**	183,730
Income tax (benefit) expense	6(A)	**(105,095)**	69,159
Profit for the year		**136,495**	114,571
Attributable to:			
Equity holders of Primary Health Care Limited		**136,495**	114,553
Non-controlling interest		**–**	18
Profit for the year		**136,495**	114,571

	NOTE	CONSOLIDATED CENTS PER SHARE 2015	CONSOLIDATED CENTS PER SHARE 2014
Basic and diluted earnings per share	17	**26.7**	22.7

Where applicable, comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the Financial Statements are included on pages 61 to 93.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	CONSOLIDATED	
	2015 $000	RESTATED 2014 $000
Profit for the year	**136,495**	114,571
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) gain on cash flow hedges	**(5,130)**	2,410
Fair value (loss) on available-for-sale financial assets	**(4,289)**	(4,150)
Exchange differences arising on translation of foreign operations	**41**	(260)
Income tax relating to items that may be reclassified subsequently to profit or loss	**2,826**	522
Other comprehensive (loss) for the year, net of income tax	**(6,552)**	(1,478)
Total comprehensive income for the year	**129,943**	113,093
Attributable to:		
Equity holders of Primary Health Care Limited	**129,943**	113,075
Non-controlling interest	**–**	18
	129,943	113,093

Notes to the Financial Statements are included on pages 61 to 93.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	NOTE	CONSOLIDATED 2015 $000	RESTATED 2014 $000	RESTATED 2013 $000
Current assets				
Cash	27(A)	**49,969**	27,460	34,725
Receivables	7(A)	**147,265**	149,861	151,798
Consumables		**28,215**	27,262	25,878
Other financial assets	12	**3,186**	–	–
Tax receivable	6(D)	**42,113**	–	–
		270,748	204,583	212,401
Assets classified as held for sale	8	**39,171**	–	–
Total current assets		**309,919**	204,583	212,401
Non-current assets				
Receivables	7(B)	**4,143**	4,145	3,618
Goodwill	9	**2,832,087**	2,798,239	2,766,089
Property, plant and equipment	10	**468,880**	427,922	409,052
Other intangible assets	11	**289,970**	272,353	231,387
Other financial assets	12	**34,161**	25,703	25,197
Investment in joint ventures		**1,953**	1,927	3,232
Deferred tax asset	6(C)	**4,378**	7,403	5,342
Total non-current assets		**3,635,572**	3,537,692	3,443,917
Total assets		**3,945,491**	3,742,275	3,656,318
Current liabilities				
Payables	13(A)	**180,692**	154,016	127,204
Tax liabilities	6(D)	**–**	32,893	18,193
Provisions	14(A)	**76,356**	55,792	59,302
Other financial liabilities		**11,740**	8,444	12,068
Interest-bearing liabilities	15(A)	**155,537**	3,072	2,814
Total current liabilities		**424,325**	254,217	219,581
Non-current liabilities				
Payables	13(B)	**6,787**	13,229	6,746
Provisions	14(B)	**9,640**	3,592	2,463
Other financial liabilities		**7,409**	5,576	4,721
Interest-bearing liabilities	15(B)	**1,049,946**	1,094,553	1,072,408
Total non-current liabilities		**1,073,782**	1,116,950	1,086,338
Total liabilities		**1,498,107**	1,371,167	1,305,919
Net assets		**2,447,384**	2,371,108	2,350,399
Equity				
Issued capital	16	**2,407,309**	2,366,276	2,358,183
Reserves	19	**(5,901)**	7,973	9,263
Retained earnings		**44,198**	(4,919)	(18,807)
Equity attributable to equity holders		**2,445,606**	2,369,330	2,348,639
Non-controlling interest		**1,778**	1,778	1,760
Total equity		**2,447,384**	2,371,108	2,350,399

Where applicable, comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the Financial Statements are included on pages 61 to 93.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED $000	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASE PAYMENTS RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 1 July 2014 (Restated)	**2,366,276**	**6,798**	**(9,814)**	**900**	**10,089**	**(4,919)**	**2,369,330**	**1,778**	**2,371,108**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**136,495**	**136,495**	**–**	**136,495**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**41**	**–**	**–**	**41**	**–**	**41**
Fair value (loss) on available-for-sale investments	**–**	**(4,289)**	**–**	**–**	**–**	**–**	**(4,289)**	**–**	**(4,289)**
Fair value (loss) on cash flow hedges	**–**	**–**	**(5,130)**	**–**	**–**	**–**	**(5,130)**	**–**	**(5,130)**
Income tax relating to components of other comprehensive income	**–**	**1,287**	**1,539**	**–**	**–**	**–**	**2,826**	**–**	**2,826**
Total comprehensive income	**–**	**(3,002)**	**(3,591)**	**41**	**–**	**136,495**	**129,943**	**–**	**129,943**
Payment of dividends	**–**	**–**	**–**	**–**	**–**	**(94,769)**	**(94,769)**		**(94,769)**
Share-based payment	**–**	**–**	**–**	**–**	**69**	**–**	**69**	**–**	**69**
Transfers	**–**	**–**	**–**	**–**	**(7,391)**	**7,391**	**–**	**–**	**–**
Movement in issued capital (Note 16)	**41,033**	**–**	**–**	**–**	**–**	**–**	**41,033**	**–**	**41,033**
Balance at 30 June 2015	**2,407,309**	**3,796**	**(13,405)**	**941**	**2,767**	**44,198**	**2,445,606**	**1,778**	**2,447,384**
Balance at 1 July 2013 as previously reported	2,358,183	9,703	(11,501)	1,160	9,901	309,659	2,677,105	1,760	2,678,865
Restatement (refer Note 2)	–	–	–	–	–	(328,466)	(328,466)	–	(328,466)
Balance at 1 July 2013 (restated)	2,358,183	9,703	(11,501)	1,160	9,901	(18,807)	2,348,639	1,760	2,350,399
Profit for the year	–	–	–	–	–	114,553	114,553	18	114,571
Exchange differences arising on translation of foreign operations	–	–	–	(260)	–	–	(260)	–	(260)
Fair value (loss) on available-for-sale investments	–	(4,150)	–	–	–	–	(4,150)	–	(4,150)
Fair value gain on cash flow hedges	–	–	2,410	–	–	–	2,410	–	2,410
Income tax relating to components of other comprehensive income	–	1,245	(723)	–	–	–	522	–	522
Total comprehensive income	–	(2,905)	1,687	(260)	–	114,553	113,075	18	113,093
Payment of dividends	–	–	–	–	–	(100,665)	(100,665)		(100,665)
Share-based payment	–	–	–	–	188	–	188	–	188
Movement in issued capital (Note 16)	8,093	–	–	–	–	–	8,093	–	8,093
Balance at 30 June 2014 (Restated)	2,366,276	6,798	(9,814)	900	10,089	(4,919)	2,369,330	1,778	2,371,108

Where applicable, comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2.

Notes to the Financial Statements are included on pages 61 to 93.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	CONSOLIDATED 2015 $000	RESTATED 2014 $000
Cash flows from operating activities			
Receipts from customers		**1,637,565**	1,554,003
Payments to suppliers and employees		**(1,261,192)**	(1,174,945)
Cash generated from operations		**376,373**	379,058
Interest paid		**(66,894)**	(61,003)
Net income tax paid		**(62,427)**	(57,637)
Interest received		**679**	322
Net cash provided by operating activities	27(B)	**247,731**	260,740
Cash flows from investing activities			
Payment for property plant and equipment		**(134,882)**	(85,135)
Payment for healthcare practices acquired	27(E)	**(18,457)**	(14,856)
Payment for subsidiaries acquired		**(17,788)**	(3,568)
Payment for other intangibles		**(100,041)**	(89,594)
Net payment for investments		**(5,520)**	(726)
Proceeds from the sale of property plant and equipment		**172**	4,838
Net cash (used in) investing activities		**(276,516)**	(189,041)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(187,782)**	(182,550)
Proceeds from borrowings		**300,000**	205,000
Dividends paid		**(53,735)**	(92,573)
Other finance costs		**(7,620)**	(8,819)
Net cash provided by (used in) financing activities		**50,863**	(78,942)
Net increase (decrease) in cash held		**22,078**	(7,243)
Cash at the beginning of the year		**27,460**	34,725
Effect of exchange rate movements on cash held in foreign currencies		**431**	(22)
Cash at the end of the year	27(A)	**49,969**	27,460

Where applicable, comparative information has been restated to reflect a change in accounting for acquisitions of healthcare practices. Refer Note 2

Notes to the Financial Statements are included on pages 61 to 93.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Primary Health Care Limited ("Primary") is a for-profit entity domiciled in Australia. The consolidated financial statements of Primary for the financial year ended 30 June 2015 comprises Primary and its subsidiaries (together referred to as "the consolidated entity" or "the Group") and the consolidated entity's interest in joint ventures.

STATEMENT OF COMPLIANCE

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

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

The financial statements were authorised for issue by the Directors on 29 September 2015.

BASIS OF PREPARATION

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

Primary is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Accounting policies relating to the information contained in the notes to the financial statements are included within the relevant note along with any details about critical accounting estimates and judgements. All other significant 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.

NET CURRENT LIABILITY POSITION

The Group has a net current asset deficiency of $114.4 million (30 June 2014 restated: $49.6m), principally due to the Group's Retail Bonds being classified as current liabilities as they mature on 28 September 2015 (refer Note 15).

The Group's Retail Bonds were redeemed using Syndicated Bank Debt. Following the Group's refinance of its Syndicated Bank Debt Facilities in April 2015, all amounts drawn on there facilities are classified as non-current liabilities. Refer Note 26(C) for further details of the financing facilities that the Group had access to at the end of the reporting period.

(A) BASIS OF CONSOLIDATION

Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial report from the date that control is obtained until the date that control ceases. All inter-entity transactions, balances and any unrealised gains and losses arising from inter-entity transactions have been eliminated on consolidation. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Group acquires a business, it assesses the fair value of identifiable assets and liabilities, applying judgment in their identification, classification and measurement in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that has been classified as an asset or a liability are recognised in profit or loss.

During the current period the Group reassessed its accounting policy for the acquisition of healthcare practices (that is, the practices of doctors and other ancillary healthcare professionals) which had previously all been accounted for as business combinations. Healthcare practices acquired within a specified geographic distance from the Primary Medical Centre when Primary expects that a significant number of patients of the healthcare practice acquired will attend the Primary Medical Centre following the acquisition, continue to be accounted for as business combinations on the basis outlined in Note 2. Other healthcare practices acquired are now accounted for as the acquisition of an intangible asset on the basis outlined in Note 2. Full details of this prior period restatement, including details of the financial impact, can be found in Note 2.

(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) 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.

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that impairment might exist. Other assets are reviewed at each reporting date to determine whether there is any indication that those assets may 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). The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. An impairment loss is recognised in profit or loss immediately for the amount by which the asset's carrying amount exceeds its recoverable amount.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. Further disclosures relating to the assessment of the recoverable amount of the Group's CGUs is provided in Note 9.

(F) ADOPTION OF NEW AND REVISED STANDARDS

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

A number of amendments to AASBs and an Interpretation issued by the Australian Accounting Standards Board (AASB) are mandatorily effective for an accounting period that begins on or after 1 July 2014 and are therefore relevant for the current year end. None of these amendments have had a material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(G) STANDARDS ON ISSUE NOT YET ADOPTED

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

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 Financial Instruments and the relevant amending standards	1 January 2018	30 June 2019

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

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

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. It will supersede current revenue recognition guidance including AASB 118 *Revenue, AASB 111 Construction Contracts* and related Interpretations when it becomes effective.

The key principle of AASB 15 is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 introduces far more prescriptive and detailed implementation guidance than was included in the revenue recognition guidance that it will replace.

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

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

2. PRIOR PERIOD RESTATEMENT – ACCOUNTING FOR THE ACQUISITIONS OF HEALTHCARE PRACTICES

In January 2015 the Group reassessed its accounting policy for the acquisition of healthcare practices (i.e. the practices of doctors and other ancillary healthcare professionals). This reassessment took into account an analysis of historic acquisition and recruitment trends and the extent to which patients are brought to the Primary Medical Centre as a result of the acquisition. The Group carefully considered and formed their opinion for the appropriate accounting based on their business judgment as to this analysis and the relevant accounting standards.

The change provides more relevant information in light of the evolution of the Primary business model and changed recruitment trends as the Group has moved from a phase of rapid roll out of new Medical Centres to a greater focus on servicing the needs of the centres as they mature.

Historically all acquisitions of healthcare practices have been considered to be business combinations. Goodwill acquired in the business combination was initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill was not amortised but assessed at least annually for impairment.

As a result of this reassessment the Group has changed its accounting policy in this area. Under this change, acquisitions will be categorised into two broad types. The two types are based on whether or not there is an expectation that a significant number of the patients of the healthcare practice acquired will attend the Primary Medical Centre following the acquisition. In determining this, the geographic distance of the existing healthcare practice from the Primary Medical Centre that the healthcare professional will practise from in the future is a key determining factor. The specified geographic distance has been determined by reference to the restraint zone established by the relevant contractual agreements. In many cases the specified geographic distance is 10km, but this can vary.

The following principles have been adopted:

- Where the healthcare practice acquired is within a specified geographic distance from the Primary Medical Centre, and Primary expects that a significant number of patients of the healthcare practice acquired will attend the Primary Medical Centre following the acquisition, then
  - the transaction is considered to be a business combination under AASB 3 *Business Combinations*
  - the contractual relationship with the healthcare professional is separately identified and valued as an intangible asset representing 30% of the consideration paid. This allocation of the practice purchase price has been determined with reference to historic acquisition trends and subsequent contract extensions
  - the value of that intangible asset is amortised over the life of the contractual agreement, which is usually five years
  - a deferred tax liability is recognised in relation to the intangible asset
  - in the absence of any other identifiable intangibles, the residual of the purchase price is allocated to goodwill in accordance with AASB 3.
- Where the healthcare practice acquired is outside the specified geographic distance from the Primary Medical Centre, then the transaction is not considered a business combination under AASB 3 *Business Combinations*
  - the consideration paid is classified as an intangible asset relating to the contractual relationship with the healthcare professional under AASB 138 *Intangible Assets*
  - in accordance with AASB 138, that intangible asset is initially recorded at cost and amortised over the life of the contractual agreement, which is usually five years.
- Any payment associated with re-signing of the healthcare professional at the end of the term of the contractual agreement is amortised over the life of the extended term of the new contractual agreement.

In adopting this revised policy for accounting for healthcare practice acquisitions, the Group has restated the Statement of financial position as at 30 June 2014 and 30 June 2013, and the Statement of profit or loss, Statement of other comprehensive income and Statement of cash flows for the year ended 30 June 2014 for comparative purposes. In the financial report for the half-year ended 31 December 2014, the principles described above were applied to all healthcare practice acquisitions on or after 1 July 2004, the date of transition to the Australian Equivalents to International Financial Reporting Standards.

2. PRIOR PERIOD RE-STATEMENT – ACCOUNTING FOR THE ACQUISITIONS OF HEALTHCARE PRACTICES (CONTINUED)

As additional information is now available, the Group has now applied the above principles to all healthcare acquisitions on or after 1 January 1998.

Change in tax treatment

On 29 June 2015 the Group changed the tax treatment of the acquisition of medical and other healthcare practices, whereby it now treats the cost of acquiring medical and other healthcare practices as deductible at the time of acquisition following a ruling obtained from the ATO. Refer Note 6(B).

IMPACT ON THE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	RESTATED 30 JUNE 2014 $000	RESTATEMENT INCREASE (DECREASE) $000	AS REPORTED 30 JUNE 2014 $000
EBITDA		**399,092**	–	399,092
Depreciation		**62,899**	–	62,899
Amortisation of intangibles		**80,716**	49,661	31,055
EBIT		**255,477**	(49,661)	305,138
Finance costs		**71,747**	–	71,747
Profit before tax		**183,730**	(49,661)	233,391
Income tax expense	6(A)	**69,159**	(1,678)	70,837
Profit for the period		**114,571**	(47,983)	162,554

IMPACT ON THE BALANCE SHEET AS AT 30 JUNE 2014

	NOTE	RESTATED 30 JUNE 2014 $000	RESTATEMENT INCREASE (DECREASE) $000	AS REPORTED 30 JUNE 2014 $000
Goodwill	9	**2,798,239**	(512,272)	3,310,511
Other intangible assets	11	**272,353**	139,918	132,435
Deferred tax asset		**7,403**	(4,094)	11,497
Net assets		**2,371,108**	(376,449)	2,747,557
Retained earnings		**(4,919)**	(376,449)	371,530
Total equity		**2,371,108**	(376,449)	2,747,557

IMPACT ON THE BALANCE SHEET AS AT 30 JUNE 2013

	NOTE	RESTATED 30 JUNE 2013 $000	RESTATEMENT INCREASE (DECREASE) $000	AS REPORTED 30 JUNE 2013 $000
Goodwill	9	**2,766,089**	(447,073)	3,213,162
Other intangible assets	11	**231,387**	122,879	108,508
Deferred tax asset		**5,342**	(4,272)	9,614
Net assets		**2,350,399**	(328,466)	2,678,865
Retained earnings		**(18,807)**	(328,466)	309,659
Total equity		**2,350,399**	(328,466)	2,678,865

IMPACT ON THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	RESTATED 30 JUNE 2014 $000	RESTATEMENT INCREASE (DECREASE) $000	AS REPORTED 30 JUNE 2014 $000
Cash flows from investing activities				
Payments for healthcare practices acquired	27(E)	**(14,856)**	47,329	(62,185)
Payments for other intangibles		**(89,594)**	(47,329)	(42,265)

IMPACT ON EARNINGS PER SHARE FOR THE YEAR ENDED 30 JUNE 2014

EARNINGS PER SHARE (CONSOLIDATED)	NOTE	RESTATED 2014 CENTS PER SHARE	RESTATEMENT INCREASE (DECREASE) CENTS PER SHARE	AS REPORTED 2014 CENTS PER SHARE
Basic and diluted earnings per share	17	22.7	(9.5)	32.2

3. SEGMENT INFORMATION

The Group operates predominantly in Australia. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision-makers) in assessing performance and in determining the allocation of resources.

For internal management reporting purposes, the Group is organised into the four major operating segments, described below:

- **Medical Centres** – This division provides a range of services and facilities to general practitioners, specialists and other healthcare providers. This segment includes Transport Health. Refer Note 27(E).
- **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 (MedicalDirector)** – This division develops, sells and supports health-related software products.

Intersegment

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

2015 $000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
Revenue	**327,867**	**937,827**	**339,021**	**38,237**	**6,614**	**1,649,566**
Intersegment	**(31,097)**	**–**	**–**	**–**	**–**	**(31,097)**
Total Revenue	**296,770**	**937,827**	**339,021**	**38,237**	**6,614**	**1,618,469**
EBITDA before significant items	**180,058**	**153,406**	**73,262**	**20,235**	**(26,466)**	**400,495**
Significant items [1]	**–**	**–**	**–**	**–**	**(140,498)**	**(140,498)**
EBITDA	**180,058**	**153,406**	**73,262**	**20,235**	**(166,964)**	**259,997**
Depreciation [2]	**20,388**	**17,272**	**26,591**	**427**	**4,283**	**68,961**
Amortisation of intangibles [3]	**55,759**	**7,173**	**12,379**	**5,909**	**11,904**	**93,124**
EBIT	**103,911**	**128,961**	**34,292**	**13,899**	**(183,151)**	**97,912**
Interest expense and amortisation of borrowing costs	**–**	**–**	**–**	**–**	**66,512**	**66,512**
Profit before tax	**103,911**	**128,961**	**34,292**	**13,899**	**(249,663)**	**31,400**

2014 $000	MEDICAL CENTRES	PATHOLOGY	IMAGING	HEALTH TECHNOLOGY	OTHER	TOTAL
Revenue	309,563	887,434	316,131	37,263	4,062	1,554,453
Intersegment	(30,338)	–	–	–	–	(30,338)
Total Revenue	279,225	887,434	316,131	37,263	4,062	1,524,115
EBITDA	175,819	156,684	72,999	20,225	(26,635)	399,092
Depreciation	18,309	15,765	27,074	418	1,333	62,899
Amortisation of intangibles	50,012	6,495	11,077	8,439	4,693	80,716
EBIT	107,498	134,424	34,848	11,368	(32,661)	255,477
Interest expense and amortisation of borrowing costs	–	–	–	–	71,747	71,747
Profit before tax	107,498	134,424	34,848	11,368	(104,408)	183,730

1 Includes ATO settlement ($110 million – refer Note 6(B)); asset impairments ($11 million) and other items ($19 million) – refer Note 5.

2 Includes accelerated depreciation of $4.0 million comprised of Medical Centres: ($1.0 million); Pathology ($0.2 million); Imaging ($0.4 million); Other ($2.4 million).

3 Includes accelerated amortisation of $5.7 million comprised of Imaging ($0.5 million); Other ($5.2 million).

4. REVENUE

	CONSOLIDATED	
	2015 $000	2014 $000
Trading revenue	**1,614,002**	1,520,378
Other revenue	**4,467**	3,737
	1,618,469	1,524,115

ACCOUNTING POLICIES

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

TRADING REVENUE:

Rendering of health-related services

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

Software revenue

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

5. EXPENSES

	CONSOLIDATED	
	2015 $000	2014 $000
Employee benefits expense		
Other employee benefits	**643,447**	591,967
Defined contribution superannuation	**51,658**	46,804
Share-based payments	**69**	188
	695,174	638,959
Property expenses		
Operating leases	**171,296**	157,672
Other property expenses	**58,210**	50,615
	229,506	208,287
Other expenses	**141,830**	109,577
Finance costs		
Interest expense	**61,899**	63,889
Amortisation of borrowing costs	**5,392**	9,572
Capitalised interest	**(779)**	(1,714)
	66,512	71,747

Included in expenses disclosed above are the following significant items which are either outside core business activities or relate to prior periods, that should be adjusted when considering underlying operating performance:

	CONSOLIDATED	
	2015 $000	2014 $000
Significant items		
Employee benefits expense	**5,500**	–
Property expenses	**6,600**	–
Other expenses		
Impairment of assets	**11,000**	–
Other	**7,090**	–
	30,190	–

5. EXPENSES (CONTINUED)

ACCOUNTING POLICIES

Employee benefits

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 defined contribution superannuation funds on behalf of their employees. Contributions to defined contribution funds are recognised as an expense as they become payable.

Operating leases

Operating lease payments, including fixed rate increases to lease payments, are recognised as an expense on a straight-line basis over the lease term.

The benefits of operating lease incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis.

Contingent rentals arising under operating leases, such as index linked increases to lease payments, are recognised as an expense in the period in which they are incurred.

Finance costs

Finance costs comprise interest expense on interest-bearing liabilities, interest expense on finance leases, gains/losses arising on derivatives accounted for as cash flow hedges and reclassified from equity 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). Borrowing costs incurred during the period of time that is required to complete and prepare the qualifying asset for use 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.

6. TAX BALANCES

(A) INCOME TAX EXPENSE

		CONSOLIDATED	
	NOTE	2015 $000	2014 $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		**31,400**	183,730
Income tax calculated at 30% (2014: 30%)		**9,420**	55,119
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
ATO settlement of healthcare tax liabilities	6(B)	**33,092**	–
Amortisation of contractual relationship intangible	6(B)	**16,495**	13,221
Non-assessable income		**(3,150)**	–
Other items		**(2,895)**	904
		43,542	14,125
(Over) provision in prior years		**(2,377)**	(85)
		50,585	69,159
ATO settlement for the cost of acquiring healthcare practices now deductible	6(B)	**(155,680)**	–
Income tax (benefit) expense		**(105,095)**	69,159
Comprising:			
Current tax		**31,716**	70,530
Deferred tax		**(3,070)**	(400)
(Over) provision in prior years		**(133,741)**	(971)
		(105,095)	69,159

6. TAX BALANCES (CONTINUED)

(B) SIGNIFICANT TRANSACTIONS

ATO settlements – current year impact

The Deputy Commissioner of Taxation ("ATO") has advised that the cost to the Group of acquiring medical and other healthcare practices was tax deductible during the period FY2010 to FY2014. The gross refund that the Group expects to receive has been recognised as an income tax benefit of $155.7 million in the statement of profit or loss for the year ended 30 June 2015 (2014: $nil), representing approximately $130 million for the period FY2010 to FY2014 and approximately $25 million for FY2015.

Primary has also entered into a binding Heads of Agreement with the ATO with respect to certain tax liabilities of healthcare practitioners arising from the acquisition by the Group of the practices of those practitioners during the period FY2011 to FY2015. An expense of $110.5 million has been recognised in the statement of profit or loss for the year ended 30 June 2015 (2014: $nil) and is included within profit before tax.

Primary has agreed with the ATO to settle these two amounts on a net basis resulting in an estimated net cash refund by the ATO to Primary of approximately $45 million.

The cost of acquiring medical and other healthcare practices is recognised in the balance sheet as a contractual relationship intangible asset and/or goodwill (refer Note 2 for further details). The tax deduction for the cost of acquiring the medical or other healthcare practice is obtained by Primary at the time the practice is acquired and, accordingly, the amortisation expense associated with the intangible asset represents an amount which is not deductible in calculating taxable income.

For any acquisitions that occurred prior to 30 June 2015 (that is, prior to the date the above tax treatment was advised by the ATO), no deferred tax liability has been recognised in relation to the intangible assets and the amortisation expense is therefore a non-deductible (permanent) difference for the purpose of calculating income tax expense (benefit) in the statement of profit or loss. This accounting treatment increases the notional effective tax rate for Primary above 30% throughout the period the intangible assets relating to FY2010 to FY2015 practice acquisitions continue to be amortised. Once these intangible assets have been fully amortised (which will occur progressively over the next 5 years) these historical practice acquisitions will have no ongoing impact on the effective tax rate for Primary.

ATO settlements – impact on future periods:

In future periods, when accounting for the acquisition of medical and other healthcare practices, Primary will recognise a deferred tax liability in relation to any contractual relationship intangible asset that is recognised. This means that the amortisation of any new intangible assets will not increase the effective tax rate of Primary above 30%.

The cost of acquisition of the medical and other healthcare practices will continue to be tax deductible as incurred and will be recorded as part of accounting for the business combination/intangible asset acquisition. The tax deduction will have no impact on the Statement of profit or loss at the time it is claimed but will represent a cash benefit to Primary by reducing any income tax payable.

(C) RECONCILIATION OF DEFERRED TAX BALANCES

2015 $000	1 JULY 2014 OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2015 CLOSING BALANCE
Receivables	(3,786)	(2,070)	–	(5,856)
Consumables	(7,961)	43	–	(7,918)
Prepayments	(473)	(102)	–	(576)
Available-for-sale financial assets	(2,914)	–	1,287	(1,627)
Property, plant and equipment	3,961	(6,897)	–	(2,935)
Intangibles	4,294	(146)	–	4,148
Capitalised costs	(12,775)	(3,291)	–	(16,066)
Payables	1,538	469	–	2,007
Provisions	19,118	6,616	–	25,733
Other financial liabilities	4,212	(113)	1,539	5,639
Net temporary differences	5,214	(5,491)	2,826	2,549
Tax losses – revenue	2,189	(360)	–	1,829
Deferred tax asset	7,403	(5,851)	2,826	4,378

6. TAX BALANCES (CONTINUED)

2014 $000	1 JULY 2013 OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	ACQUISITIONS	30 JUNE 2014 CLOSING BALANCE
Receivables	(3,507)	(279)	–	–	(3,786)
Consumables	(7,727)	(234)	–	–	(7,961)
Prepayments	(409)	(64)	–	–	(473)
Available-for-sale financial assets	(4,159)	–	1,245	–	(2,914)
Property, plant and equipment	4,939	(978)	–	–	3,961
Intangibles	1,194	4,600	–	(1,500)	4,294
Capitalised costs	(13,319)	544	–	–	(12,775)
Payables	1,253	285	–	–	1,538
Provisions	18,967	151	–	–	19,118
Other financial liabilities	4,935	–	(723)	–	4,212
Amortisation of share issue expenses	333	(333)	–	–	–
Net temporary differences	2,500	3,692	522	(1,500)	5,214
Tax losses – revenue	2,842	(653)	–	–	2,189
Deferred tax asset	5,342	3,039	522	(1,500)	7,403

(D) CURRENT TAX BALANCES

	CONSOLIDATED	
	2015 $000	2014 $000
Income tax payable (receivable) is attributable to:		
Entities in the Tax Consolidated Group	**(42,051)**	33,096
Other	**(62)**	(203)
	(42,113)	32,893

(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 entities in the Tax Consolidated Group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Primary Health Care Limited.

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

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

ACCOUNTING POLICY

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.

6. TAX BALANCES (CONTINUED)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of profit or loss, 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.

Tax consolidation

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.

7. RECEIVABLES

	CONSOLIDATED	
	2015 $000	2014 $000
(A) CURRENT		
Trade receivables	**95,927**	93,739
Allowance for doubtful debts	**(7,600)**	(6,613)
	88,327	87,126
Prepayments	**14,410**	13,771
Accrued revenue	**14,925**	13,946
Other receivables	**29,603**	35,018
	147,265	149,861
(B) NON-CURRENT		
Other receivables and prepayments	**4,143**	4,145
	4,143	4,145
(C) AGEING OF TRADE RECEIVABLES		
Current	**60,380**	63,997
30-60 days	**12,111**	11,382
60-90 days	**5,382**	3,564
90 days +	**18,054**	14,796
	95,927	93,739
(D) MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at beginning of year	**6,613**	4,275
Provision for the year	**3,418**	3,242
Amounts written off during the year as uncollectable	**(2,431)**	(904)
	7,600	6,613

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 previous year, in the event of default on the Group's Syndicated Debt Facility (Note 15), the Group had pledged $93.7 million of receivables as security. In the current period this Facility has been refinanced and is now on an unsecured basis.

Further discussion of the credit risk associated with trade receivables is included in Note 26(B).

ACCOUNTING POLICY

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

8. ASSETS CLASSIFIED AS HELD-FOR-SALE

	CONSOLIDATED	
	2015 $000	2014 $000
Leasehold land and buildings	**39,171**	–

The Group intends to dispose of the Barangaroo office site and has commenced a sale process. The directors of Primary expect that the fair value (estimated based on recent market prices of similar locations) less costs to sell is higher than the carrying amount.

ACCOUNTING POLICY

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Once an asset is classified as held-for-sale any depreciation of the asset ceases and the asset is presented separately as a current item in the balance sheet.

9. GOODWILL

	CONSOLIDATED		
	30 JUNE 2015 $000	RESTATED 30 JUNE 2014 $000	RESTATED 30 JUNE 2013 $000
(A) CARRYING VALUE			
Opening balance	**2,798,239**	2,766,089	2,748,954
Acquisition of subsidiaries	**9,888**	3,710	–
Acquisition of businesses	**23,960**	28,440	17,135
Closing balance	**2,832,087**	2,798,239	2,766,089
(B) IMPAIRMENT TESTS			
Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:			
Medical Centres	**855,641**	832,934	819,621
Pathology	**1,572,456**	1,561,910	1,553,610
Imaging	**338,899**	338,304	327,767
Health Technology	**65,091**	65,091	65,091
	2,832,087	2,798,239	2,766,089

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. Where an asset is deemed to be impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs to sell calculation, under a five-year Discounted Cash Flow model. The five-year Discounted Cash Flow uses:

- The FY2016 budget as year one in the five-year cash flow; and
- The business plan for the subsequent financial years FY2017 and FY2018 as years two and three in the five-year cash flow.

For FY2019–FY2020, the Group assumes a long-term growth rate consistent with the year one to year three profile in the Discounted Cash Flow model.

A terminal value growth rate of 3.0% has been presumed for all CGUs (30 June 2014: 4.0%).

In the prior year, FY2015–FY2019 growth rates were within a range of 4.0%–4.4%.

9. GOODWILL (CONTINUED)

The key assumptions in the Group's Discounted Cash Flow model as at 30 June 2015 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast revenues and expenses	Forecast revenues and expenses has been calculated assuming FY2016–FY2020 growth rates as follows: ■ **Medical Centres** – 6.0%-8.0% ■ **Pathology** – 5.0%-6.0% ■ **Imaging** – 4.0%-6.0% ■ **Health Technology** – 3.0%-3.5% Changes to forecast revenues and expenses in the current year have been determined with reference to past company experience and industry data.
Terminal value growth rate	The terminal value growth rate assumed for all CGUs is 3.0% (30 June 2014: 4.0%).
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 2015, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Ten Year Commonwealth Government Bond Rate	The Ten Year Commonwealth Government Bond Rate as at 30 June 2015 was 3.01% (30 June 2014: 3.54%). The Group has used 4.0% for 30 June 2015 impairment testing purposes (30 June 2014: 4.50%).
Weighted Average Cost of Capital (WACC)	The Group's post-tax WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest-bearing liabilities over the measurement period, split by CGU as follows: ■ **Medical Centres** – 8.5%-9.0% (30 June 2014: 8.75%-9.25%). ■ **Pathology** – 8.0%-8.5% (30 June 2014: 8.5%-9.0%). ■ **Imaging** – 8.5%-9.0% (30 June 2014: 8.5%-9.5%). ■ **Health Technology** – 10.25%-11.25% (30 June 2014: 9.0%-10.0%).

SENSITIVITY ANALYSIS

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently overall there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2015.

ACCOUNTING POLICY

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

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

If the recoverable amount of the CGU (or Group of CGUs) is less than the carrying amount of the CGU (or Groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or Groups of CGUs) and then to the other assets of the CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or Groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of goodwill

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

10. PROPERTY, PLANT AND EQUIPMENT

2015 $000	FREEHOLD LAND AND BUILDINGS	LEASEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVE-MENTS	PLANT AND EQUIPMENT	TOTAL
Net book value						
Opening balance	**838**	**–**	**39,478**	**210,028**	**177,578**	**427,922**
Additions	**3,530**	**39,388**	**70,700**	**6,132**	**31,234**	**150,984**
Capitalised borrowing costs	**–**	**–**	**–**	**672**	**–**	**672**
Capitalisation of Assets under construction	**3**	**–**	**(56,214)**	**35,618**	**20,593**	**–**
Disposals	**–**	**–**	**–**	**(2,566)**	**–**	**(2,566)**
Reclassified as held for sale	**–**	**(39,171)**	**–**	**–**	**–**	**(39,171)**
Depreciation expense [1]	**(307)**	**(217)**	**–**	**(23,897)**	**(44,540)**	**(68,961)**
Closing balance	**4,064**	**–**	**53,964**	**225,987**	**184,865**	**468,880**
Cost	**4,286**	**–**	**53,964**	**367,824**	**540,929**	**967,003**
Accumulated depreciation	**(222)**	**–**	**–**	**(141,837)**	**(356,064)**	**(498,123)**
Closing balance	**4,064**	**–**	**53,964**	**225,987**	**184,865**	**468,880**

1 Includes accelerated depreciation of $4.0 million within Plant and Equipment.

Borrowing costs relating to qualifying assets were capitalised using an interest rate of 5.6% (30 June 2014: 6.0%).

2014 $000	FREEHOLD LAND AND BUILDINGS	ASSET UNDER CONSTRUCTION	LEASEHOLD IMPROVE-MENTS	PLANT AND EQUIPMENT	TOTAL
Net book value					
Opening balance	3,338	27,872	190,736	187,106	409,052
Additions	303	53,924	1,901	33,924	90,052
Capitalised borrowing costs	–	–	1,714	–	1,714
Capitalisation of Assets under construction	–	(42,318)	35,215	7,103	–
Disposals	(2,473)	–	(676)	(6,848)	(9,997)
Depreciation expense	(330)	–	(18,862)	(43,707)	(62,899)
Closing balance	838	39,478	210,028	177,578	427,922
Cost	1,038	39,478	331,689	501,567	873,773
Accumulated depreciation	(200)	–	(121,661)	(323,989)	(445,851)
Closing balance	838	39,478	210,028	177,578	427,922

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

ACCOUNTING POLICY

Assets under construction are carried at cost less any recognised impairment loss.

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. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. Where as a result of this review there is a change in the estimated remaining useful life of an asset, it is accounted for on a prospective basis with depreciation in future periods based on the net written down value of the asset as at the date the change in useful life is determined.

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

11. OTHER INTANGIBLE ASSETS

2015 $000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS [3]	COMPUTER SOFTWARE	CAPITALISED DEVELOP-MENT COST	CONTRACTS AND LICENSES [1]	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Net book value						
Opening balance	**1,705**	**28,434**	**59,786**	**163,321**	**19,107**	**272,353**
Additions	**–**	**3,480**	**2,463**	**85,867**	**18,931**	**110,741**
Capitalisation of Intangible Assets under construction	**–**	**936**	**18,734**	**–**	**(19,670)**	**–**
Amortisation expense [2]	**(1,705)**	**(9,041)**	**(15,461)**	**(66,917)**	**–**	**(93,124)**
Closing balance	**–**	**23,809**	**65,522**	**182,271**	**18,368**	**289,970**
Cost	**46,500**	**81,102**	**98,314**	**591,658**	**18,368**	**835,942**
Accumulated amortisation	**(46,500)**	**(57,293)**	**(32,792)**	**(409,387)**	**–**	**(545,972)**
Closing Balance	**–**	**23,809**	**65,522**	**182,271**	**18,368**	**289,970**

1 Contracts and licenses includes contractual relationships with healthcare practitioners, arising on the acquisition of healthcare practices. Refer Note 2.

2 Includes accelerated amortisation of $5.7 million comprised of Capitalised Development Costs ($5.2 million); Contracts & Licences ($0.5 million).

3 Copyright in computer software programs was recognised on the acquisition of a controlled entity in a previous year. This intangible asset was amortised over its expected useful life and is now fully amortised however the asset is still being used within the health technology business and has therefore not been derecognised.

RESTATED 2014 $000	COPYRIGHT IN COMPUTER SOFTWARE PROGRAMS	COMPUTER SOFTWARE	CAPITALISED DEVELOP-MENT COST	CONTRACTS AND LICENSES	INTANGIBLE ASSETS UNDER CONSTRUCTION	RESTATED TOTAL
Net book value						
Opening balance	6,601	26,324	40,154	147,950	10,358	231,387
Additions	–	6,848	3,802	76,261	22,054	108,965
Reclassification [1]	–		12,717	–	–	12,717
Capitalisation of Intangible Assets under construction	–	5,031	8,274	–	(13,305)	–
Amortisation expense	(4,896)	(9,769)	(5,161)	(60,890)	–	(80,716)
Closing balance	1,705	28,434	59,786	163,321	19,107	272,353
Cost	46,500	78,487	76,672	512,873	19,107	733,639
Accumulated amortisation	(44,795)	(50,053)	(16,886)	(349,552)	–	(461,286)
Closing balance	1,705	28,434	59,786	163,321	19,107	272,353

1. During the year ended 30 June 2014 the group reclassified $12.7m of other receivables to other intangibles.

ACCOUNTING POLICY

Acquired intangible assets

Intangible assets that are acquired separately are recognised initially at cost. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). All intangible assets other than goodwill have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful life of each asset. The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period. Where as a result of this review there is a change in the estimated remaining useful life of an asset, it is accounted for on a prospective basis with amortisation in future periods based on the net written down value of the asset as at the date the change in useful life is determined. The following estimated useful lives have been used in the calculation of amortisation for each class of asset:

- Copyright in computer software programs 9.5 years
- Operating rights and licences 3–8 years
- Computer software 3–10 years
- Other contractual relationships life of the contractual agreement (typically 5 years)

Internally-generated intangible assets – research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated 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.

11. OTHER INTANGIBLE ASSETS (CONTINUED)

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria above and is classified as an intangible asset under construction. Once the asset it ready for use the total capitalised costs for that asset are reclassified to the appropriate class of intangible assets and amortisation commences on the same basis as for acquired intangible assets.

12. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2015 $000	**2014 $000**
(A) CURRENT		
Held-to-maturity investments	**3,186**	–
(B) NON-CURRENT		
Available-for-sale investments	**26,670**	24,435
Held-to-maturity investments	**6,223**	–
Other investments	**1,268**	1,268
	34,161	25,703

ACCOUNTING POLICY

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates that the Group has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale investments

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.

13. PAYABLES

	CONSOLIDATED	
	2015 $000	**2014 $000**
(A) CURRENT		
Trade payables and accruals	**134,586**	103,296
Payables and accruals relating to acquisitions	**23,922**	26,801
Accrued interest	**6,723**	10,997
Deferred revenue	**15,461**	12,922
	180,692	154,016
(B) NON-CURRENT		
Trade payables and accruals	**3,236**	6,030
Payables and accruals relating to acquisitions	**3,551**	7,199
	6,787	13,229

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

ACCOUNTING POLICY

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.

14. PROVISIONS

	CONSOLIDATED	
	2015 $000	2014 $000
(A) CURRENT		
Provision for employee benefits	**70,421**	54,948
Self-insurance provision	**3,179**	844
Insurance provision	**2,756**	–
	76,356	55,792
(B) NON-CURRENT		
Provision for employee benefits	**7,927**	2,818
Self-insurance provision	**1,713**	774
	9,640	3,592

ACCOUNTING POLICIES

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 (where the effect of the time value of money is material).

Employee benefits

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Self-insurance

The Group is self-insured for workers' compensation. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis and are based on actuarial valuations.

Insurance

The insurance provision represents the estimate of the present value of expected future cash flows arising from future insurance claims.

15. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	2015 $000	2014 $000
(A) CURRENT		
Gross bank loans [1]	**3,036**	2,782
Finance lease liabilities	**227**	290
Retail Bonds	**152,274**	–
	155,537	3,072
(B) NON-CURRENT		
Gross bank loans [1]	**1,061,894**	949,943
Retail bonds	**–**	152,274
Finance lease liabilities	**40**	205
	1,061,934	1,102,422
Unamortised borrowing costs	**(11,988)**	(7,869)
	1,049,946	1,094,553

1 In the prior year gross bank loans were secured by mortgages over the Group's freehold land and buildings and trade receivables, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets. In the current period the majority of these facilities have been refinanced on an unsecured basis. Details of the facilities that remain on a secured basis are set out in Note 26(C).

Interest rate sensitivity and liquidity analysis disclosures relating to the Group's interest-bearing liabilities is disclosed in Note 26.

15. INTEREST-BEARING LIABILITIES (CONTINUED)

ACCOUNTING POLICY

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.

16. ISSUED CAPITAL

	2015 NO. OF SHARES 000'S	2014 NO. OF SHARES 000'S	2015 $000	2014 $000
Opening balance	**505,660**	503,922	**2,366,276**	2,358,183
Shares issued via Dividend Reinvestment Plan	**8,881**	1,694	**41,033**	8,093
Shares issued via Bonus Share Plan	**1,458**	44	**–**	–
Closing balance – Consolidated	**515,999**	505,660	**2,407,309**	2,366,276

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

SHARE OPTIONS ON ISSUE

As at 30 June 2015, Primary has 5,035,000 (2014: 8,736,500) share options on issue, exercisable on a 1:1 basis for 5,035,000 (2014: 8,736,500) ordinary shares of Primary at an average exercise price of $5.91 (2014: $6.10). The options expire between September 2015 and May 2019 (2014: December 2014 and May 2019) and carry no rights to dividends and no voting rights.

ACCOUNTING POLICY

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.

17. EARNINGS PER SHARE

	CONSOLIDATED	
EARNINGS PER SHARE	30 JUNE 2015 CENTS	RESTATED 30 JUNE 2014 CENTS
Basic and diluted earnings per share	**26.7**	22.7

EARNINGS	30 JUNE 2015 $000	RESTATED 30 JUNE 2014 $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	**136,495**	114,553

WEIGHTED AVERAGE NUMBER OF SHARES	2015 000'S	2014 000'S
The weighted average number of shares used in the calculation of basic and diluted earnings per share	**511,412**	504,806

The share options on issue are potential ordinary shares which are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

18. DIVIDENDS ON EQUITY INSTRUMENTS

	2015 CENTS PER SHARE	2014 CENTS PER SHARE	2015 $000	2014 $000
Recognised amounts				
Final dividend – previous financial year	**11.0**	11.0	**55,623**	55,431
Interim dividend – this financial year	**9.0**	9.0	**41,939**	45,446
Dividend forgone under the Bonus Share Plan			**(2,793)**	(212)
	20.0	20.0	**94,769**	100,665
Unrecognised amounts				
Final dividend – this financial year	**11.0**	11.0		

In respect of FY2015:

- an interim dividend of 9.0cps (100% franked), was paid to the holders of fully paid ordinary shares on 7 April 2015; and
- the Directors approved the payment of a final dividend of 11.0cps (50% franked) to the holders of fully paid ordinary shares, the record date being 28 August 2015, and paid on 14 September 2015.

Primary offers a Dividend Reinvestment Plan ("DRP") and a Bonus Share Plan ("BSP"). The last date for an election notice for participation in these plans for the FY2015 final dividend was 31 August 2015.

The Directors determined that the DRP and BSP will operate at a 2.5% discount (30 June 2014: 2.5% 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.

	CONSOLIDATED	
FRANKING ACCOUNT	2015 $000	2014 $000
Closing balance as at 30 June	**14,185**	67,611

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables recognised for income tax and dividends as at the reporting date.

19. RESERVES

		CONSOLIDATED	
	NOTE	2015 $000	2014 $000
Cash flow hedge reserve	19(A)	**(13,405)**	(9,814)
Share-based payments reserve	19(B)	**2,767**	10,089
Investments revaluation reserve	19(C)	**3,796**	6,798
Foreign currency translation reserve	19(D)	**941**	900
		(5,901)	7,973

(A) CASH FLOW HEDGE RESERVE

The Group's cash flow hedge reserve accounting policy is disclosed in Note 26(D).

(B) SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve relates to the grant of share options in prior years to both independent contractors and employees (no grants were made in the current financial year). Amounts are transferred out of the reserve and into issued capital when options are exercised. Amounts are transferred out of the reserve and into retained earnings when options have lapsed or expired without being exercised.

(C) INVESTMENTS REVALUATION RESERVE

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

(D) FOREIGN CURRENCY TRANSLATION RESERVE

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

20. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED 2015 $000	CONSOLIDATED 2014 $000
(A) 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	**165,541**	155,700
Later than 1 year but not later than 5 years	**304,292**	267,249
Later than 5 years	**56,543**	47,254
	526,376	470,203
(B) 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	**9,397**	23,125
	9,397	23,125

(C) OPERATING 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.

21. CONTINGENT LIABILITIES

	CONSOLIDATED 2015 $000	CONSOLIDATED 2014 $000
Treasury bank guarantees		
Statutory requirement for workers' compensation self-insurance	**18,857**	20,661
Other	**9,358**	8,419
	28,215	29,080

22. RELATED PARTY DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 23.

(B) EQUITY INTERESTS IN RELATED ENTITIES

Details of interests in controlled entities are shown Note 24.

(C) TRANSACTIONS WITHIN THE WHOLLY-OWNED GROUP

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

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

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2015 $000	2014 $000
Short-term employee benefits	**7,823**	7,578
Post-employment benefits	**179**	162
Termination payments	**1,500**	0
	9,502	7,740

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

(B) LOANS TO KEY MANAGEMENT PERSONNEL

No loans have been made to any key management personnel.

(C) TRANSACTIONS WITH DR EDMUND BATEMAN

During the year ended 30 June 2015, Primary conducted certain transactions with Dr Edmund Bateman, who held the office of Managing Director & Chief Executive Officer until 30 January 2015 and who held the office of Non-executive Director from 2 February 2015 until his death on 13 September 2015. Accordingly, he was a member of the *key management personnel* of Primary and was therefore a related party pursuant to Accounting Standard AASB 124.

Litigation conducted by Dr Bateman and Primary entities

During the year ended 30 June 2015, Primary incurred legal costs in relation to the following matters:

- defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Age* in 2010; and
- a joint action commenced by Primary and Dr Bateman in relation to allegations core to the Primary business model. These actions comprised defamation proceedings commenced by Dr Bateman against Fairfax and others in relation to an article in *The Sydney Morning Herald* in 2010. In addition, as part of the same proceedings, a subsidiary of Primary brought a claim of injurious falsehood against the same defendants in relation to the same articles.

Payments of legal costs for these proceedings in periods FY2010-2015 totalled $795,404. An additional $868,214 is to be paid in FY2016 in relation to *The Sydney Morning Herald* proceedings.

Primary currently has a receivable in its accounts from Dr Bateman in the amount of $125,000 in relation to the above sets of proceedings.

Both sets of proceedings have been settled on confidential terms and no further legal costs are anticipated in relation to these proceedings.

Primary notes that the articles in question have since been removed from all Fairfax websites.

These amounts differ from Primary's Preliminary Final Report issued on 12 August 2015 as follows:

- the amount paid in the period FY2010-2015 has decreased from $976,546 to $795,404; and
- the amount to be paid in FY2016 has increased from $381,175 to $868,214;
  resulting in a net increase of $305,897.

These changes are the result of:

- reclassification of one payment from "paid" to "unpaid";
- downward adjustment for one payment previously believed to have been paid by Primary which was in fact paid by Dr Bateman;
- upward adjustment for three additional payments detected in the final audit of Primary's FY2015 accounts; and
- receipt of an additional account from external lawyers for $221,000.

Consultancy services provided by Dr Bateman since his retirement as Managing Director & Chief Executive Officer

Since Dr Bateman's retirement as Managing Director & Chief Executive Officer, Primary engaged Dr Bateman to provide consultancy services to Primary. These services commenced on 3 February 2015. The consultancy agreement had an initial term of 12 months and entitled Dr Bateman to consultancy fees of $70,833 (plus GST and adjusted for superannuation contributions) per month. It had been envisaged by both parties that the services would continue for a period of at least 12 months. However, on 10 August 2015 Primary and Dr Bateman mutually agreed to materially vary the terms of the consultancy arrangements so that they terminated on 31 August 2015.

Payments made to Dr Bateman for these services during the year ended 30 June 2015 totalled $460,087 (an additional $76,195 was paid in FY2016 prior to termination of the consultancy). During this period (or subsequently) Dr Bateman was not paid any fees in relation to his role as a Non-executive Director of Primary.

(D) TRANSACTIONS WITH DR PAUL JONES

During the year ended 30 June 2015 Primary provided medical centre management services (**Services**) to a company controlled by Dr Paul Jones, a Non-executive Director of Primary. The Services were provided to Dr Jones' general medical practice, which is conducted at one of Primary's medical centres, on ordinary arm's length terms.

The Service fees received by Primary for FY2015 were $116,061 (FY2014: $123,160). This Service fees revenue was accounted for by Primary in the same way as revenue from other healthcare practices. There were no amounts payable or receivable as at 30 June 2015 and the provision of the Services continues as at the date of this financial report.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

- occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing with the Director or Executive 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; or
- are trivial or domestic in nature.

24. 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	
		2015 %	2014 %
Primary Health Care Limited	Australia		
Former AP Pty Ltd (formerly Abbott Pathology Pty Ltd)	Australia	**100**	100
Former SDS Pty Limited	Australia	**100**	100
Health Communication Network Limited	Australia	**100**	100
Amokka Java Pty Limited	Australia	**100**	100
Phoenix Medical Publishing Pty Ltd	Australia	**100**	100
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
Australs Pty Ltd	Australia	**100**	100
Digital Diagnostic Imaging Pty Ltd	Australia	**100**	100
John R Elder Pty Ltd	Australia	**100**	100
Primary Health Care Institute Pty Ltd	Australia	**100**	100
The Artlu Unit Trust	Australia	**100**	100
Idameneo (No. 124) Pty Ltd	Australia	**100**	100
Idameneo (No. 125) Pty Ltd	Australia	**100**	100
Idameneo (No. 789) Ltd	Australia	**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
MGSF Pty Ltd	Australia	**100**	100
PHC Employee Share Acquisition Plan Pty Ltd	Australia	**100**	100
Symbion Employee Share Acquisition Plan Trust	Australia	**100**	100
Symbion Executive Short-term Incentive Plan Trust	Australia	**100**	100
Senior Executive Short-term Incentive Plan Trust	Australia	**100**	100
PHC Finance (Australia) Pty Ltd	Australia	**100**	100
PHC Healthcare Holdings Pty Ltd	Australia	**100**	100
PHC Diagnostic Imaging Holdings Pty Ltd	Australia	**100**	100
Brystow Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (SA) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	**100**	100
Healthcare Imaging Services (WA) 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
North Coast Nuclear Medicine (QLD) Pty Ltd	Australia	**77**	77
PHC Medical Centre Holdings 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
Sidameneo (No. 456) Pty Ltd	Australia	**100**	100
PHC Pathology Holdings Pty Ltd	Australia	**100**	100
AME Medical Services Pty Ltd	Australia	**100**	100

24. SUBSIDIARIES (CONTINUED)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
		2015 %	2014 %
Jandale Pty Ltd	Australia	**100**	100
Integrated Health Care Pty Ltd	Australia	**100**	100
PHC Pathology Holdings Asia Pty Ltd	Australia	**100**	100
Queensland Specialist Services Pty Ltd	Australia	**100**	100
Specialist Diagnostic Services Pty Ltd	Australia	**100**	100
Moaven & Partners Pathology Pty Ltd	Australia	**100**	100
Pathways Unit Trust	Australia	**100**	100
Queensland Medical Services Pty Ltd	Australia	**100**	100
SDS Healthcare Solutions Inc. [2]	Philippines	**99.98**	–
Specialist Diagnostic Services(India) Private Limited	India	**100**	100
Specialist Haematology Oncology Services Pty Ltd	Australia	**100**	100
Specialist Veterinary Services Pty Ltd	Australia	**100**	100
Primary (Camden) Pty Ltd [2]	Australia	**100**	–
Primary (Camden) Property Trust	Australia	**100**	–
Primary (Richmond) Pty Ltd [2]	Australia	**100**	–
Primary (Richmond) Property Trust	Australia	**100**	–
Primary Millers Point Pty Ltd [2]	Australia	**100**	–
Primary Millers Point Property Trust	Australia	**100**	–
PSCP Holdings Pty Ltd	Australia	**100**	100
Saftsal Pty Ltd	Australia	**100**	100
Aksertel Pty Ltd	Australia	**100**	100
Onosas Pty Ltd	Australia	**100**	100
Sumbrella Pty Ltd	Australia	**100**	100
Transport Health Pty Ltd [3]	Australia	**100**	–
Primary Health Insurance Pty Ltd [1]	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
Wellness Holdings Pty Ltd	Australia	**100**	100
PHC (No. 01) Pty Limited	Australia	**100**	100
PHC Nominees Pty Ltd	Australia	**100**	100
Primary Health Care Network Pty Ltd	Australia	**100**	100
Primary Training Institute Pty Ltd	Australia	**100**	100
The Sydney Diagnostic Services Unit Trust	Australia	**100**	100
Transport Security Insurance (Pte) Limited	Singapore	**100**	100

1 Changed name from Oceanus Health Services Pty Ltd with effect from 29/04/2015
2 Incorporated during the financial year.
3 Acquired during the financial year.

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

No Australian controlled entities are required to prepare financial statements or to be audited for statutory purposes. These entities have obtained relief from these requirements because;

- they have entered into a Deed of Cross Guarantee (refer Note 25); or
- they are small proprietary companies; or
- their trust deeds do not specify these requirements.

25. DEED OF CROSS GUARANTEE

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

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

PRIMARY HEALTH CARE GROUP – DEED OF CROSS GUARANTEE DATED 23 JUNE 2008 AS AMENDED 11 FEBRUARY 2013 AND 24 OCTOBER 2014

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 2015 are as follows:

Austrials Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Former AP Pty Ltd (formerly Abbott Pathology Pty Ltd)
Health Communication Network Limited
Healthcare Imaging Services (South Australia) Pty Limited
Healthcare Imaging Services (Victoria) Pty Limited
Healthcare Imaging Services (Western Australia) Pty Limited
Healthcare Imaging Services Pty Limited
Idameneo (No.123) Pty Limited
Idameneo (No 124) Pty Ltd
Idameneo (No 125) Pty Ltd
Idameneo (No.789) Limited
Integrated Health Care Pty Ltd
Pacific Medical Centres Pty Ltd
PHC Diagnostic Imaging Holdings Pty Limited
PHC Healthcare Holdings Pty Limited
PHC Medical Centre Holdings Pty Limited
PHC Pathology Holdings Pty Limited
Phoenix Medical Publishing Pty Ltd
Primary Health Care Limited (holding entity)
Primary Training Institute Pty Ltd
Queensland Diagnostic Imaging Pty Limited
Queensland Medical Services Pty Limited
Sidameneo (No.456) Pty Limited
Specialist Diagnostic Services Pty Limited
Specialist Haematology Oncology Services Pty Ltd
Specialist Veterinary Services Pty Ltd

Consolidated income statements and consolidated balance sheets, comprising holding entities and subsidiaries which are parties to the above Deed, after eliminating all transactions between parties to the Deed, at 30 June 2015 are materially consistent with the Group's consolidated Statement of profit or loss and Statement of financial position disclosed elsewhere in this financial report.

26. FINANCIAL INSTRUMENTS

(A) FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

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

(B) CREDIT RISK

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

The Group's exposure to credit risk arises principally from its trade receivables due from external customers. The carrying amount of the Group's trade receivables, representing the Group's maximum exposure to credit risk as at the reporting date is $95.9 million (30 June 2014: $93.7m). The ageing of the Group's trade receivables and an analysis of the Group's provision for doubtful debts is provided in Note 7.

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.

(C) LIQUIDITY RISK

Liquidity risk refer to the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial liability.

The Group manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and financial liabilities and ensuring that sufficient unused facilities are in place should they be required to refinance any short-term financial liabilities.

As at 30 June 2015 the Group's Retail Bonds are classified as current liabilities as they mature on 28 September 2015. The Group's most recent Syndicated Debt Facility refinance (completed April 2015) has provided the Group adequate unused headroom to redeem the Retail Bonds at maturity.

26. FINANCIAL INSTRUMENTS (CONTINUED)

The Group had access to the following financing facilities as at the end of the reporting period.

	CONSOLIDATED 2015 $000	CONSOLIDATED 2014 $000
Financing facilities		
Current		
Secured Loan Facility		
Amount used	**3,036**	2,782
Amount unused	**–**	–
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	**1,060,000**	–
Amount unused	**190,000**	–
Secured Syndicated Debt Facilities		
Amount used	**–**	945,000
Amount unused	**–**	305,000
Secured Loan Facility		
Amount used	**1,894**	4,943
Amount unused	**15,070**	12,275
Total amount used	**1,064,930**	952,725
Total amount unused	**205,070**	317,275
Total financing facilities	**1,270,000**	1,270,000

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

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables include the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows except for expected interest payments which have already been recorded in trade and other payables. The cash flows for the interest rate swaps represent the net amounts to be paid.

		CONTRACTUAL CASH FLOWS			
2015	CARRYING AMOUNT $000	TOTAL $000	LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	**1,064,930**	**1,241,198**	**44,474**	**1,196,724**	**–**
Retail bonds	**152,274**	**154,792**	**154,792**	**–**	**–**
Payables	**172,018**	**172,018**	**165,231**	**6,787**	**–**
Finance lease liabilities	**267**	**299**	**199**	**100**	**–**
	1,389,489	**1,568,307**	**364,696**	**1,203,611**	**–**
Derivative financial liabilities					
Interest rate swaps	**19,150**	**19,530**	**11,846**	**7,684**	**–**

26. FINANCIAL INSTRUMENTS (CONTINUED)

The repayment of contractual cash flows due in the period less than one year from 30 June 2015 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2015: $95.9m) and the unused headroom in the Syndicated Debt Facility.

2014	CARRYING AMOUNT $000	CONTRACTUAL CASH FLOWS TOTAL $000	LESS THAN 1 YEAR $000	1 TO 5 YEARS $000	> 5 YEARS $000
Consolidated					
Non-derivative financial liabilities					
Gross bank loan	952,725	1,092,025	43,226	1,048,799	–
Retail bonds	152,274	167,515	12,702	154,813	–
Payables	154,323	154,323	141,094	13,229	–
Finance lease liabilities	495	542	323	219	–
	1,259,817	1,414,405	197,345	1,217,060	–
Derivative financial liabilities					
Interest rate Swaps	14,020	14,322	8,549	5,773	–

(D) INTEREST RATE RISK

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates plus a fixed margin; and the Parent entity has issued a Retail Bond with a floating interest rate coupon (plus a fixed margin). When considered appropriate, interest rate risk is managed by the Group by the use of interest rate swap contracts (cash flow hedges), executed by authorised representatives of the Group within limits approved by the Risk Committee.

The following table details the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June 2015.

	FIXED INTEREST RATE						CONSOLIDATED
2015	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $000	LESS THAN 1 YEAR $000	1 TO 5 YEAR $000	>5 YEARS $000	NON INTEREST BEARING $000	TOTAL $000
Financial assets							
Cash	2.25	49,969	–	–	–	–	49,969
Receivables	–	–	–	–	–	151,408	151,408
Investments	4.68	–	3,064	5,120	500	28,663	37,347
Financial liabilities							
Payables	–	–	–	–	–	(172,018)	(172,018)
Finance leases	6.44	–	(227)	(40)	–	–	(267)
Gross bank loan	5.55	(1,060,000)	(3,036)	(1,894)	–	–	(1,064,930)
Retail bonds	6.61	(152,274)	–	–	–	–	(152,274)
		(1,162,305)	(199)	3,186	500	8,053	(1,150,765)

26. FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses interest rate swaps to hedge its interest rate risks. The following table details the notional principal amounts and the remaining terms of interest rate swap contracts outstanding at the end of the reporting period. The average interest rate disclosed in the table is the average rate payable by the Group on the notional principal value hedged using cash flow hedges plus the fixed margin on the underlying debt which reflects the cost of funds to the Group.

	CONSOLIDATED		
2015	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $000	FAIR VALUE $000
Interest Rate Swaps			
Less than 1 year	**5.24**	**977,274**	**(1,763)**
1 to 2 years	**5.11**	**600,000**	**(7,880)**
2 to 5 years	**4.95**	**700,000**	**(9,506)**
			(19,150)

The following table details the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June 2014.

	FIXED INTEREST RATE						CONSOLIDATED
2014	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $000	LESS THAN 1 YEAR $000	1 TO 5 YEAR $000	>5 YEARS $000	NON INTEREST BEARING $000	TOTAL $000
Financial assets							
Cash	2.20	27,460	–	–	–	–	27,460
Receivables	–	–	–	–	–	154,006	154,006
Investments	–	–	–	–	–	25,703	25,703
Financial liabilities							
Payables	–	–	–	–	–	(154,323)	(154,323)
Finance leases	9.39	–	(290)	(205)	–	–	(495)
Gross bank loan	5.98	(945,000)	(2,782)	(4,943)	–	–	(952,725)
Retail bonds	6.65	(152,274)	–	–	–	–	(152,274)
		(1,069,814)	(3,072)	(5,148)	–	25,386	(1,052,648)

26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table details the interest rate contracts outstanding as at 30 June 2014.

	CONSOLIDATED		
2014	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $000	FAIR VALUE $000
Interest Rate Swaps			
Less than 1 year	5.62	825,000	(728)
1 to 2 years	5.43	977,274	(8,864)
2 to 5 years	5.29	975,000	(4,428)
			(14,020)

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 2015, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the profit after tax and other comprehensive income would have been as follows:

	PROFIT AFTER TAX		OTHER COMPREHENSIVE INCOME	
	50BP INCREASE $000	50BP DECREASE $000	50BP INCREASE $000	50BP DECREASE $000
Consolidated				
30 June 2015 - variable rate instruments	**(925)**	**925**	**7,547**	**(7,493)**
30 June 2014 - variable rate instruments	(463)	463	10,220	(10,145)

Cash flow hedges (interest rate swap contracts)

The Group uses interest rate swap contracts to hedge its interest rate risks, predominantly arising from financing activities. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the variable rate debt and are accounted for as cash flow hedges. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below.

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

ACCOUNTING POLICY

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges as they reduce the Group's cash flow exposure resulting from variable interest rates on its Gross Bank Loan and Retail Bonds.

Interest rate swap contracts are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The effective part of any gain or loss on the interest rate swap is recognised directly in equity. Any gain or loss relating to the ineffective portion (if any) of the interest rate swaps is recognised immediately in the income statement.

The interest rate swaps and the interest payments on the underlying financial liability occur simultaneously and the amount accumulated in equity is reclassified to the Income Statement over the period that the floating rate interest payments on the underlying financial liability affect the Income Statement.

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.

(E) FAIR VALUE OF FINANCIAL INSTRUMENTS

Basis for determining fair value

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

(i) Available-for-sale financial assets

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

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

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

Fair value measurement – valuation methods

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

2015 – CARRYING AMOUNT $000	CONSOLIDATED LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Available-for-sale investments (Note 12)	**26,670**	**–**	**–**	**26,670**
Other investments (Note 12)	**–**	**–**	**1,268**	**1,268**
Financial Liabilities				
Interest rate swaps	**–**	**19,150**	**–**	**19,150**

2014 – CARRYING AMOUNT $000	CONSOLIDATED LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Available-for-sale investments (Note 12)	24,435	–	–	24,435
Other investments (Note 12)	–	–	1,268	1,268
Financial Liabilities				
Interest rate swaps	–	14,020	–	14,020

There were no transfers between levels during the period.

(F) OTHER

Currency risk

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

Price risk

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

(G) CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debt, which includes the interest-bearing liabilities disclosed in Note 15, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity. The Group's policy is to borrow centrally to meet anticipated funding requirements.

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

27. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2015 $000	2014 $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	**49,969**	27,460
(B) RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit attributable to equity holders	**136,495**	114,553
Depreciation of plant and equipment	**68,961**	62,899
Amortisation of intangibles	**93,124**	80,716
Amortisation of borrowing costs	**5,392**	2,208
Net loss (profit) on sale of property plant and equipment	**2,634**	(1,198)
(Profit) on sale of investments	**(1,020)**	(3,220)
Non-controlling interest	**–**	18
Increase (decrease) in:		
Trade payables and accruals	**(5,740)**	(6,210)
Provisions	**26,612**	(2,381)
Deferred revenue	**2,540**	2,002
Tax balances	**(71,981)**	11,139
Share option reserve	**69**	188
Decrease (increase) in:		
Consumables	**(953)**	(1,384)
Receivables and prepayments	**(8,402)**	1,410
Net cash provided by operating activities	**247,731**	260,740

(C) NON-CASH INVESTING AND FINANCING

During the financial year, 8,881,468 (2014: 1,693,557) and 1,457,533 (2014: 44,446) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

(D) FINANCING FACILITIES

Details of financing facilities available to the Group are provided at Note 26(C).

(E) BUSINESSES AND SUBSIDIARIES ACQUIRED

Controlled entities

On 30 November 2014, the Group acquired a 100 per cent interest in Transport Health Pty Ltd. The impact of the acquisition of Transport Health on the Group's results for the current period was not material.

Healthcare practices

Members of the Group continued to acquire healthcare practices to expand their existing businesses. The Group has reassessed its accounting policy for the acquisition of these healthcare practices, as disclosed in Note 2.

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

The goodwill arising from the business combinations (in the absence of any other identifiable intangibles, 70% of the purchase price, as disclosed in Note 2) is attributable to the significant likelihood of the patients of the healthcare practice attending a Primary Medical Centre following the acquisition.

Comparative information has been restated to reflect the change in accounting policy for acquisitions of healthcare practices, as disclosed in Note 2.

27. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

Summary

	CONSOLIDATED	
THE NET OUTFLOW OF CASH TO ACQUIRE BUSINESSES IS RECONCILED AS FOLLOWS:	**2015 $000**	**2014 $000**
Fair value of identifiable net assets acquired		
Healthcare practices	**6,046**	10,686
	6,046	10,686
Goodwill		
Healthcare practices	**23,960**	28,440
Consideration – cash paid to acquire healthcare practices		
Healthcare practices	**30,006**	39,126
(Increase)/Decrease in deferred consideration relating to healthcare practices	**(11,549)**	(24,270)
	18,457	14,856
Cash paid for acquisitions	**18,457**	14,856
Less cash acquired	**–**	–
Net payments for the purchase of businesses	**18,457**	14,856

28. PARENT ENTITY DISCLOSURES

The accounting policies of the parent entity, Primary Health Care Limited, which have been applied in determining the information shown below, are the same as those applied in the consolidated financial statements except in relation to Investments in subsidiaries which are accounted for at cost in the financial statements of Primary Health Care Limited.

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

BALANCE SHEET	**2015 $000**	**2014 $000**
Assets		
Current	**31,530**	59
Non-current	**3,067,103**	3,112,994
Total assets	**3,098,633**	3,113,053
Liabilities		
Current	**180,088**	18,615
Non-current	**1,058,602**	1,099,924
Total liabilities	**1,238,690**	1,118,539
Net assets	**1,859,943**	1,994,514
Equity		
Issued Capital	**2,427,174**	2,386,140
Retained earnings	**(556,593)**	(391,901)
Cash flow hedge reserve	**(13,405)**	(9,814)
Share-based payments reserve	**2,767**	10,089
Total equity	**1,859,943**	1,994,514

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

STATEMENT OF COMPREHENSIVE INCOME	**2015 $000**	**2014 $000**
(Loss) for the year	**(77,316)**	(45,565)
Other comprehensive (loss) gain	**(3,591)**	1,687
Total comprehensive (loss)	**(80,907)**	(43,878)

29. REMUNERATION OF AUDITOR

	CONSOLIDATED	
	2015 $	2014 $
Auditing the financial report	**1,300,313**	934,500
Other services:		
Tax consulting	**403,553**	49,970
Compliance	**454,424**	–
Advisory	**199,665**	217,533
	2,357,955	1,202,003

30. SUBSEQUENT EVENTS

On 31 July, 2015 Primary announced the sale of approximately 36 million shares in Visions Eye Institute Limited ("VEI") for a sale price of approximately $34 million. The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI of approximately 5 million shares for approximately $4 million. The disposal of Primary's shareholding in Vision has resulted in a pre-tax gain of $16.9 million which will be included in Primary's FY2016 results. Cash proceeds of $38 million have be applied to pay down debt.

Other than this event 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 on the Group in future financial years.

31. 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 2015 is provided below:

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

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

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

	CONSOLIDATED	
PRIMARY BONDS SERIES A	2015 TOTAL	RESTATED 2014 TOTAL
Gearing Ratio	**0.61**	0.58
Interest Cover Ratio	**4.20**	6.45
Working Capital Ratio	**0.73**	0.80

SHAREHOLDER AND CORPORATE INFORMATION

1. STOCK EXCHANGE LISTING AND DOMICILE

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

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

2. VOTING RIGHTS

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

3. CORPORATE INFORMATION

AUDITOR

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
SYDNEY NSW 2000

COMPANY'S REGISTERED OFFICE

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

COMPANY'S PRINCIPAL ADMINISTRATIVE OFFICE

(and Register of Option Holders)
Level 31/100 Miller Street
NORTH SYDNEY NSW 2060
(02) 8397 9999

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
SYDNEY NSW 2000
GPO Box 7045
SYDNEY NSW 1115
Sydney Office: (02) 8234 5000
Investor Enquiries: 1300 855 080

4. NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 31 AUGUST 2015

ORDINARY SHARE CAPITAL

515,998,945 fully paid ordinary shares are held by 17,630 individual shareholders.

All issued ordinary shares carry one vote per share.

5,035,000 unlisted share options have been granted to 239 persons.

Share options do not carry any voting rights.

5. DISTRIBUTION OF SHAREHOLDERS AS AT 31 AUGUST 2015

NUMBER OF SHARES HELD	INDIVIDUALS
1 – 1,000	4,352
1,001 – 5,000	9,066
5,001 – 10,000	2,625
10,001 – 100,000	1,495
100,001 – 999,999,999	92
Total	17,630

797 shareholders hold less than a marketable parcel of shares.

6. TOP 20 SHAREHOLDERS AS AT 31 AUGUST 2015

RANK	NAME	SHARES	% OF SHARES
1.	J P Morgan Nominees Australia Limited	128,179,403	24.84
2.	HSBC Custody Nominees (Australia) Limited	115,910,273	22.46
3.	National Nominees Limited	76,523,742	14.83
4.	Citicorp Nominees Pty Limited	24,634,174	4.77
5.	BNP Paribas Noms Pty Ltd <DRP>	15,949,636	3.09
6.	Idameneo (No 122) Pty Ltd	9,887,531	1.92
7.	UBS Wealth Management Australia Nominees Pty Ltd	5,816,871	1.13
8.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,336,215	1.03
9.	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	4,096,089	0.79
10.	Amp Life Limited	3,955,039	0.77
11.	Argo Investments Limited	3,846,602	0.75
12.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,731,165	0.53
13.	UBS Nominees Pty Ltd	2,576,026	0.50
14.	RBC Investor Services Australia Nominees Pty Ltd <Bkmini A/C>	2,548,800	0.49
15.	BKI Investment Company Limited	2,474,500	0.48
16.	Rinrim Pty Limited	1,962,657	0.38
17.	Charado Pty Ltd	1,935,488	0.38
18.	Navigator Australia Ltd <MLC Investment Sett A/C>	1,707,105	0.33
19.	Netwealth Investments Limited <Wrap Services A/C>	1,336,284	0.26
20.	RBC Investor Services Australia Nominees Pty Limited <DRP A/C>	1,245,836	0.24
Total		412,653,436	79.97

7. SUBSTANTIAL HOLDERS AS AT 31 AUGUST 2015

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
UBS Group AG and its related bodies corporate	67,733,047	13.13%
T. Rowe Price Associates Incorporated	31,086,608	6.02%
Maple-Brown Abbott Limited	30,900,993	5.99%
Dimensional Entities	30,485,918	5.91%
Harris Associates LP	26,989,638	5.23%
The Goldman Sachs Group Inc. On behalf of itself and its subsidiaries	26,187,129	5.08%
Australia and New Zealand Banking Group Limited	25,842,071	5.01%

Information in the table above is as per the most recent substantial holder notices received by Primary as at 31 August 2015.

8. PRIMARY BONDS SERIES A AS AT 31 AUGUST 2015

1,522,740 Primary Bonds Series A are held by 2,246 individual bond holders. The Primary Bonds matured and were redeemed on 28 September 2015.

Primary Bonds Series A do not carry any voting rights.

9. DISTRIBUTION OF HOLDERS OF PRIMARY BONDS SERIES A AS AT 31 AUGUST 2015

NUMBER OF BONDS HELD	INDIVIDUAL PRIMARY BONDS SERIES A HOLDERS
1 – 1,000	2,103
1,001 – 5,000	124
5,001 – 10,000	7
10,001 – 100,000	11
100,001 and over	1
Total	2,246

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