PRIMARY
HEALTH CARE LIMITED

In good hands

2016
ANNUAL
REPORT

ACN 064 530 516

PRIMARY HEALTH CARE LIMITED
2016 ANNUAL REPORT

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"My work gives me an unrivalled opportunity to be an active part of the community. I love helping patients solve their medical problems and building long term relationships with the families I see."

DR CAROLINE ROGERS
GENERAL PRACTITIONER

DR CAROLINE ROGERS JOINED PRIMARY IN 2004 AND WORKS AT THE BROOKVALE MEDICAL AND DENTAL CENTRE IN NEW SOUTH WALES.

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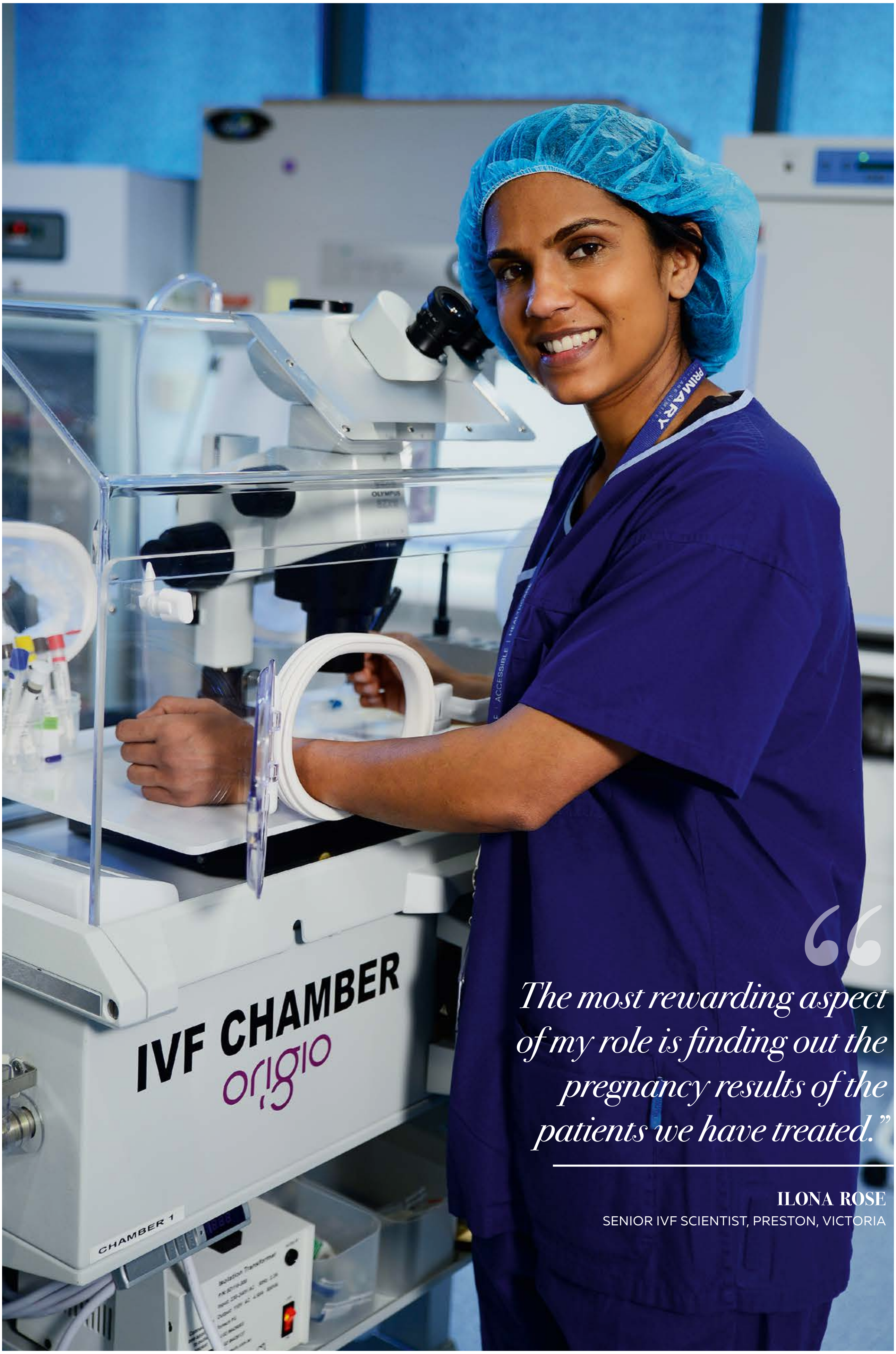
In 2016 Primary Health Care helped many Australians on their journey to a healthier life.

Delivering care to those who need it, we are inspired to make a positive difference to peoples lives...

... people are at the core of what we do.



"The most rewarding aspect of my role is finding out the pregnancy results of the patients we have treated."

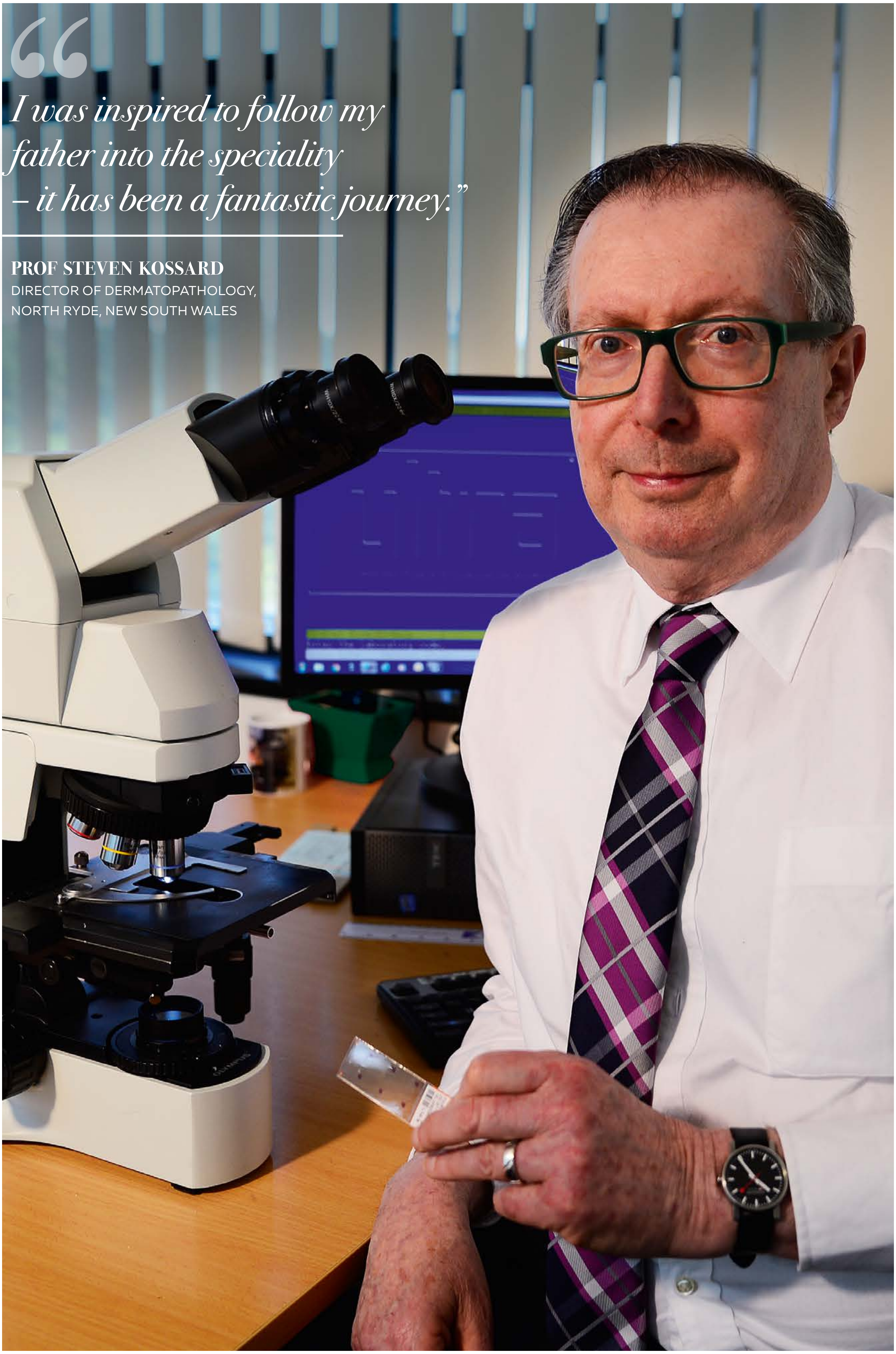
ILONA ROSE
SENIOR IVF SCIENTIST, PRESTON, VICTORIA

"Dr Loff and I have worked together for more than ten years. We are fortunate that our current work environment at Knox Private Hospital is fitted out with the latest equipment."

DR ANN LEUNG
CONSULTANT PHYSICIAN IN NUCLEAR MEDICINE

DR MARCUS LOFF
DIRECTOR OF RADIOLOGY

KNOX PRIVATE HOSPITAL
WANTIRNA, VICTORIA



"I was inspired to follow my father into the speciality – it has been a fantastic journey."

PROF STEVEN KOSSARD
DIRECTOR OF DERMATOPATHOLOGY,
NORTH RYDE, NEW SOUTH WALES

"Teamwork is essential to coordinate care and ensure a quality patient journey."

DR SANJEEVAN NAGULENDRAN

GENERAL PRACTITIONER
LEAD INDEPENDENT DOCTOR, HILLS MEDICAL CENTRE
BAULKHAM HILLS, NEW SOUTH WALES

A market leading network

Primary Health Care is one of Australia's leading listed healthcare companies and has been providing quality, affordable and accessible healthcare to the people of Australia for more than 30 years. We have an expansive network of multi-disciplinary medical centres, pathology laboratories and diagnostic imaging centres, which are underpinned by our cohort of dedicated healthcare professionals.

11,800
employees Australia-wide

open 365 days
a year, 7am to 10pm

3 million
radiography examinations[1]

1 in 3
pathology samples
tested in our laboratories[1]

#1
national provider of large-scale medical centres

300+
babies born via our IVF clinics[2]

8 million
patient consults[1]

20%+
of after hours GP care[1]

1 For the full year to 30 June 2016.
2 Since opening in 2014.

AUSTRALIA-WIDE COVERAGE

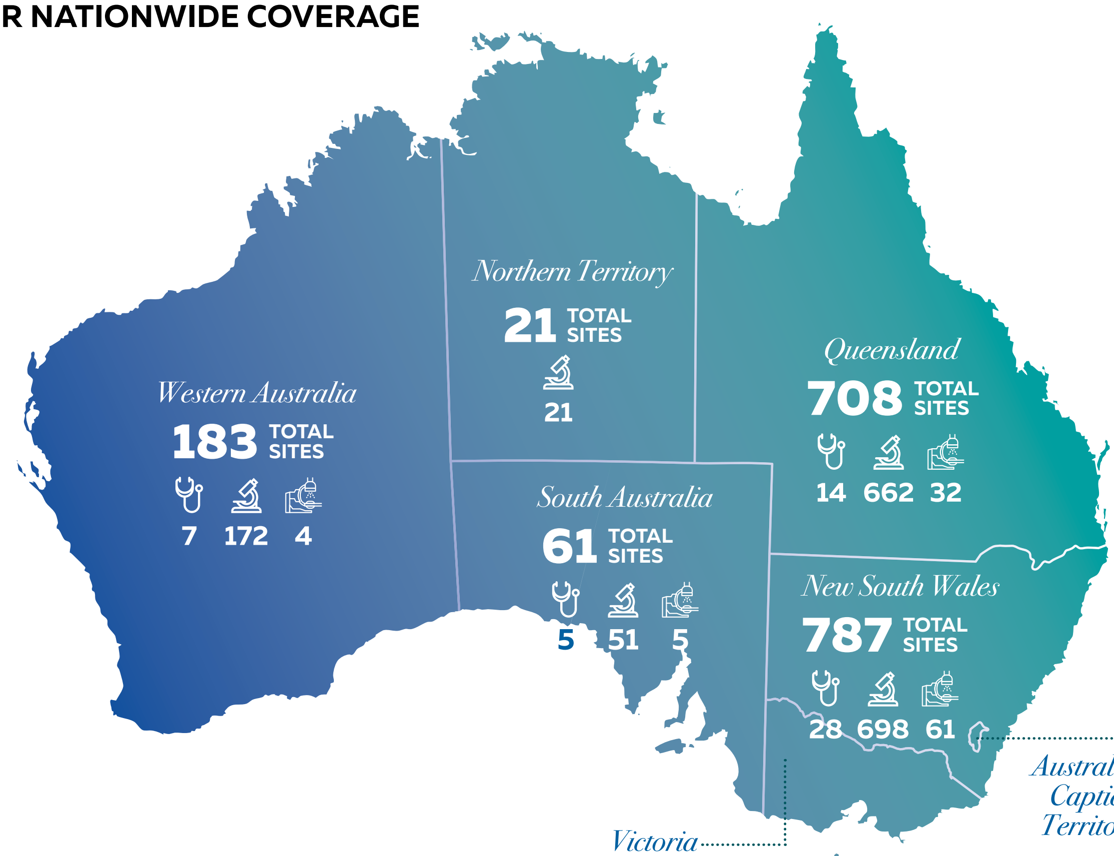
TOTAL SITES
2,460

71
Medical Centres

2,251
Pathology
2,147 Approved collection centres
104 Laboratories

138
Diagnostic Imaging
26 Hospitals
61 Community Centres
51 Medical Centres

OUR NATIONWIDE COVERAGE



Victoria
639 TOTAL SITES
15 591 33

Australian Captial Territory
40 TOTAL SITES
2 35 3

Tasmania
21 TOTAL SITES
21

Chairman's Letter

UNDERLYING REVENUE

$1.7B

UNDERLYING NPAT

$104M

TOTAL DIVIDEND

12¢/share

Dear Shareholders,

Primary reported an underlying result for the financial year in line with our expectations and delivered on its strategic initiatives, building a pathway to a sustainable future, underpinned by strong market demand for our model of care.

I am pleased to report underlying revenue of $1.7 billion and underlying net profit after tax (NPAT) of $104 million. Your company also recorded statutory NPAT of $75 million, which took into account the impact of significant business changes across the group.

The directors declared a final, fully franked dividend of 6.4 cents per share. In the first half of the financial year, the directors declared and paid an interim dividend of 5.6 cents per share, 50 per cent franked. This brings total dividends to 12.0 cents per share and equates to a payout ratio of 60 per cent of underlying NPAT. This payout ratio has been set to reflect your company's growth strategy.

STRATEGIC DIRECTION

Primary is on an exciting journey with key initiatives stemming from the 2015 Strategic Review starting to come to fruition. The 2016 financial year has been a period of transformation for the Group, as we reset the platform from which to grow. We invested for growth, strengthened the balance sheet, improved free cash flow and enhanced our engagement with key stakeholders.

Our Medical Centres business has been diversified into two streams: Bulk Billing and Private Billing. While Bulk Billing has been a cornerstone of our business and continues to serve us well, diversification of our revenue stream is critical as we look to flourish in an environment where Government-funded healthcare is coming under increasing pressure.

We also enhanced our engagement with healthcare practitioners and rolled out a range of flexible recruitment packages to better meet their needs. In addition, we are increasing our investment in training and doctor-to-doctor support.

As well as developing the new Medical Centre model, we are applying selective private billing options in Pathology and Diagnostic Imaging, and in tandem, we have implemented initiatives to both reduce costs and to make our cost base more variable.

Furthermore, the current drive by the Government to reduce funding ultimately supports the corporatised model as the lowest cost provider of frontline care. As a result, we see a significant opportunity to grow our corporate network and are focused on becoming a partner of choice for healthcare practitioners and a preferred place for patients to visit.

Peter will talk more about these initiatives in his CEO's report.

BOARD OF DIRECTORS

Turning to your Board of Directors, I am pleased to announce that Mr Gordon Davis was appointed in August 2015 as a Non-executive Director. Mr Davis has a wealth of experience across a number of different sectors and has been an excellent addition to your Board.

In my letter to you last year I noted that the Board had engaged in a Board Performance Assessment. This assessment is now complete and has led to the development of a more comprehensive Board Skills Matrix. Importantly, the information has provided the Board with greater visibility of key issues in relation to directors' experience and knowledge. This process has assisted, and will continue to assist, Primary in meeting high standards of corporate governance.

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

REMUNERATION

Your Board is focused on meeting its commitment to shareholders to improve remuneration governance and practice, and ensure appropriate positioning relative to market benchmarks.

In recent years the Board has sought feedback from key stakeholders which led to the restructure of remuneration practices to deliver sustainable value for shareholders.

The revised policies are designed to ensure the methods selected to measure performance are linked directly to Group performance or to effectiveness in key strategic and operational roles. They also seek to ensure an appropriate mix of short-term and long-term incentives are offered, depending upon the impact of that role on the Group's short and long term performance.

These changes came into effect during the financial year and include:

- 25 per cent of short-term incentives awarded in performance rights, with half of that deferred for 12 months and half for 24 months;
- 100 per cent of long-term incentives awarded in performance rights to be deferred for three years; and
- incentives in line with Group financial performance and other non-financial short-term strategic objectives.

Please refer to the Remuneration Report set out on pages 39–67 for a full summary of the aforementioned changes.

FUTURE OUTLOOK

There remains strong underlying demand for healthcare services in Australia and frontline care remains the most cost-effective form of delivering these healthcare services.

Dr Edmund Bateman established Primary with a vision of providing quality healthcare for all Australians. As we look to financial year 2017 this vision remains a core principle of our business.

On behalf of the Board of Directors I would like to thank Primary's management team, healthcare practitioners and employees for their hard work and commitment over the last 12 months. I also thank you for your continued support as shareholders.

Yours sincerely,

Rob Ferguson
Chairman

Chief Executive Officer's Report

Dear Shareholders,
Looking back on our achievements over the past twelve months, I believe we can best describe 2016 as a transformational year for Primary, as we worked to deliver against our strategic initiatives, focused on our core activities, and provided the right conditions for healthcare practitioners to pursue quality care for people who visit our clinics.

PETER GREGG
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

We achieved underlying revenue of $1.7 billion, up 3.2 per cent on the prior comparative period, and underlying NPAT of $104 million, down 6.7 per cent. These results were in line with our company forecast, after taking into account the impact of a balance sheet impairment in July 2016 and the sale of the MedicalDirector business six weeks earlier than previously forecast. They were delivered in difficult market conditions.

Turning to our reported results, we achieved $1.7 billion of revenue and $74.7 million of NPAT. Our reported results reflect the changing shape of Primary and include the impact of certain one-off items which are unrelated to the true performance of our business.

KEY ACHIEVEMENTS

It has been a year of significant change for Primary. I am pleased to report that we are delivering on the key initiatives announced in 2015 and I am encouraged by the momentum we are seeing as we transition the business.

We successfully completed the capital recycling of non-core assets, which was a key plank in our Strategic Review, received $328 million in net proceeds and significantly reduced net debt and gearing. This delivered a stronger Primary, with a balance sheet that now enables us to invest in our people, systems and new growth opportunities.

Importantly, we changed our historical recruitment and retention model and introduced new healthcare practitioner recruitment packages. These flexible, capital-light models are designed to broaden our appeal to a wider cohort of GPs by offering a range of upfront and revenue sharing options. Pleasingly, annual retention of GPs was up 35 per cent and we remain focused on creating a culture where GPs want to practice. Our goal is to recruit a far greater number of healthcare practitioners as we grow the network.

During the period, Government-funded healthcare continued to come under intense pressure.

The Medicare Benefits Schedule (MBS) rebate freeze, ongoing health policy uncertainty, negative media around waste in the health system and the extended Federal election campaign all contributed to a tough macro environment. Against this backdrop, I announced the diversification of our Medical Centres business into a new Private Billing model, trials of selective private billing in Pathology and Imaging, and expansion of our bulk billing clinics into specialist and adjacent services. These decisions were based largely on the need to enhance our resilience and diversify our revenue streams from our traditional base of bulk billing.

With our Private Billing division we are bringing a new brand into our service offering. These medical clinics will focus on delivering patient-centric care and outcomes-based models underpinned by a strong technological offering, while keeping those elements both GPs and patients value from traditional practices. The launch is in progress and we expect to have a number of clinics in operation by the end of calendar 2016.

Our achievements are supported by a strong and unwavering focus on delivering quality clinical outcomes for our patients.

Primary is fortunate to have many industry leading specialists working across our divisions, and I'd like to take this opportunity to acknowledge a few of our high performing specialists. Professor Steven Kossard, who is based in our Pathology team, is one of Australia's leading dermatopathologists and skin cancer experts. Dr Melody Caramins, who heads up Primary's genetics team, is at the forefront of genomic diagnostics. In Medical Centres, Dr Louise Acland is highly regarded for her commitment to training the GPs of tomorrow and has a strong association with the Royal Australian College of General Practitioners as an External Activity Provider and a Fellowship Examiner. Associate Professor Richard O'Sullivan from our Imaging team is a prominent leader in prostate cancer imaging, and is actively involved in collaborative research in this area.

The frontline care delivered by GP's across Australia is a key strength of our health system, and I am proud of the highly trained medical specialists we have within our Group. Their skill and commitment play a critical role in providing quality healthcare to the people of Australia.

SIGNIFICANTLY REDUCED GEARING

25%

from **32%** in 2015

STRONG GP RETENTION

^ 35%

RECORD EBIT IN PATHOLOGY

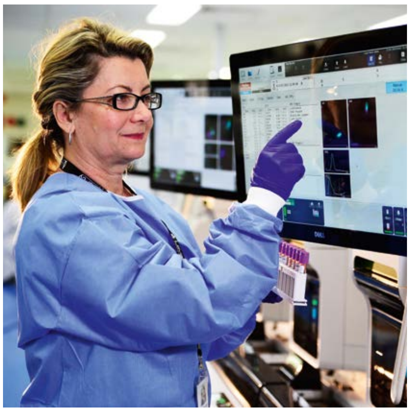
$135M

^ **6%** from 2015

IMAGING EBIT RESET IN 2H16

^ 43%

from 1H16



OPERATIONAL PERFORMANCE

Turning to our operational performance, revenue in our Medical Centres was broadly flat, impacted by starting the year with fewer than expected GPs and not meeting recruitment targets in the second half of the year.

To counteract this, the company completed a review of its recruiting program and is implementing new initiatives to drive significant growth in recruiting.

As we move into financial year 2017 we are focused on expanding our range of services and positioning ourselves ahead of the curve on the delivery of outcomes-based care for chronic conditions. This involves expanding our medical home offering, rolling out five large-scale new centres and investing in next generation IT systems.

In regards to our Pathology division, the team achieved underlying revenue growth of 6.4 per cent, despite a challenging operating environment in which growth rates remained below the long-term trend.

The division implemented a cost savings program in laboratories and Approved Collection Centres (ACCs) and, underpinned by this program and the delivery of procurement efficiencies, EBIT increased by 5.9 per cent.

While the industry is still seeking clarity on a number of government policy settings relating to ACC rent regulation and bulk billing incentives, our Pathology division is well placed to modify its response once a clear direction has been set. Moving forward, the team will work to drive further efficiencies, expand out specialist capabilities and look to leverage our infrastructure offshore.

Similar to Pathology, Imaging operated in a difficult external environment with Medicare growth rates significantly lower than the long-term trend. For Primary annual volumes grew in line with market, when adjusted for lost hospital contracts and a new immigration visa medical contract.

After a weak first half result, EBIT momentum in the second half was stronger, up 43% on the first half, supported by site and labour rationalisation as the division reset its cost base for the future.

During the year Imaging commenced the National Capital Private Hospital contract in the ACT, expanded its service offerings at Knox Private Hospital in Victoria and won the Northern Beaches hospital contract in NSW, highlighting the division's focus on enhancing its high-value hospital contract pipeline. Primary also developed its large-scale fit-for-purpose imaging centres at Bridge Road in Victoria and Varsity Lakes in Queensland.

EXECUTIVE TEAM

During the period the corporate centre was strengthened with investment in new capabilities including group strategy, corporate affairs and government relations. I also moved the company to a more traditional organisational structure and reporting matrix, in order to provide a scalable platform for sustainable growth and value generation.

INNOVATION

It's an exciting time for the health care sector with E-health on the cusp of a major technological transformation. Primary is investing in three major IT programs to drive innovation and efficiency in each of our businesses, as we look to link IT developments to patient centric care and outcomes-based models.

OUR PEOPLE

Our employees, along with our cohort of healthcare practitioners, are the key to our success and drive our performance each and every day. Late in 2015 we conducted an employee survey, with the results indicating a low engagement level across the company. We recognise the need to do more to engage our healthcare practitioners and staff, and are working hard to address this feedback. Initiatives have been implemented around three key pillars: communication, leadership and culture.

For our healthcare practitioners we have enhanced the range of support resources on offer, introduced our Lead Independent Doctor program for peer-to-peer dialogue, expanded the Primary Health Care Institute and grown our registrar program, and established the Clinical Councils to give the practitioners a voice at the corporate level.

Fostering an enhanced work environment, along with improving our brand and reputation, are front and centre of our transformation program.

Part of this program has seen the consolidation of the corporate team into one head office. The move was completed in April 2016, and has helped to further facilitate an open, collaborative and cohesive Primary team.

Throughout the period, many of our team members were recognised externally for their hard work and commitment to their chosen fields.

Dr Sneha Wadhwani, Maroubra Medical and Dental Centre, NSW
Awarded Primary Care Supervisor of the Year
University of NSW

Kathryn Eckersley, QML Pathology Rockhampton, QLD
Awarded Young Medical Scientist of the Year
Australian Institute of Medical Scientists Queensland Awards

Wayne Pederick, QML Pathology Rockhampton, QLD
Awarded Regional/Remote Scientist of the Year
Australian Institute of Medical Scientists Queensland Awards

Lloyd Magpayo, SRA QML Pathology Murarrie, QLD
Awarded Laboratory Assistant of the Year
Australian Institute of Medical Scientists Queensland Awards

Kiara Thompson, QML Pathology Rockhampton, QLD
Finalist, Young Medical Scientist of the Year
Australian Institute of Medical Scientists Queensland Awards

Frances Morey, Western Diagnostic Pathology Alice Springs, NT
Recipient of the Distinguished Service Award
Australian Society of Microbiology

Dr Melody Caramins, Geonomic Diagnostics, NSW
Named as the newest Director on the Royal College of Pathologists Australasia Quality Assurance Board

Kimberly Huii, Macarthur Diagnostic Imaging Campbelltown, NSW
Awarded Student of the Year
Australian Sonographers Association

Elizabeth Makhlouf, Campsie Medical Centre, NSW
Nominated for Nurse of the Year
HESTA Australian Nursing Awards

Van Dan, Dorevitch Pathology, VIC
Awarded Quality of Practice and Highest Number of Pap Tests
PapScreen Victoria 2016 Nurse Cervical Screening Awards

OUTLOOK

Following the Coalition's return to Government and the undertakings given by the Coalition during the election, the industry is seeking clarity on the duration of the MBS freeze, potential fee cuts and regulations in Pathology and Imaging, and the extent and timing of the MBS review.

However, the demand drivers for essential frontline services provided by Primary remain very positive, underpinned by a growing and ageing population, increasing chronic and complex conditions, rising patient expectations and expanding wealth per capita. With hospital costs increasing, multi-disciplinary medical centres like ours will play a vital role in making services more accessible and more cost efficient, while enabling coordination and continuity of patients' care.

The transformation of Primary will continue in financial year 2017, with further changes and capability-build, as we look to use our stronger balance sheet to invest for growth. Combining this with more diversified revenue streams, a more flexible cost base, lower leverage, and greater focus on returns on investment, we will ensure our model of healthcare provides the platform for success.

We are committed to delivering good health outcomes to our patients, a preferred place to work for our healthcare practitioners and staff, and growth to our shareholders.

Thank you for your ongoing support.

Peter Gregg

Managing Director & Chief Executive Officer

Executive Leadership Team

Driving the Primary Group in delivery of its strategic objectives.

1. PETER GREGG

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr Gregg has served as Primary's Managing Director & Chief Executive Officer since 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 32.

Since James Bateman's departure in August 2016, Peter has also taken the role of Chief Executive, Pathology.

2. MALCOLM ASHCROFT

CHIEF FINANCIAL OFFICER

Mr Ashcroft was appointed to the position of Chief Financial Officer (CFO) in July 2015 and assumed Group Executive responsibility for Information Technology, Property and Risk Management in July 2016. 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. YVETTE CACHIA

GROUP EXECUTIVE PEOPLE & LEGAL

Ms Cachia was appointed Group Executive People & Legal in July 2016. Yvette previously held the role of Group Director – Human Resources since March 2015, with responsibility for Primary's human resources strategy and management, including reward and recognition, learning and development, employment policy and employee relations. 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. Yvette is a member of the New South Wales Bar Association.

4. JOHN HOUSTON

CHIEF EXECUTIVE MEDICAL CENTRES – BULK BILLING

In March 2016, Dr Houston was appointed to the position of General Manager – Medical Centres (Bulk Billing division) (subsequently re-designated as Chief Executive Medical Centres – Bulk Billing). John joined Primary in 1998 as a GP, before becoming Chief Clinical Officer of the Medical Centres division in June 2012. He has been a General Practitioner for over 27 years and has experience operating a large 22 Doctor multidisciplinary medical centre in Ingleburn in South Western Sydney. Previously, as Chief Clinical Officer of Primary's Medical Centres division, John was responsible for the recruitment, education and clinical standards of over 1,000 General Practitioners, Dental Practitioners and Physiotherapists, and for the supervision of three day surgery units performing over 5,000 procedures a year. He has unparalleled first-hand knowledge and understanding of the healthcare industry and of general practitioners from being a registrar, supervisor and examiner for the Royal Australian College of General Practitioners ("RACGP") and a faculty member of RACGP NSW.

5. MAXINE JAQUET

CHIEF EXECUTIVE MEDICAL CENTRES – PRIVATE BILLING

Ms Jaquet was appointed to the role of Chief Executive Medical Centres – Private Billing in March 2016, having joined Primary as Group Director – Commercial in July 2015. Previously Maxine was the Head of Alliances at Qantas Airways Limited. 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.

6. DEAN LEWSAM

CHIEF EXECUTIVE IMAGING

Mr Lewsam is Chief Executive of the Primary Group's Imaging division, having been appointed to the role in October 2015. Since joining Primary in October 2009, he has held various operational management roles in the Imaging division and has been responsible and a key advocate for the expansion and advancement of a number of Primary imaging sites around Australia. Dean has over 25 years' experience in the healthcare sector of which 15 years have been spent in diagnostic imaging. Prior to joining Primary, Dean held several senior positions with other leading imaging providers. Dean has extensive insights and a proven history in turnaround management with a keen emphasis on people management, business engagement and technology.

7. ALEX SMITH

GROUP EXECUTIVE STRATEGY & GROWTH

Dr Smith was appointed Group Executive Strategy & Growth in July 2016. Alex 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.

8. GREG BATEMAN

SPECIAL COUNSEL

Mr Bateman was appointed to the position of Special Counsel in July 2016. Prior to this appointment, Greg served as the Primary Group's General Counsel from 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.

9. MARK NEEHAM

GROUP EXECUTIVE GOVERNMENT RELATIONS

Mr Neeham was appointed to his role 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, communications, campaigns management, government relations and public policy, and also has extensive international experience.

10. JANET PAYNE

GROUP EXECUTIVE CORPORATE AFFAIRS

Ms Payne was appointed in July 2015 with responsibilities for investor relations, public relations and internal communications. Janet joined 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. Janet also assisted with the establishment of investor relations at BT Investment Management and QR National (now Aurizon). She has a strong background in finance, having started her career at KPMG in London and Sydney.

FORMER EXECUTIVES

MATTHEW BARDSLEY

GROUP DIRECTOR – INFORMATION INNOVATION (TO MAY 2016)

Until the sale of Health Communication Network Limited by Primary in May 2016, Mr Bardsley served as 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. Matthew left the Group to continue as CEO of MedicalDirector.

HENRY BATEMAN

GENERAL MANAGER – MEDICAL CENTRES (TO MARCH 2016)

Until his departure on 1 March 2016, Mr Bateman served as 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 also served as an Executive Director of Primary from 2011 until 2015.

JAMES BATEMAN

CHIEF EXECUTIVE PATHOLOGY (TO AUGUST 2016)

Mr Bateman was Chief Executive of the Primary Group's Pathology division up to 5 August 2016. 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.

Building a sustainable future

OUR BUSINESS MODEL

Primary Health Care is one of Australia's leading healthcare companies. Through our diversity, footprint and experience we are working to achieve health outcomes that are in the best interest of all Australians.

Our Medical Centres division, and the healthcare practitioners it partners with, represent the core of our business model. This division drives value to the rest of the group, with our 'Medical Home' model underpinning our competitive advantage by facilitating continuity of care for our patients. Our general practitioners provide services that address both acute and chronic conditions and work in tandem with our allied health practitioners and specialists to deliver a holistic approach to patient care.

Our Pathology division spans a national network consisting of four central laboratories, 100 satellite laboratories and 2,147 approved collection centres. A business with a competitive cost base, the division enjoys strong state-based brand recognition and is a market leader in Queensland, Victoria and Western Australia.

The Diagnostic Imaging division operates across 138 sites in hospitals, medical and community centres, offering patients a full suite of modalities including X-Ray, MRI, PET, CT and ultrasound, with an ongoing focus on growing the division's specialised fit-for-purpose imaging centres, high-end hospital contracts and multi-disciplinary medical clinics.

Business Model

The Medical Home

Co-location of services under one roof enables superior coordination and continuity of care

OUR ASPIRATIONS

GROW NETWORK	PARTNER OF CHOICE	DIVERSIFY REVENUE	RETURN ON INVESTMENT
Grow the size of the network and cement position as leading frontline care provider	Become a partner of choice for healthcare practitioners, supported by flexible recruitment models	Diversify revenue streams to enable growth in an environment of Government funding pressure	Combine with a more flexible cost base, lower leverage and a focus on return on investments

OUR GROUP STRATEGY

The core aim of Primary's strategy is to deliver good health outcomes to patients and growth to shareholders, with the aspiration of making Primary a preferred place for healthcare practitioners and staff to work and for patients to come for treatment.

INVEST *for growth*

- Grow pipeline in medical centres and high-end imaging sites
- Launch of private billing business in FY 2017
- Selective expansion opportunities in Asia under review in Pathology
- Invest in next-gen systems to drive productivity improvements

IMPROVE *returns on capital*

- Invest in higher performing operations
- Closed or re-based underperforming pathology collection centres, laboratories and imaging community sites
- Diversify revenue streams
- Targeting accelerated payback period for new sites

STRENGTHEN *balance sheet*

- Capital recycling delivered and debt reduction achieved
- Lowered capital intensity including healthcare practitioners acquisition models with no up-fronts, funding centres through Primary Health Care Property Trust
- Flexibility to drive investment from existing capital base

ENGAGE *stakeholders*

- Raft of staff and healthcare practitioner initiatives underway in response to engagement survey
- On-going engagement with market, Government and professional bodies

2016 Highlights

FINANCIAL PERFORMANCE

UNDERLYING REVENUE ($MILLION)

$1,651M

3% from 2015

UNDERLYING NPAT ($MILLION)

$104M

7% from 2015

OPERATING CASH FLOWS ($MILLION)

$285M

19% from 2015

GEARING (%) (NET DEBT TO NET DEBT PLUS EQUITY)[2]

25%

22% from 2015

TRANSFORMATION JOURNEY

QUARTER 1

JULY 2015
Settlement reached with ATO

JULY 2015
Bridge Road Imaging opened

JULY 2015
Sold stake in Vision Eye

SEPTEMBER 2015
$152 million retail bonds redeemed

QUARTER 2

OCTOBER 2015
Commenced Varsity Lakes contract in Imaging

OCTOBER 2015
Separation of Imaging and Pathology

OCTOBER 2015
Dean Lewsam appointed GM Imaging

NOVEMBER 2015
Introduced capital-light HCP[3] recruitment models

NOVEMBER 2015
Sold Barangaroo

NOVEMBER 2015
Melbourne IVF opened

DECEMBER 2015
Established Property Trust

QUARTER 3

JANUARY 2016
Rolled out employee and HCP[3] engagement initiatives

FEBRUARY 2016
Launched Kossard Dermatopathology

FEBRUARY 2016
Reset dividend policy at 1H 16

MARCH 2016
Diversified into Private Billing

MARCH 2016
Maxine Jaquet appointed GM Private Billing, Dr John Houston GM Bulk Billing

MARCH 2016
Sold MedicalDirector

QUARTER 4

APRIL 2016
Opened consolidated head office

JUNE 2016
Established Clinical Councils

JUNE 2016
Sold Transport Health

JUNE 2016
Sale and lease back of Imaging equipment

JUNE 2016
Debt reduced to $816 million, gearing to 25.2%

1 2014 revenue and NPAT are presented as reported.
2 Gearing numbers reflect balance sheet review adjustments.
3 Healthcare Practitioner (HCP).

2017 Outlook

GOVERNMENT POSITION

Australia's bulk-billing environment has been fundamental to the growth of the company.

During the year, Primary experienced revenue pressure from the Medicare Benefits Schedule (MBS) rebate freeze, while ongoing health policy uncertainty, negative media around waste in the health system and the recent Federal election campaign exacerbated matters. Overall there was a drop in Medicare growth rates in Pathology and Imaging below long-term averages.

After the federal election the industry is seeking clarity on the duration of the MBS rebate freeze (currently extended until 2020), the MBS review, the potential regulation of Approved Collection Centres rents in the pathology sector, and the potential removal of bulk-billing incentives in both Imaging and Pathology, raised as part of the 2015 Mid-year Economic and Fiscal Outlook.

To address the complex funding environment and provide growth, the Group is focused on diversifying its revenue stream to include private billing clinics and looking to potential offshore expansion in its Pathology division. Primary is also working to expand and improve its Medical Home model and develop patient-centric care options, supported by high-end IT investments and an innovative approach to e-health technologies.

HEALTHCARE SECTOR

The long-term drivers for healthcare remain positive.

There is strong underlying demand for healthcare in Australia, underpinned by a growing and ageing population, increasing chronic and complex conditions, rising patient expectations and expanding wealth per capita.

Frontline care is the best and most effective means of delivering healthcare, and our large-scale multi-disciplinary medical centres are low-cost, efficient providers of this care.

With chronic conditions on the rise in Australia, and hospital costs increasing, these multi-disciplinary centres play a vital role in making medical services more easily accessible and more cost efficient, while enabling coordination and continuity of patients' care.

Primary aims to be at the forefront of the efficiency drive in the health sector, and cement its position as a leading quality healthcare provider. It aims to become the preferred place where healthcare practitioners and staff want to work and where patients want to come for treatment. Combining this with more diversified revenue streams, a more flexible cost base, lower leverage, and greater focus on returns on investment, the Group has the pathway for growth. It expects to see an improvement in performance in financial year 2017.

Group Performance

GROUP PERFORMANCE

PERFORMANCE	UNDERLYING		REPORTED	
$M	FY 2016	FY 2015	FY 2016	FY 2015
Revenue[1]	**1,651.0**	1,599.3	**1,714.6**	1,617.9
EBIT	**206.6**	225.8	**164.9**	86.5
NPAT	**104.0**	111.5	**74.7**	127.5
Financial position				
Net debt			**816**	1,155
Gearing (net debt: net debt + equity)			**25.2%**	32.4%
Dividend cps			**12.0**	20.0

1 Reported revenue includes revenue from discontinued operations of $77.7 million (2015: $38.2 million).

PERFORMANCE

For FY 2016, Underlying Net Profit after Tax of $104 million was in line with management expectations and down 6.7% on FY 2015, after taking into account the impact of the balance sheet impairment and the sale of Medical Director six weeks earlier than previously forecast.

Primary's reported Net Profit after Tax of $74.7 million reflected significant business changes during the year including the impact of the balance sheet review and strategic initiatives, partially offset by the profit on sales of assets.

A reconciliation of the reported and underlying performance is set out below. It includes the impact of the following items:

- Gains on sales of Medical Director, Transport Health Institute, Primary's shareholding in Vision Eye Institute, and non-cash gains on dissolution of a Joint Venture
- Adjustment to the Australian Tax Office settlement relating to potential healthcare practitioner tax liabilities
- Balance sheet review (refer below)
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives

The balance sheet review included:

- Property related impairments, including reduction in estimated useful life of leasehold improvements
- Write-off of capitalised costs associated with legacy IT systems
- Write-off of various assets including assets under construction, other fixed assets, healthcare practitioner intangibles and inventory

As a result of the balance sheet review, Primary identified $136.0 million in non-cash write offs. Of this amount, $91.7 million impacted FY 2016 and $44.3 million impacted prior periods. Of the $91.7 million, $5.8 million was underlying and $85.9 million was unrelated to underlying performance of the business and has been adjusted below.

The reconciliation of FY 2016 reported results to underlying results is as follows:

$M	REPORTED	GAIN ON SALE/ DISSOLUTION	ATO SETTLEMENT	BALANCE SHEET REVIEW	RESTRUCTURING & STRATEGIC INITIATIVES	UNDERLYING
Revenue[1]	1,714.6	(63.6)	0.0	0.0	0.0	1,651.0
EBITDA	326.2	(63.6)	(13.5)	83.2	31.9	364.2
Depreciation	(70.5)	0.0	0.0	2.8	1.0	(66.7)
Amortisation	(90.8)	0.0	0.0	(0.1)	0.0	(90.9)
EBIT	164.9	(63.6)	(13.5)	85.9	32.9	206.6
Finance costs	(58.0)	0.0	0.0	0.0	0.0	(58.0)
PBT	106.9	(63.6)	(13.5)	85.9	32.9	148.6
Tax	(32.2)					(44.6)
NPAT	74.7					104.0

1 Reported revenue includes revenue from discontinued operations of $77.7 million (2015: $38.2 million).

In order to provide comparatives on a consistent basis, results for FY 2015 have also been adjusted to exclude the impact of the non-underlying items as follows:

- Australian Tax Office settlement relating to potential healthcare practitioner tax liabilities
- Non-underlying impairments etc. adjusted in FY 2015 results
- Balance sheet review non-underlying items relating to FY 2015
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives in FY 2015

The reconciliation of FY 2015 reported results to underlying results is as follows:

$M	REPORTED	ATO SETTLEMENT	FY 15 ADJUSTMENTS	BALANCE SHEET REVIEW	RESTRUCTURING & STRATEGIC INITIATIVES	UNDERLYING
Revenue	**1,617.9**	0.0	5.4	0.6	(24.6)	**1,599.3**
EBITDA	**251.6**	110.5	30.6	8.4	(21.7)	**379.4**
Depreciation	**(72.0)**	0.0	5.1	0.2	1.6	**(65.1)**
Amortisation	**(93.1)**	0.0	4.6	0.0	0.0	**(88.5)**
EBIT	**86.5**	110.5	40.3	8.6	(20.1)	**225.8**
Finance costs	**(66.5)**	0.0	0.0	0.0	0.0	**(66.5)**
PBT	**20.0**	110.5	40.3	8.6	(20.1)	**159.3**
Tax	**107.5**					**(47.8)**
NPAT	**127.5**					**111.5**

FINANCIAL POSITION

The Group has a strong financial position with $3.6 billion in assets underpinned by $2.4 billion of shareholders equity. In FY 2016, reduced capital expenditure, a stronger cash flow and a successful $328 million capital recycling program delivered a stronger balance sheet, with net debt down from $1.2 billion to $816 million and gearing (expressed as the ratio of net debt to net debt plus equity) reducing from 32.4% to 25.2%.

The following non-core assets were divested, (with gross proceeds):

- Medical Director ($156 million)
- Barangaroo property ($40 million)
- Primary's shareholding in the Vision Eye Institute ($37 million)
- Transport Health Institute ($27 million, or $19 million net of cash in the business)

The Primary Health Care Property Trust was established in December 2015 and acquired $23 million of existing assets from Primary's balance sheet, including the imaging centre in Bridge Road, Richmond, Victoria and the Corrimal site in New South Wales. In addition, the sale and operating lease back of a significant portion of the company's imaging equipment in June 2016 provided $60 million of gross proceeds.

DIVIDEND

The directors have declared a fully franked final dividend of 6.4 cents per share. In the first half of the year, the directors declared and paid an interim dividend of 5.6 cents per share, 50% franked.

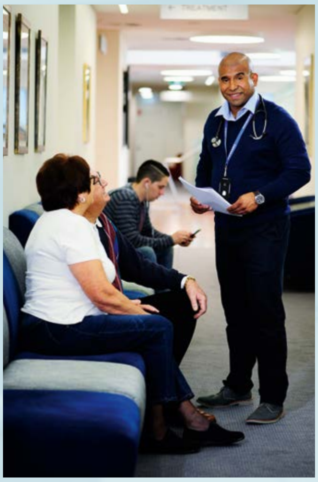
Total dividends of 12.0 cents per share equate to a payout ratio of 60% of Underlying Net Profit after Tax. This payout ratio has been set during FY 2016 to better reflect the company's growth strategy.

CASE STUDY

Our General Practice

General Practitioners (GPs) are the first point of contact for health issues for many Australians, with the average Australian visiting their doctor more than five times a year.

With 71 medical centres across Australia, our GPs undertake approximately 8 million consultations each year and deliver over 20% of all after hours GP care. So there's a good chance your last GP visit was with a Primary doctor.



Caring for people who are unwell is often a team effort. For Dr Sanjeevan Nagulendran, who works at Primary's Baulkham Hills Medical and Dental Centre in NSW, teamwork is a critical component of being a GP.

"Teamwork is essential to coordinate care and ensure a quality patient journey." says Dr Nagulendran.

"For example, a recent case of a lump around the collarbone was picked up by a colleague, who was unsure of the diagnosis. He asked me to pop into his room and I was able to call the specialist and organise the appropriate scan and biopsy. The diagnosis was confirmed within 72 hours of the patient seeing the specialist, who was then able to start chemotherapy for lymphoma within a week."

It is this ability to share learnings from colleagues and specialists that Dr Nagulendran cites as one of the most interesting parts of his job.

As well as his role as a GP, Dr Nagulendran has the added responsibility of being part of Primary's Lead Independent Doctor program. This program was established in 2013 with high-performing GPs handpicked to take on leadership roles across a range of the Group's medical centres.

In his role as Lead Independent Doctor, Dr Nagulendran is responsible for liaising with specialists and allied health to organise educational meetings, leading and mentoring colleagues and ensuring good roster coverage to allow doctors to meet their professional and lifestyle commitments.

"The program provides Primary's GP cohort with the opportunity to gain a better understanding of the management of the centres we work at," explains Dr Nagulendran.

"It also provides us with the chance to work directly with our colleagues to develop a collegiate and engaged environment."

The program now has 51 participants and plays an integral role in delivering good patient outcomes across Primary's network of medical centres.

Medical Centres – Bulk Billing Business Review

Revenue for Medical Centres was broadly flat at $323.7 million, with an increase in revenue for dental, specialist, surgery and IVF offsetting a reduction in GP revenue.

GP revenue was impacted by starting the year with fewer than expected GPs and not meeting recruitment targets in the second half of the year.

New healthcare recruitment models were implemented and over 50% of new starters in the second half of the period joined on 'no-upfront' models. Pleasingly there was a 35% increase in GP retention. The new approach is designed to broaden Primary's appeal to a wider cohort of GPs and to provide a sustainable model for the future.

Costs were impacted by an increase in spend on GP recruitment, the costs associated with opening the Victorian IVF practice, an increase in labour awards and a lower level of capitalised costs on projects. This, together with flat revenue, resulted in a compression in EBIT margin. Engagement initiatives, such as the Primary Health Care Institute and Lead Independent Doctor program while increasing costs in the short term, are an important investment in the future of our Medical Centres.

Amortisation increased due to changed treatment of healthcare practitioners acquisitions with 100% of these acquisitions now subject to amortisation, whereas previously 80% were amortised.

OPERATING REVENUE

$324M

<> 0% from 2015

UNDERLYING EBIT

$86M

∨ 11%

CENTRES

71

STRATEGY: BULK BILLING

New flexible, capital-light recruitment models were launched in November 2015, with a second tranche released in May 2016.

Healthcare practitioners who contract for five years can receive an upfront payment of up to a maximum of their annual billings and a 50% share of revenue they generate. Alternatively, they can receive a higher share of revenue they generate with no upfront payment over a shorter contract period. The latter package better aligns costs to revenue generated, while increasing return on invested capital and delivering an EBIT neutral outcome. In between these two 'book-ends' a range of bespoke options are available across key interlinked variables including percentage of billings, hours worked and extent of after-hours commitment, allowing Primary to align the interests of the company and its practitioners.

The key aim of financial year 2017 is to recruit more GPs. The company has reviewed its recruiting program and is rolling out engagement initiatives to foster an enhanced work environment and improve its brand and reputation. Initiatives include the establishment of the Clinical Councils, which offer healthcare practitioners a forum to provide feedback to executives, suggest improvements to the delivery and standards of Primary's clinical services and input into the Group's strategy.

Primary is increasing the support services available to GPs, which has seen the expansion of the Primary Health Care Institute, a key learning resource for Primary's cohort of health practitioners. Likewise, the company is growing its Registrar program which is key to building a wider GP talent pool. Since its formation in 2013, the number of doctors taking part in the Registrar program has grown strongly over each enrolment period, with 45 doctors enrolled for Semester 1 of the 2017 intake. The growth in registrar training has been underpinned by Primary doctors and clinics working to gain Australian General Practice Training accreditation to allow them to host registrars. As at 30 June 2016, more than 35 of Primary's centres were accredited, with this number set to grow in FY 2017. Over recent years Primary has also increased its commitment to teaching and hosting medical students with over 5,900 hours of face to face teaching delivered during the period.

Primary also continues to focus on investing for growth and optimising its footprint. Four large-scale medical centres, and one super centre are in the pipeline, including the Corrimal Medical and Dental Centre in New South Wales, which is due to open in early calendar year 2017. These centres will all be predominantly funded by the Primary Healthcare Property Trust. Further, a program designed to improve utilisation of currently unused space in existing centres is underway, along with a focus on re-designing future centres to better meet patient and healthcare practitioners needs.

As well as growing its pipeline of centres, the business is looking to expand its medical home model's suite of services. This includes launching IVF services in new geographic locations, with the Preston IVF site in Melbourne opened during the period, and a further two sites slated for opening in FY 2017.

The business is also focused on diversifying its revenue stream via an increase in non-MBS funded services including dental. Furthermore, the Medical Centres division is piloting an integrated care service, capitalising on industrial medicine options and trialling home doctor visits. The division is investing in next generation systems through its service agreement with MedicalDirector.

Looking forward, Medical Centres is committed to establishing Primary as a preferred brand for healthcare practitioners and staff to work for, and for patients to trust.

CASE STUDY

Our IVF

The first in vitro fertilisation (IVF) baby was born more than 35 years ago, and since then, significant advances have been made.

We're incredibly proud of the fact that 29%* of couples who started their journey with Primary IVF went on to have successful pregnancies.

Patient focused, an attention to detail and a love of science.

These are all attributes Senior IVF Scientist Ilona Rose believe are necessary to work in the field of fertility science.

"I decided to become a IVF scientist more than ten years ago," says Ilona. "I was initially unsure of what to expect, but I quickly discovered that I loved the work.

"There are so many aspects of the role that make every day interesting."

"The process of ICSI (intracytoplasmic sperm injection) is fascinating; this is where we select the best sperm to inject into a mature egg."

Ilona joined Primary IVF in 2015, drawn to the company's affordable IVF offerings.

"I've been in IVF for a long time and know how harrowing it is for patients to have failed cycles and not be able to afford to return due to high costs," she says.

"I wanted to be a part of a company that offered premium IVF at an affordable cost for patients."

A typical day for Ilona usually involves work in the operating theatre, where patients undergo ovum or egg pick-up procedures. This sees Ilona and the team prepare eggs and sperm for the insemination process.

"I also see patients at the end of their cycles, who are coming in for embryo transfers. This is an important day for them as they have been through a lot to get to this point."

Advances in IVF have come a long way since 1978 when the first IVF baby was born in the UK.

However, for the doctors and scientists working behind the scenes, the best part of the job doesn't seem to have changed.

"The most rewarding aspect of my role is finding out the pregnancy results of the patients we have treated," says Ilona.

"Some days are longer than others, and some cases are more complicated than expected, so it makes all of those days worthwhile when we find out we have helped a patient achieve a pregnancy."

* Data reflects births arising from fresh and frozen embryos during the reporting period.

Medical Centres – Private Billing Business Review

Primary has identified an opportunity to further grow its share of GP services by participating in the private billing market segment. In March 2016 Primary announced the establishment of a new business to capture a share of this attractive market segment.

The private billing market has high clinician appeal and strong patient loyalty, and will provide Primary a diversified revenue stream and increased resilience.

It is envisaged that this business will be run as a separate entity with a separate brand, while recognising the potential for cost savings through shared services across the broader Group.

The company is pursuing three growth options to establish the Private Billing business:

- Acquisition of existing private billing practices
- Transition of existing Primary Medical Centres in target areas
- Greenfield practice development

While all three options are being actively explored, the acquisition path has been determined to be the lowest risk and most expedient launch pad into the private billing market. Acquisitions will enable Primary to establish its footprint in high value areas and will provide the company with the opportunity to lead consolidation of the GP market from its currently fragmented base.

Management has been pursuing two avenues:

- Acquisition of medical centre groups
- Acquisition of individual large scale medical centres.

The division aims to have a number of sites in operation by the end of calendar year 2016.

The Private Billing business will leverage Primary's scale to deliver a model that is patient centric and focused on quality outcomes while retaining the elements both GPs and patients value from traditional practices. To do this, the business will build capability in innovative health care, which will include a strong focus on digital health and technology.

MARKET OPPORTUNITY

Market consolidating driven by government policy pressures

Opportunity to lead consolidation with premium brand

Diversification of revenue stream reduces reliance on MBS

PRIMARY'S COMPETITIVE ADVANTAGE

Scale in support and back-office services

Collaboration with property trust to allow rapid footprint roll-out

Track record in greenfield practice development

PRIVATE BILLING MODEL

Retaining clinician values of a traditional practice

Integrated technology solution to improve patient services and increase efficiency

Make achieving better health simple for patients, understanding their unique needs

PROGRESSIVE ROLL-OUT

Announced in March 2016

Roll-out through mix of acquisitions, existing assets and greenfields

Expect number on board by December 2016

Pathology Business Review

Despite the challenging operating environment which remains below long term growth rates, Primary's Pathology division achieved above-market revenue growth of 6.4%.

This was driven by an increase in volumes which grew at 6.5%, ahead of the 3.2% growth in Medicare volumes. The average fee per episode was broadly maintained in FY 2016, assisted by investment in niche specialties, which offset the impact of 12 months Vitamin D, B12 and Folate cuts compared with 8 months in FY 2015.

In view of the continuing difficult macro operating environment, the division implemented a cost savings program to reduce operating costs both in laboratories and Approved Collection Centres (ACCs). Pleasingly, underlying EBIT increased by 5.9% to $134.9 million, supported by the cost saving program and the roll out of procurement efficiencies.

The Coalition Government announced a potential moratorium on ACC licences in May 2016, as part of an agreement between it and the industry body, Pathology Australia, in connection with ACC rent regulation and bulk-billing incentive cuts. This announcement led to an increase in new ACCs signings by the industry, in advance of this potential moratorium. Primary itself was active in signing up new ACCs with 85% of its second half openings occurring in June. Primary will look to reset its strategy once government policy around the moratorium is crystallised.

OPERATING REVENUE

$994M

^ 6% from 2015

UNDERLYING EBIT

$135M

^ 6%

SITES

2,251

STRATEGY

The Pathology division enjoys strong-state based brand recognition, and is a market leader in Queensland, Victoria and Western Australia.

While the Pathology market in Australia offers little opportunity for growth through acquisitions, the business is working hard to deliver further efficiencies, with a focus on reviewing underperforming ACCs, streamlining laboratory infrastructure, and reducing duplication in back-office operations.

Approximately 200 underperforming ACCs were either closed or exited during FY 2016; around 24% more than in FY 2015. In tandem, the business tightened hurdle-rates for both new collection sites and re-signed sites. The company has flexibility in its lease portfolio with approximately 64% of leases able to be renegotiated in the next 18 months, providing a strong platform to reset the ACC cost base.

In FY 2017 Primary will begin a process to progressively divest a number of ex-Healthscope ACCs which were acquired in December 2014. The divestment was the result of a review undertaken by the Australian Competition and Consumer Commission (ACCC), which found that the transaction lessened competition in QLD and NSW. While Primary did not consider the transaction impacted or lessened competition, the company entered into a sale and purchase agreement with MedLab Pathology in order to address the ACCC's concerns.

While the impact on annual profit is not material, the business is nevertheless working through a number of mitigation activities.

Another facet of the division's cost savings program involved improved procurement and productivity initiatives, along with an optimisation of laboratory infrastructure. Within the Pathology division, there is also a strong focus on investing in technology, with the introduction of greater analytics at the collection centre level which will serve to boost efficiencies and drive productivity.

Primary is focused on growing Pathology's revenue stream by diversifying its activities and harnessing new growth opportunities. In February 2016 the business expanded its specialist service offering with the launch of the Kossard Dermatopathology unit. Led by Professor Steven Kossard, the unit is one of the largest of its kind in Australia.

Pathology also rolled out private billing trials for selected specialties with the potential to extend the trials to other niche services in FY 2017. The division remains focused on securing outsourcing opportunities provided by state governments, and diversifying into Southeast Asia via capital-light joint ventures with local partners.

CASE STUDY

Our Dermatopathology

Dermatopathology represents a complex speciality and covers a broad range of skin diseases, cancers, infections and genetic disorders. In some situations, the skin findings and biopsy may uncover the presence of significant internal disease. Primary is working to expand its diagnostic capacity in this speciality, with the appointment of Professor Kossard to lead a team in this niche discipline.

For Professor Steven Kossard, the study of dermatopathology is something of a family affair.

"I was inspired to follow my father into the speciality," Professor Kossard recalls.

After graduating in Medicine and completing his PhD in melanoma research at Sydney University, Professor Kossard undertook dermatology training at St Vincent's Hospital in Sydney. This was followed by a four-year residency at the Mayo Clinic in the USA where he specialised in clinical dermatology and dermatopathology.

"It has been a fantastic journey," he says.

Over the past 35 years, Professor Kossard established and developed an internationally recognised dermatopathology unit at the Skin and Cancer Foundation Australia.

"One of the major achievements of the unit was that it provided an understanding of dermatopathology for dermatology registrars by linking the clinical presentations. Specialists who were qualified in either pathology or dermatology were able to train in dermatopathology at the Foundation and pursue a Fellowship. The definition of new skin disorders and identifying alternate pathways to skin cancers was also accomplished within this period."

Primary was fortunate to welcome Professor Kossard into the Pathology business at the start of calendar 2016, as Director of Kossard Dermatopathologists, an independent business unit of the Group, co-located with Laverty Pathology in Sydney.

"The new unit is devoted exclusively to dermatopathology and is one of the largest in Australia," explains Professor Kossard.

"For Primary, in addition to having a team of experienced pathologists in this field, it has the unique advantage of bringing together three dual trained dermatologists who have also undertaken dermatopathology specialisation."

The unit has also been designed to facilitate large-scale training in this field for pathology and dermatology trainees and specialists, utilising video conferences and new in-house facilities. This also includes consultative conferences between other Primary pathology laboratories.

"This new unit provides Primary with an ideal model to base future targeted and enhanced expansion in other specialised fields in anatomical pathology," says Professor Kossard.

Imaging Business Review

Imaging operated in a difficult external backdrop and experienced a 1.2% decline in revenue for the year.

Medicare growth rates in FY 2016 have been significantly lower than the long-term trend of 7%, driven by regulatory uncertainty and rhetoric around potential funding cuts. However, after adjusting for lost hospital contracts and a new immigration visa medical contract, Imaging delivered volume growth of 3.3%, in line with the market, and increased its average fee by 0.7% assisted by a selective launch of co-payments.

The loss of private hospital contracts at Epworth, Westmead and Buderim impacted the result. These losses were partially offset by strong performances at the high-end centre of Bridge Road, and the transfer of MRI licenses from Westmead to Liverpool, and from Buderim to Caloundra.

During the year, the division successfully commenced the National Capital hospital contract and expanded the Knox Private hospital contract. It opened its high-value fit-for-purpose Bridge Road clinic in Victoria, Varsity Lakes in Queensland and Dubbo in NSW, which was previously run in Joint Venture.
In July 2016 Imaging was awarded the 488-bed Northern Beaches Hospital contract in New South Wales which will commence in 2018.

Site and labour rationalisation in the second half of the year saw a stronger second half performance, up 43% on the first half, and the successful reset of the cost base. This rationalisation included the closure of eight sub-scale, loss-making community sites and two imaging operations in Primary's medical centres, as the business continued to focus on performance improvement.

OPERATING REVENUE

$327M

1% from 2015

UNDERLYING EBIT

$25M

26%

CENTRES

138

STRATEGY

Imaging is on a transformative path, as it looks to realign its portfolio, optimise its asset base and diversify its revenue stream.

The business is focusing on hospital contracts, high-value, large-scale imaging centres and its presence in Primary's medical centres, to deliver growth on its capital intensive asset base.

Looking forward, Imaging is investing in several centres, including the new Primary medical centres and a number of high-end imaging sites in Queensland.

Importantly, the business executed on its cost saving and profit enhancement program, reduced staffing levels to better fit operational needs, and improved radiologist coverage in large-scale sites to drive revenue.

Given the capital intensive nature of the business, exploration of funding models for new imaging equipment is underway, as the division looks to drive flexibility in its cost base and gain maximum equipment productivity.

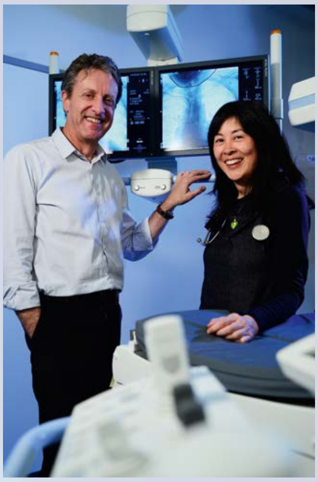
Internally, there continues to be a focus to improve engagement with healthcare professionals and staff, with the business introducing new contract models for radiologists. Imaging is offering contracts with no-upfront payments and bespoke options to better suit lifestyle, foster a more productive work environment and improve our service delivery to healthcare practitioners.

The division will replace its key imaging software platform over the next 18 months to enable it to deliver further operational efficiencies, and better meet the needs of referring practitioners.

Furthermore, private billing has been rolled out in selective private hospitals, in order to diversify revenue streams.

CASE STUDY

Our Radiology



The ability to see inside the human body is becoming very advanced, with technical developments in radiology opening up a new realm of possibilities for detecting and treating diseases.

Over the past year, 3 million diagnostic images undertaken in Australia were carried out in Primary's centres.

Dr Anne Leung and Dr Marcus Loff are part of Primary's Diagnostic Imaging team and between them have decades of experience looking beyond the surface to understand not just the anatomy of the body, but also the function.

"I have a physician background, and as a young doctor I didn't get taught much about nuclear medicine," said Dr Leung. It always seemed a little mysterious to me.

"Once I passed my specialist training and was waiting to enter the haematology training program, a temporary position in nuclear medicine presented itself which I thought I might do in the interim. This interim position became permanent and I haven't looked back since!"

Both Dr Leung and Dr Loff are located at the Knox Private Hospital in Melbourne, Victoria.

"We are fortunate that our work environment is fitted out with all the latest equipment," explains Dr Leung. The PET / CT has been a much sought after and needed tool for our area. Patients now don't have to travel far or wait long to access this important modality."

Dr Loff was drawn to radiology because of the strong technical focus required.

"I started in radiology in 1991. It is a discipline that is intrinsically linked to the computer industry," said Dr Loff.

"I've seen massive leaps in technology over the years and radiology is a field that is highly reliant on being connected. I remember flying from LA to New York and downloading a patient scan to review.

"The advances in technology has also meant that some elements of high-end radiology virtually use no radiation, making it much safer for patients," he said.

Ultimately, the advances in radiology have been critical in patient diagnosis and treatment.

"The diagnostic challenge is to put all the pieces of the puzzle together to hopefully arrive at an outcome to assist the patient and their clinician," said Dr Leung.

Risk Management

Primary has a risk management framework in place that facilitates the identification, assessment and reporting of material business risks at a divisional and Group level.

This framework is aligned to ISO 31000:2009, "Risk Management – Principles and Guidelines", the international standard for risk management.

Risk management is an integral part of Primary's overall management system and sets out clearly defined criteria to evaluate and report on material risk across the Group's operations.

Primary's risk management framework is reviewed annually by the Risk Management Committee and the Committee reports to the Board in relation to its effectiveness. In addition, a Group Risk Manager has recently been appointed who is responsible for standardising the approach to financial, strategic, emerging, clinical, operational, safety, environmental and legal risks.

Primary systematically assesses the consequence and likelihood of risks in areas including health and safety, environment, finance, legal and compliance, and reputation.

Material business risks with the potential to adversely impact achievement of the Group's strategic initiatives and business objectives, with relevant mitigation strategies, are summarised below. These risks are not listed in order of significance, nor are they all encompassing:

MATERIAL BUSINESS RISKS

REGULATORY COMPLIANCE	Primary operates in sectors which are subject to extensive laws and significant levels of regulations relating to the development, licencing and accreditation of facilitates and services. This risk is mitigated by maintaining stringent quality standards and audit processes to ensure we continue to meet licencing and accreditation standards across all business units.
MEDICARE BENEFITS SCHEDULE	Primary is committed to providing affordable, accessible and quality healthcare, with bulk-billing a key feature of the service delivery. Any changes to Medicare Benefits Schedule funding may impact profitability. This risk is mitigated by maintaining a tight control over costs and continually reviewing the range of integrated service offerings available to patients. Primary is diversifying into private billing medical centres. Furthermore, Primary has appointed a Group Director of Government Relations who monitors legislative and regulatory developments and engages ively with the legislative and regulatory bodies to manage this risk.

RELATIONS WITH HEALTHCARE PRACTITIONERS	Primary contracts to provide services to healthcare practitioners, including general practitioners, pathologists and radiologists. Failure to maintain strong relationships with these parties which result in a reduction in the number of contracted healthcare practitioners, may impact profitability This risk is mitigated by having managers and staff dedicated to maintaining relationships and addressing any issues on a timely basis. Primary has also: • Carried out engagement surveys to better understand the needs of healthcare practitioners • Initiated Clinical Councils as a forum to share ideas and information with healthcare practitioners • Developed training for healthcare practitioners
PEOPLE	Primary is dependent on the quality of its staff, their skills, expertise and commitment to the Group. A loss of key staff may risk the loss of significant corporate knowledge. This risk is mitigated by the development of staff engagement and leadership programs.
IT SYSTEMS	Primary relies on effective information technology systems. Operations may be significantly impacted by disruption to a core IT platform. This risk is mitigated by the development of a robust IT strategic plan and effective IT support to business operations.
COMPETITION	Competition may come from new entrants into the market, existing competitors attempting to increase market share or from new disruptive technologies that may change that way services are delivered. A change in competition may impact profitability. This risk is mitigated by senior management being attuned to market developments and being able to take swift action to counter any competitor threats.
REPUTATION	Primary's reputation may be impacted by a future event that creates adverse perception of the Group for the public, healthcare practitioners, patients, shareholders, investors, regulators, or rating agencies that directly or indirectly impacts earnings or value. This risk is mitigated by maintaining stringent quality standards and audit processes to ensure we continue to provide quality healthcare.

Board of Directors

MR ROBERT FERGUSON B.EC (HONS).
NON-EXECUTIVE CHAIRMAN

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.

MR PETER GREGG B.EC.
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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.

MR BRIAN BALL B.EC.
NON-EXECUTIVE DIRECTOR

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. Mr Ball also served as a Non-executive Director and Chairman of the Audit Committee of Transport Health Pty Ltd (a wholly-owned subsidiary of Primary) until that company left the Primary Group in June 2016. 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. Mr Ball served as Advent's joint Managing Director for the 12 years up to his retirement.

MR GORDON DAVIS MBA, GAICD.
NON-EXECUTIVE DIRECTOR (FROM 3 AUGUST 2015)

Mr Davis was appointed as a Non-executive Director in August 2015. He was appointed as a member of the Risk Management Committee on 17 March 2016. 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.

MR ROBERT HUBBARD BA (HONS), FCA.

NON-EXECUTIVE DIRECTOR

Mr Hubbard was appointed as a Non-executive Director in December 2014. In 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. 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 Chairman of Orocobre Limited (since July 2016; a Director since November 2012, also a member of the Audit Committee) 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), and JK Tech Pty Ltd. Mr Hubbard is also Chairman of the Audit and Risk Management Committee at the University of the Sunshine Coast and a Member of the Council of the University of the Sunshine Coast.

DR PAUL JONES MB,BS, FAMA.

NON-EXECUTIVE DIRECTOR

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 10 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.

DR ERROL KATZ MPP, MB,BS (HONS), LLB (HONS).

NON-EXECUTIVE DIRECTOR

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. 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 Committee.

MS ARLENE TANSEY JURIS DOCTOR (JD), MBA, BBUS(ADMIN), FAICD.

NON-EXECUTIVE DIRECTOR

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), Aristocrat Leisure Limited (since July 2016), Lend Lease Investment Management Limited and Infrastructure NSW. She was a Non-executive Director of Pacific Brands Limited from March 2010 to October 2013 and is also a former Non-executive Director of the Australian Research Alliance for Children & Youth.

The Directors of Primary Health Care Limited submit their Directors' Report for the financial year ended 30 June 2016 (referred to as "the year" or "FY 2016"), 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 FY 2016

- Mr Robert Ferguson
- Mr Brian Ball
- Mr Peter Gregg
- Mr Robert Hubbard
- Dr Paul Jones
- Dr Errol Katz
- Ms Arlene Tansey

New Directors during FY 2016

- Mr Gordon Davis (commenced 3 August 2015)

Directors who ceased during FY 2015

- Dr Edmund Bateman (deceased 13 September 2015)

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 32–33 of this Report.

Former Director

Dr Edmund Bateman, MB, BS. Non-executive Director (1941–2015) (until 13 September 2015)

Dr Bateman was a founding member of the Board as Managing Director & Chief Executive Officer from 1994. He oversaw the development of Primary, 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.

Group Company Secretary

Qualifications and experience of Company Secretary during FY 2016

- Mr Charles Tilley B.Sc(Hons) LLB(Hons)

Mr Tilley has been Group Company Secretary since February 2015. Mr Tilley joined Primary in 2014 as a Senior Legal Counsel, advising the Primary Group on various matters concerning litigation and employment law. Prior to joining Primary, Mr Tilley had fifteen years' experience in the financial services industry, advising a Big Four institution on corporate law, litigation, commercial and employment law.

Directors' meetings during FY2016

The number of meetings of the Board and of each Board committee held during FY 2016 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	
FY 2016	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
R Ferguson	16	16	5	5	9	9	N/A	N/A
P Gregg	16	16	N/A	N/A	N/A	N/A	N/A	N/A
B Ball	16	15	5	5	9	9	N/A	N/A
G Davis[1]	14	14	N/A	N/A	N/A	N/A	1	1
R Hubbard	16	15	5	5	N/A	N/A	3	3
P Jones	16	16	5	5	N/A	N/A	3	3
E Katz	16	16	N/A	N/A	9	8	3	3
A Tansey	16	16	5	5	9	8	N/A	N/A
E Bateman[1,2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 The following individuals did not serve as Directors throughout the whole of FY 2016: G Davis, E Bateman.

2 Dr E Bateman had been granted a leave of absence by the Directors commencing from 26 September 2014.

The Audit Committee for FY 2016 comprised: Mr R Hubbard (Chair), Mr B Ball, Mr R Ferguson, Dr P Jones and Ms A Tansey.

The Nomination and Remuneration Committee for FY 2016 comprised: Mr R Ferguson (Chair), Mr B Ball, Dr E Katz and Ms A Tansey.

The Risk Management Committee for FY 2016 comprised: Dr E Katz (Chair), Mr G Davis (from 17 March 2016), Dr P Jones and Mr R Hubbard.

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; and
- a provider of pathology services.

As a medical centre operator, the Group provides a range of services and facilities to general practitioners, dentists, physiotherapists, specialists, and other healthcare practitioners who provide services from its medical centres. Its medical centre operations also include the provision of day surgery and in vitro fertilisation services by healthcare practitioners.

On 31 July 2015 Primary announced the sale of approximately 36 million shares in Vision Eye Institute Limited ("VEI"). The effective date of the sale was 7 August 2015. Subsequent to the announcement, Primary sold its remaining shares in VEI.

On 18 May 2016, the Group ceased to provide health technology services as it disposed of 100% of its wholly-owned subsidiary Health Communication Network Limited ("HCN") trading as MedicalDirector.

On 30 June 2016, the Group completed the sale of 100% of its wholly-owned subsidiary Transport Health Pty Limited.

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 16–31 of this Report.

Events after the end of the year

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

Apart from the information provided on the 2017 Outlook and Building a Sustainable Future, 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 FY 2016:

- an interim dividend of 5.6 cents per share (50% franked), was paid to the holders of fully paid ordinary shares on 29 March 2015; and
- a final dividend of 6.4 cents per share (100% franked), is to be paid to the holders of fully paid ordinary shares on 19 September 2016.

Primary operates a Dividend Reinvestment Plan ("DRP") and a Bonus Share Plan ("BSP"). These plans were suspended effective close of business on 16 February 2016 until further notice. Prior to the suspension, shares issued during FY 2016 pursuant to the DRP and BSP were 3,899,358 (2015: 8,881,468) and 1,534,600 (2015: 1,457,533) respectively.

Rounding off of amounts

Primary is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the Directors' Report and the Financial Report are rounded off to the nearest hundred thousand dollars, or where the amount is $500,000 or less, zero in accordance with that Instrument.

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.

	OPENING BALANCE	EXERCISED SINCE PRIOR ANNUAL REPORT	LAPSED SINCE PRIOR ANNUAL REPORT	CLOSING BALANCE
Issue 15	155,000	–	(155,000)	–
Issue 16	250,000	–	(95,000)	155,000
Issue 113	672,000	–	(249,500)	422,500
Issue 114	2,885,500	–	(1,668,000)	1,217,500
Issue 115	760,000	–	(430,000)	330,000
Balance as at date of this Report	4,722,500	–	(2,597,500)	2,125,000

Shares issues on the exercise of options

No ordinary shares of Primary were issued during, or since the end of, FY 2016 on the exercise of options.

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:

FY 2016	OPENING BALANCE (ORDINARY SHARES)	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	CLOSING BALANCE
Robert Ferguson	190,800	–	–	190,800
Peter Gregg	–	–	25,000	25,000
Brian Ball	87,000	–	50,000	137,000
Gordon Davis	15,000	–	–	15,000
Robert Hubbard	11,000	–	–	11,000
Paul Jones	14,373	–	8,389	22,762
Errol Katz	2,000	–	8,000	10,000
Arlene 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	17,500

Indemnification of Officers and Auditors

Subject to the following, no insurance premium was paid during or since the end of FY 2016 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 FY 2016, 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. 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 E7 on page 111 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 key strategic goal continues to be to create a safe environment for our employees, contractors and patients, 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 FY 2016 there was a detailed review of the resources devoted to the management of the WHS Systems in place. Professional health and safety staff work very closely with the Employee Representative Committees which have been established over a number of years in order to incorporate employee representation and consultation into health and safety initiatives as well as a forum for disseminating information to improve health and safety across all business units.

Primary recognises our responsibilities to contractors. As part of our health and safety procedures, contractors are required to provide evidence that they have WHS management systems in place and we have monitoring procedures in place for addressing any health and safety issues that may arise from contractor performance. Workplace induction is provided to contractors prior to the commencement of any work through our on-line Contractor Induction Program.

Key health and safety performance indicators are as follows:

	FY 2016	FY 2015
Number of WHS prosecutions	ZERO	ZERO
Number of sites subject to WHS Internal Audit	46	48
Lost time incidents per million hours worked	4.1	4.4

For FY 2016, all incidents were investigated and there was no systemic breakdown in the WHS Management System.

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

Training in health and safety is provided to staff at induction to ensure staff perform their duties safely. There is an established training program that provides regular training, refresher training and information. 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 the year there was a comprehensive revision of Risk Management Procedures to ensure they continue to meet the health and safety needs of Primary.

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.

Remuneration Report Contents

1. Letter from Chair of Nomination and Remuneration Committee

Dear Shareholders,

On behalf of the Directors, I am pleased to present the Remuneration Report for the financial year ended 30 June 2016 in accordance with section 300A of the Corporations Act, outlining the nature and amount of remuneration for Primary's Non-executive Directors and other Key Management Personnel ("KMP").

In recent years, Primary's Board has sought feedback from the Company's stakeholders which led to the restructure of remuneration practices to address concerns which had been raised by shareholders about Primary's 2014 Remuneration Report, to deliver sustainable value for shareholders. These changes came into effect in FY 2016. Given the complete review of Primary's remuneration structure in 2015 and 2016, this year's Remuneration Report provides a detailed overview of Primary's remuneration governance, policies and procedures. A summary of the at-risk remuneration offered to Primary's KMP can be found at sections 3.9 and 3.10 of this Report.

We have ensured that Base Packages are linked to Company performance via benchmarking which takes the Company's market capitalisation into account. We also recognise that "at-risk" remuneration is used to focus individuals on those areas and behaviours that are expected to lead to good or outstanding Company performance.

Our revised remuneration policies are designed to ensure the methods selected to measure performance for the purposes of incentives are also linked directly to Company performance or indirectly to the transformative change initiatives and personal effectiveness in key strategic and operational roles.

Primary's policies seek to ensure that an appropriate mix of short-term and long-term incentives are offered to each executive, according to the impact that their role may have upon the Company's short and long-term performance. The focus of short-term incentives ("STIs") is on the Company's internal performance indicators which relate to the achievement of milestones or business unit outcomes in revenue, profit and growth. Long-term incentives ("LTIs") are related to external perspectives of performance focusing on market value, share price, total shareholder return and return on invested capital.

Below is a summary of the key changes we made to executive remuneration in 2016.

REMUNERATION ISSUE	STRUCTURE
How "at-risk" remuneration is awarded	25% of STI is awarded in performance rights, 50% is deferred for 12 months and 50% for 24 months. 100% of LTI is awarded in performance rights and will be deferred for three years. The plan aims to ensure key executives acquire and hold, over a reasonable time, meaningful shareholdings in Primary.
STI metrics	The metrics for STI awards are set out in the Remuneration Report. A substantial part of the STI to be granted is based on Group financial performance (between 50 to 80% depending on the executive's role) and on non-financial short-term strategic objectives and individual performance effectiveness measures (20% to 50% depending on the executive's role). The Group financial performance is budgeted NPAT which the Board is satisfied is an appropriately challenging metric. Short-term strategic objectives and individual performance measures are a mix of financial and non-financial Key Performance Indicators ("KPIs").
LTI metrics	The Board has introduced stretched performance hurdles based equally on total shareholder return ("TSR") and Return on Invested Capital ("ROIC") for the vesting of LTIs. 100% of LTI is awarded in performance rights, deferred for three years and subject to testing at the end of 3 years.
Base Packages	Fixed annual remuneration (including base salaries) has been appropriately benchmarked by independent, external consultants as has the balance between fixed and at-risk remuneration.

The Board is committed to ensuring appropriate positioning relative to market benchmarks, and building 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.

An increase to the Managing Director & CEO's base package was made in September 2016 with the increase taking effect from March 2016 in accordance with the contractual terms. This was made in recognition of both a) an adjustment to achieve the remuneration policy level positioning relative to the benchmark (being P50/median) and b) an adjustment to reflect market movements since the benchmark was initially undertaken in 2015.

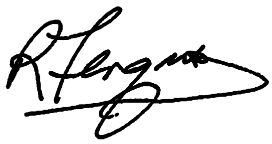
During 2016, we have seen some key changes to the senior executive team at Primary. Henry Bateman and James Bateman departed as General Managers of the Medical Centres and Pathology divisions after many years with the business to pursue other interests and opportunities. Dr John Houston, formerly Chief Clinical Officer of Medical Centres and an experienced general practitioner was appointed to the role of General Manager (now Chief Executive) - Medical Centres (Bulk Billing division) on 1 March 2016. Dr Houston runs the multi-disciplinary, bulk-billing centres which are core to our business model, investing to grow with the roll-out of new health care practitioner recruitment packages, the development of education and peer support initiatives, and a pipeline of new centres. At the same time, Maxine Jaquet was appointed to the newly created role of General Manager – (now Chief Executive) Medical Centres (Private Billing division). Ms Jaquet has been tasked with developing a private-billing medical centre model and brand.

An executive search is underway to place the role of Chief Executive, Pathology. This process will focus on identifying and assessing both internal and external candidates.

As Chair of the Nomination and Remuneration Committee, I would like to thank shareholders for their ongoing support and invite feedback from them regarding the changes made and implemented in relation to the structure of executive remuneration during FY 2016.

I hope you will continue to support us by voting to adopt this Remuneration Report at the upcoming 2016 AGM.

Yours sincerely



Rob Ferguson
Chair of the Nomination and Remuneration Committee

2. Persons covered by this Report

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

In this Remuneration Report, the term "Senior Executive" includes:

- the Managing Director & Chief Executive Officer – accountable to the Board for the Company's performance and long term planning;
- those executive roles classified as KMP under the Corporations Act; and
- direct Reports to the Managing Director & CEO – roles that are business unit, functional, or expertise heads.

This Remuneration Report provides:

- an overview of Primary's executive remuneration strategy and policy, and the 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 Directors and Senior Executives who are KMP.

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 FY 2016

KMP FY 2016	TITLE
Mr Robert Ferguson	Non-executive Chairman
Mr Peter Gregg	Managing Director & Chief Executive Officer
Mr Malcolm Ashcroft	Chief Financial Officer (from 13 July 2015)
Mr Brian Ball	Non-executive Director
Mr Matthew Bardsley	General Manager, Information Innovation (until 18 May 2016)
Dr Edmund Bateman	Non-executive Director (deceased 13 September 2015)
Mr Henry Bateman	General Manager, Medical Centres (until 1 March 2016)
Mr James Bateman	General Manager Diagnostics (including Imaging division until 23 October 2015) and General Manager, Pathology (from 23 October 2015 until 5 August 2016)
Mr Gordon Davis	Non-executive Director (from 3 August 2015)
Mr Andrew Duff	Chief Financial Officer (until 10 July 2015)
Dr John Houston	General Manager, Medical Centres, Bulk Billing (from 1 March 2016)
Mr Robert Hubbard	Non-executive Director
Ms Maxine Jaquet	General Manager, Medical Centres, Private Billing (from 1 March 2016)
Dr Paul Jones	Non-executive Director
Dr Errol Katz	Non-executive Director
Mr Dean Lewsam	General Manager, Imaging (from 23 October 2015)
Ms Arlene Tansey	Non-executive Director

KMP FY 2015	TITLE
Mr Robert Ferguson	Non-executive Chairman
Mr Peter Gregg	Managing Director & Chief Executive Officer (from 2 March 2015)
Mr Carl Adams	General Manager – Imaging (until 30 January 2015)
Mr Brian Ball	Non-executive Director
Mr Matthew Bardsley	General Manager, Information Innovation
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 Henry Bateman	General Manager, Medical Centres
Mr James Bateman	General Manager Diagnostics
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)
Mr Robert Hubbard	Non-executive Director
Dr Paul Jones	Non-executive Director
Dr Errol Katz	Non-executive Director
Ms Arlene Tansey	Non-executive Director

3. Remuneration Governance Report

3.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("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 FY 2016, members of the Committee were:

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

The 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.

3.2 Arrangements for engaging remuneration consultants and other external advisors

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

All remuneration consultants are engaged by, and report directly to, the 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.

The Committee will consider all recommendations provided by remuneration consultants and external advisers within the broader context of Primary's strategic objectives and performance, in addition to its human capital management, talent retention, leadership development, and succession planning requirements. The Committee's objectives in relation to Senior Executive compensation are aligned with the importance of attracting and retaining the appropriate individuals to lead and manage Primary's operations.

External consultants engaged during FY2016 and to the date of this report

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	NATURE OF ENGAGEMENT AND AMOUNT PAID (WHERE APPLICABLE)
Neil Martin	Nomination and Remuneration Committee	Remuneration recommendations regarding succession planning for Senior Executives, independent benchmarking review of KMP and Senior Executive remuneration and at-risk remuneration review of market comparators. Mr Martin was paid $73,000 during FY 2016 in respect of these recommendations.
Godfrey Remuneration Group	Nomination and Remuneration Committee	Remuneration recommendations regarding independent benchmarking review of KMP and Senior Executive remuneration and at-risk remuneration review of market comparators. Remuneration recommendations regarding re-assessment of risk and reward mechanisms in the Primary Executive Incentive Plan. In respect of the above recommendations Godfrey Remuneration Group was paid $111,870 during FY 2016 and $26,950 for recommendations after 30 June 2016 up to the date of this Report.

3.3 Securities Trading Policy

The Company's Policy on Trading in Primary Securities by Directors and Key Management Personnel:

- sets out the guidelines for dealing in any type of Primary securities by the Company's KMP; and
- summarises the law relating to insider trading which applies to everyone, including to all Primary Group employees as well as to Directors and KMP.

For KMP, the policy has recently been updated by Board resolution (effective 29 July 2016) to reflect a change in approach from "closed periods" to "trading windows". Under the former policy, KMP were free to trade at any time except during a "closed period". Under the revised policy, KMP may only trade during a "trading window" (with some limited exceptions as set out in the policy).

The following periods in a year are "trading windows":

- four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February;
- four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in mid-August; and
- four weeks commencing one trading day after the day of Primary's Annual General Meeting, typically in mid-late November.

The combination of:

- the move to "trading windows"; and
- the selection of the above time intervals as "trading windows";

has tightened the policy by significantly reducing the number of days in a year on which KMP may trade Primary securities.

3.4 Senior Executive Remuneration Policy and Procedure

Primary's Senior Executive Remuneration Policy and Procedure documents the Company's approach to setting the quantum and elements of remuneration for Senior Executive roles, including the roles of Senior Executives who are KMP. The policy aims to enable the Company to attract, retain and motivate the high calibre of Senior Executive required for it to meet its objective of achieving strong growth and sound returns for shareholders.

Primary's remuneration framework:

- supports the execution of Primary's business strategy in accordance with the risk framework deemed appropriate for the organisation;
- links a substantial component of pay to performance and shareholder value for outperformance;
- is appropriately equitable and market-competitive;
- attracts, motivates and rewards high-calibre executives;
- creates a high-performance culture by incorporating demanding performance measures including key financial and non-financial measures of performance;
- provides a mix of STI and LTI to reflect the timeframes and impacts of planning;
- provides 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;
- promotes decisions required of executive roles; and
- encourages consistency reward in alignment with strategic plans and business outcomes which create short and long-term shareholder value.

Primary aims to observe:

- high ethical standards;
- the laws of the countries in which Senior Executives are employed; and
- good corporate governance.

The views of stakeholders are taken into account in seeking to remunerate Senior Executives in a fair way, including taking into account the perspectives of shareholders and the Senior Executives themselves.

The Company's policy guides the setting of remuneration for Senior Executive roles. Senior Executive remuneration is composed of the following elements:

- Base Package which comprises salary, allowances, superannuation, other benefits and fringe benefits tax on benefits provided as part of remuneration;
- STI being variable at-risk remuneration related to Company and/or business unit and/or individual performance over a financial year; and
- LTI being variable at-risk remuneration based on Company performance over a measurement period of approximately three years or more.

Total Remuneration Package ("TRP") is generally set at target levels as this is the level of remuneration that can reasonably be expected to be earned if challenging but achievable targets linked to incentives are achieved.

All elements of Senior Executive remuneration are expressed as inclusive of Company superannuation contributions. For purposes of this policy, superannuation contributions include Company contributions to superannuation plans, pension plans and other plans that provide retirement benefits for employees of the Company. This ensures that the relative remuneration levels received by Senior Executives are not affected by the extent, if any, to which the Company is obliged to make superannuation contributions for the executive.

Market positioning of remuneration

Remuneration policy mid-points used to set executive remuneration reflect market practices, the scope and design of the role, and internal relativities. Both the quantum and structure of TRPs are consistent with relevant market practice in companies with similar characteristics to those of Primary, including ASX listing, industry sector, geographic spread, and the size and complexity of 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. Benchmarking groups are 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 relevant.

Senior Executive TRPs comprise a base package, an at-risk STI and an at-risk LTI. The Company's mid-point level for Base Packages will be set by reference to the mid-point of the P50 (50th percentile) of market practice.

TRPs at target performance will be set by reference to the P75 (75th percentile) of market practice, noting that market data is generally based on accounting disclosures which tend to produce conservative indicators of incentive remuneration practices (eg. amortisation of LTI over the measurement period, discounting for vesting conditions or write-backs related to actual vesting, and the impact of nil STI award outcomes on large data samples). The gap between the Base Package and the TRP comprises an STI and an LTI.

Incentives will generally be offered as a proportion of the Base Package and will vary by level of role and the incumbent's Base Package. This approach ensures that Senior Executives at the same level are motivated to focus on short and long-term objectives and are encouraged to work as a team towards both types of outcomes.

Targets for both incentive components are "challenging but achievable" (50% to 60% probability of achievement), with conditions and goals as covered in separate rules for STI and LTI plans and offers. To encourage a focus on performance and exceeding targets there are opportunities for STI and LTI award outcomes to be greater than the P75 target levels, when scalable objectives are used. Scales are applied to objectives wherever possible to ensure that the reward is modulated by the quantity and/or quality of outcomes and that there is sufficient motivation to continue seeking performance improvements once targets are achieved. Stretch outcomes on performance scales are set such that they are unlikely to be achieved other than in the circumstance of exceptional performance (10% to 20% probability of achievement).

Determining Individual Base Packages from Policy Mid-Points

Under this structure, a market competitive Base Package mid-point is established for each role as outlined above. A +/- 20% range (80% to 120%) of the mid-point is then applied to each role. Individual competence in fulfilling the role requirements and other individual factors are taken into account to determine where in the range the individual's Base Package should be positioned. For example, the Base Package positioning for an executive who is newly promoted to a role may be around the low end of the range; whereas an executive who has mastered the requirements of the role and makes contributions in excess of the role requirements, may be awarded a Base Package which is high in the range. Generally, executives are paid Base Packages which are close to the mid-point of the range for the role once the individual is considered competent and fulfilling the role to expectations. Base Packages are not intended to exceed the policy mid-point materially except in the case of outstanding incumbents or job market exigencies.

"Red Circle" Exceptions

On occasion a Senior Executive's Base Package may be well above or below the market based policy range for the role. This may arise when a reorganisation occurs and the individual's role is downsized or increased to a different level within a model of internal relativities, leading to a lower or higher market competitive rate of Base Package. It may also apply when an individual is identified as having unique skills or experience or when there is a history with the incumbent that leads to an exception in the application of the remuneration policy.

If the Company wishes to retain the services of the individual due to specific skills, experience or knowledge, then the Base Package may need to be "red circled" which means that it will be managed over time as an exception to the Base Package policy range. A similar situation may arise when a high calibre individual is recruited at a high level of Base Package reflecting their individual worth in the market.

The instances of red circle exceptions will be minimised to the extent possible.

Frequency of Review of Market Competitiveness of Executive Remuneration

Unless otherwise dictated by Company circumstances or market practice, executive remuneration is reviewed and adjusted to reflect market practice on an annual basis. This approach recognises that for the Company to remain well positioned to attract, retain and motivate its Senior Executives, it needs to ensure that executive remuneration packages remain market competitive.

Freezing or Reducing Remuneration

There may be circumstances in which an increase to executive remuneration may be considered unacceptable to shareholders or to the broader community. If any such circumstances were to arise, the Board will consider the merits of providing an increase against the likelihood of negative consequences for the company (including publicity) and determine whether a reduction or freezing of executive remuneration is appropriate. Circumstances in which such a consideration may be required include:

- disposal of business units to reduce debt;
- strikes against the Remuneration Reports of the Company related to remuneration quantum;
- major whole of market downturns such as a global financial crisis;
- significant permanent downturn in the profitability of the Company leading to a significant reduction in its market capitalisation; and
- widespread employee terminations or Company downsizing to reduce costs.

Termination Benefits

Termination benefits other than those accrued through superannuation contributions are not normally provided to executives. Exceptions include payments in lieu of notice and other severance payments that arise under employment contracts. Termination benefits, excluding specified payments such as for accrued but untaken statutory leave, are limited by the Corporations Act to one times the final three years average annual base salary (default limit) for managerial and executive officers unless shareholders approve a higher amount. In this regard it is Company policy not to seek shareholder approval for higher termination benefits.

It is also Company policy for termination of employment not to trigger or accelerate payment or vesting of incentives. Therefore incentive payouts in respect of the year of termination of employment are not viewed as termination benefits or subject to the Corporations Act default limit.

In other than Special Circumstances (death, total and permanent disablement, redundancy, retrenchment or permanent retirement with the permission of the Board), incentive award opportunities offered in the year in which the termination occurs are forfeited, as will unvested LTI.

In Special Circumstances pro-rata forfeiture of STI opportunities and LTI grants in the year of the termination occurs to recognise the proportion of the year that will not be worked. Remaining STI opportunities not forfeited on this basis remain available for performance testing and possible payment, after the end of the financial year (as would normally occur). As such, pro-rata STI amounts are not regarded as termination payments as they have not been triggered or accelerated by the termination. Unvested LTI grants not forfeited on this basis and held at the date of termination of employment will remain available for performance testing and possible vesting, after the end of the measurement period (as would normally occur). However the Board retains discretion in the case of a termination to trigger or accelerate payment or vesting of incentives, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached.

Payment of STIs and vesting of LTI grants that are triggered or accelerated by a change of control including a takeover, are not related to any subsequent termination of employment and are therefore not termination benefits.

Annual Review

The Committee meets prior to the commencement of each remuneration year to determine whether:

- an increase in executive remuneration should be considered; or
- a thorough market benchmarking review should be undertaken.

External Information and Advice

If a benchmarking exercise is determined to be required, the Committee Chair will be charged with the responsibility to engage an external remuneration consultant ("ERC") to provide the necessary information on relevant market practices and recommendations on adjustments that should be considered by the board. The engagement will need to be in accordance with the Company's policy for engaging ERCs.

Company Circumstances and Background

The Committee Chair engages with other Directors, executives of the Company and others to:

- ensure that current executive remuneration policies and practices are completely understood (the starting point for any review);
- determine influences that may lead to any changes to executive remuneration (eg. Corporations Act, ASX Listing Rules, ASX Corporate Governance Council Guidelines & Recommendations, tax or ASIC Class Order changes);
- confirm the Company's current circumstances in so far as they may impact decisions to adjust executive remuneration; and
- ascertain the current views of proxy advisors (if relevant) and other stakeholders on remuneration for executives of the Company.

Individual Performance Review

The Chairman provides input to the Committee on the performance of the Managing Director & CEO during the year and to identify any development needs. Likewise, the Managing Director & CEO provides input to the Committee on the performance of their direct reports during the year and to identify any development needs.

Guidelines for Movement of Base Packages Relative to Ranges

There are four main factors considered when adjusting Base Packages:

- the competence of the executive as demonstrated over a significant period of time;
- the current position of the Base Package in the range;
- the motivational and retention impact of an adjustment or lack of adjustment to the executive's Base Package; and
- the cost to the Company of increases in Base Packages which may have flow on impacts to the cost of STI and LTI awards when expressed as percentages of Base Package.

The intention of this approach is to move Base Packages towards the mid-point of the range for the role. Remuneration increases in excess of increases that may be provided to all executives (such as those provided to recognise annual market movements) are limited to:

- those executives who have Base Packages below the policy mid-point for their roles; and
- those executives whose competence in the role exceeds expectations and have Base Packages positioned in the range below a level deemed appropriate given their competence.

The Company applies a matrix of market positioning and individual calibre rating to determine the extent of Base Package changes, if any. The following is a guide to assessing competence:

RATING	GUIDE
Outstanding	Awarded to exceptional incumbents who have gone significantly above and beyond the requirements of the role and/or goals.
Above Expectations	Associated with incumbents that show strong capability or opportunity for advancement, and have exceeded the goals set out for them.
Meets Expectations	Associated with incumbents that have met the expectations of the role and goals outlined to them, usually applies to the majority.
Below Expectations	Usually only awarded to incumbents who are "in development" and/or who narrowly missed threshold expectations of performance.
Unsatisfactory	Associated with incumbents who are not satisfactorily performing the expected role or achieving goals set out, and/or who may need to be "managed out".

Remuneration Profiles

A remuneration profile is the mix of the elements of remuneration intended to be delivered at target performance (being distinct from maximum or stretch levels of reward opportunities). It is expressed as percentages of Base Package and represents the remuneration outcome when performance meets challenging but achievable performance objectives. Changes to the target levels of STI and LTI need to be reviewed each three years or when a significant change has occurred in relation to the circumstances of the Company, particularly in the case of a significant change in the market capitalisation of the Company which is often the basis of external assessments of the appropriateness of remuneration.

Recommendations for the Board

Once the Committee has received and considered the information and/or recommendations referred to in the policy, the Committee makes remuneration recommendations to the Board. The following table serves as a guide to consider when making adjustments to base packages.

Base Package Adjustment Matrix

	% BENCHMARK MIDPOINT/POSITION IN RANGE						
RATING	BELOW RANGE <80%	BELOW MID-POINT 80% - <87.5%	SLIGHTLY BELOW MID-POINT 87.5% - <95%	MID-POINT 95% - 105%	SLIGHTLY ABOVE MID-POINT >105% - 112.5%	ABOVE MID-POINT >112.5% - 120%	ABOVE RANGE >120%
Outstanding	Increase should aim to achieve 95% to 105% of Mid-point	Increase should aim to achieve 105% to 112.5% of Mid-point	Increase should aim to achieve 112.5% to 120% of Mid-point			Increase should be at least market movement subject to not exceeding 120% of Mid-point	No Change
Above Expectations	Increase should aim to achieve 87.5% to 95% of Mid-point	Increase should aim to achieve 95% to 105% of Mid-point	Increase should aim to achieve 105% to 112.5% of Mid-point	Increase should be at least market movement subject to not exceeding 112.5% of Mid point		No Change	No Change
Meets Expectations	Increase should aim to achieve 80% to 87.5% of Mid-point	Increase should aim to achieve 87.5% to 95% of Mid-point	Increase should aim to achieve 95% to 105% of Mid-point	Increase up to market movement subject to not exceeding 105% of Mid-point	No Change	No Change	No Change
Below Expectations	No Change	No Change	No Change	No Change	No Change	No Change	No Change
Unsatisfactory	No Change	No Change	No Change	No Change	No Change	No Change	No Change

3.5 Non-executive Director Remuneration Policy

Primary's policy on Non-executive Director ("NED") remuneration aims to attract, retain and motivate the high calibre of NEDs required to adhere to high levels of corporate governance with the objective of achieving strong growth and sound returns for shareholders. Fees are reviewed and adjusted to reflect market practice on an annual basis. The Committee considers the views of stakeholders when seeking to remunerate NEDs in a reasonable way, including taking into account the perspectives of shareholders and the Non-executive Directors themselves.

Non-executive Directors' remuneration may be composed of the following elements:

- Board fees;
- Committee fees;
- superannuation contributions; and
- other benefits (if applicable).

Facilities such as directors' insurance, expense reimbursements and parking are provided to NEDs but are not counted as part of remuneration. NED remuneration does not contain any performance-related remuneration such as bonuses or performance rights, in order to comply with the ASX Listing Rules and to ensure independence when making determinations in relation to executive incentive plans.

Aggregate Fees Limit

The total amount of remuneration payable to NEDs in any financial year is capped at the Aggregate Fees Limit ("AFL") approved by shareholders for such purposes.

Shareholders are asked to approve higher AFLs when:

- the current total fees payable to NEDs is approaching the AFL and scope is needed to accommodate future increases in fees;
- consideration is being given to appointing one or more additional NEDs and the current AFL will not allow additional NEDs to be remunerated at the levels currently applicable to the roles they will fill; and/or
- consideration may need to be given to compensating NEDs for Board work substantially in excess of the work levels normally expected, eg. in considering or making a takeover offer (in which case, fees may be temporarily adjusted).

Approval of increases in the AFL will be sought from shareholders when needed so as to maintain sufficient headroom to allow the Board to continue to set reasonable market competitive remuneration levels for all NEDs.

Termination Benefits

Termination benefits, other than those accrued through superannuation contributions, are not provided to NEDs. This policy recognises the guideline contained in Principle 8 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Recognition of Work Variances

The Board Chair and members of committees undertake additional Board work and these members may be paid additional remuneration (relative to other NEDs who do not fulfil these functions). The additional remuneration takes account of the additional work typically required of the role and comparable market remuneration practices.

Market Positioning of Remuneration

Market rates of remuneration for Non-executive Directors are determined by reference to companies having characteristics similar to those of Primary, including to the extent possible: companies that are listed on the ASX, company size as measured by market capitalisation, industry sector and geographic spread etc.

The policy level of cash-based remuneration (inclusive of superannuation) has been set by reference to P50 (50th percentile) of market practice. A fixed fee (Board Fee) is paid for board participation for two classes of roles being Board Chair and other Non-executive Directors. Committee fees are used to position the total fees paid to Non-executive Directors who contribute more to the work of the Board above P50 of the market, but less than P75.

Annual Review

The Committee meets prior to the commencement of each remuneration year to determine whether:

- an increase in fees should be considered; and/or
- a thorough market benchmarking review should be undertaken by an independent External Remuneration Consultant to provide the necessary information on relevant market practices and recommendations on adjustments that should be considered by the Board.

3.6 Short-term Incentive Policy and Procedure

The objectives of Primary's short-term incentive plan ("STIP") are to:

- increase the commitment of Senior Executives to delivery and out-performance of annual business plans;
- align the interests of Senior Executives with those of shareholders;
- reinforce a performance-focused culture and create a strong link between performance and reward;
- encourage pursuit of sustainable improvements in Company performance;
- encourage teamwork and co-operation among executive team members; and
- maintain a stable executive team by helping retain key talent.

The responsibility for the ongoing administration of the STIP rests with the Board. The Board in its absolute discretion may delegate its authority under these Rules to an appropriate committee of the Board and/or to executive officers of the Company.

The Board is authorised, subject to the rules of the STIP, to amend the Rules and establish and amend guidelines for the administration of the Plan as deemed appropriate, and to make determinations under the Plan as necessary or advisable.

The Measurement Period for each cycle is aligned with the financial year of the company which is from 1 July to the following 30 June.

Each eligible employee selected by the Board is given a written invitation in such form as may be determined from time to time by the Board. The invitation includes a STIP Statement, which sets out:

- the Measurement Period;
- the KPIs;
- the weightings of the KPIs;
- the Performance Goal for each KPI which will be expressed, where possible, as a range including Threshold, Target and Stretch levels;
- the amounts of Award Opportunities at the Threshold, Target and Stretch levels of performance;
- any gates that apply to the offer as a whole and/or to specified KPIs; and
- any other features of the offer that may apply such as the nature and timing of any deferral etc.

Non-executive Directors are not eligible to participate.

Key Performance Indicators

For each Participant in respect of each Measurement Period the Company selects KPIs determined using the following steps.

The broad assessment areas that are relevant to the Participants are identified, typically as follows for different categories of Participant, however the Board may determine to vary the application of this guide as appropriate to the circumstances of the Company:

CATEGORIES OF PARTICIPANT	MANAGING DIRECTOR & CEO	LINE KEY EXECUTIVES	FUNCTIONAL KEY EXECUTIVES
Broad Assessment Area	Company/Group	Company/Group	Company/Group
		Business Unit	
	Individual	Individual	Individual

For each broad assessment area the key result areas ("KRAs") are identified, eg. profit, strategy, operations or individual contribution. They are broad concepts that may remain relevant from year to year.

For each KRA one or more KPIs is selected. A KPI is an aspect of performance for which a Participant is accountable either alone or on a shared basis. Examples of KPIs include: NPAT, production, achievement of a specific strategic objective or individual performance rating. KPIs may change from time to time. The KPIs for each Participant are advised on the STIP Statement for the relevant Measurement Period.

Weightings

Each KPI is allocated a weighting for each Measurement Period that relates to the target level of performance and reward. The total of the weightings at target must add to 100% and the weightings reflect the relative importance of each KPI for the Measurement Period. The weightings may be changed from Measurement Period to Measurement Period.

Performance Goals

There are broadly two types of Performance Goals:

- Binary goals where the potential result is either achieved or not achieved. These goals are set at the target level only; and
- Scalable goals where the potential results may be presented as a range. Scalable goals are set at three levels being:
  - Threshold, being a near miss and the minimum acceptable level of performance for which an STIP Award Opportunity should be offered (80% probability of achievement);
  - Target, being a challenging but achievable level of performance (50%-60% probability of achievement); and
  - Stretch, being an outstanding level of performance that is rarely achieved (10%-20% probability of achievement).

The calibration of Performance Goals may change from Measurement Period to Measurement Period as appropriate given the circumstances of the Company at the time, and those that are expected to prevail over the Measurement Period.

Award Opportunities

Target award opportunities are set for each level of Participant and are spread amongst the KPIs, having regard to their weightings. They will be expressed as percentages of Base Package.

For KPIs with scalable Performance Goals, the award opportunities will have threshold and stretch award opportunities, below and above target, respectively. The threshold and stretch award opportunities for a KPI are set depending upon the elasticity of the potential outcomes and the potential benefit to the Company of outperforming the target.

Individual Award Opportunities are determined by the Board and specified in offers to executives.

If an executive is offered the opportunity to participate in a Measurement Period that has commenced (other than in the normal course of STI plan administration) then the Award Opportunity that would otherwise have been offered is reduced on a pro-rata basis unless otherwise determined by the Board.

The stretch Award Opportunity for a KPI is also the maximum Award Opportunity available for the Measurement Period, unless otherwise determined by the Board.

In the case of binary goals for which target KPIs are not reached, the award for that KPI is nil.

In the case of scaled goals, if the outcome is less than the threshold level for the KPI, the award for that KPI is nil.

Performance Assessment & Award Calculation

Following completion of auditing of the Company's accounts for the Measurement Period, the Board determines the extent that each Performance Goal has been achieved and the award earned in respect of each KPI. Where the performance level is assessed as being under the threshold, the award is zero.

Payment of Awards

STI awards may be paid in the form of cash, equity or satisfied by the fulfilment of salary sacrifice arrangements entered into by the Participant. Invitations to participate in STI include the default portions of STI awards paid in cash (75%) and equity (25%) unless otherwise determined by the Board from time to time.

Portions of awards paid in equity are subject to deferral, unless otherwise determined by the Board. Portions paid in cash may also be the subject of deferral if specified as part of the Invitation. Portions of awards paid in equity cannot be satisfied in an alternative form and may not be the subject of salary sacrifice arrangements.

Termination of Employment during a Measurement Period

In the event of termination of employment during a Measurement Period the following applies:

NATURE OF TERMINATION OF EMPLOYMENT	TREATMENT OF STIP ENTITLEMENT FOR THE MEASUREMENT PERIOD IN WHICH THE TERMINATION OCCURS	DEFERRED STI AWARDS (RIGHTS)
Dismissal	Forfeit all entitlements in relation to the Measurement Period.	Any unvested Rights related to prior STI awards are forfeited (excludes Rights that resulted from salary sacrifice).
Resignation	Forfeit all entitlements in relation to the Measurement Period unless otherwise determined by the Board. If the Board determines entitlements will not be fully forfeited, the Award Opportunity will be pro-rata reduced to reflect the period of the Measurement Period not served, and will generally be paid at the same time as other participants receive payments (ie. not a termination payment).	Any unvested Rights related to prior STI awards are forfeited (excludes Rights that resulted from salary sacrifice).
Other Termination of Employment eg. death, total & permanent disablement, redundancy, retrenchment, retirement with the prior written consent of the Board.	Termination does not affect a Participant's entitlement in respect of the Measurement Period other than that the Award Opportunity will be reduced proportionately to reflect the portion of the Measurement Period worked. The actual STIP award earned will be determined following the end of the Measurement Period along with the determination of awards for other Participants.	Unvested Rights related to prior STI awards are unaffected by the Termination and any service test will be deemed to have been met, unless otherwise determined by the Board.

The Board retains discretion to trigger or accelerate payment or vesting of incentives in the case of a termination, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached.

Plan Gate & Board Discretion

For each Measurement Period the Board has the discretion to abandon the STI plan for that Measurement Period, or adjust award payouts, if the Company's overall performance during the Measurement Period is substantially lower than expectations and results in significant loss of value for shareholders.

A specified Gate may apply to offers of STI such that no award will be payable in relation to the Measurement Period if the Gate is not met or exceeded. Gates may also be specified that apply to specified KPIs. The Board has discretion to waive any Gate, either in respect of an individual, a group of individuals or all participants, for a given Measurement Period.

Change of Control Including Takeover

In the event of a Change of Control including a takeover the Board may in its discretion decide to:

- terminate the STIP for the Measurement Period and pay pro-rata awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control, or
- continue the STIP but make interim non-refundable pro-rata awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control, or
- allow the STIP to continue.

If a payment is made and the STIP continues in relation to the Measurement Period, only the excess of the award calculated at the end of the Measurement Period, compared to the amount already paid, is payable. If the award calculated at the end of the Measurement Period is less than the payment already made in relation to the Measurement Period, no payment is made, and no portion of the amount already paid is refundable to the Company, except as otherwise provided for in relation to any applicable clawback policy.

Change of Position within the Company

If a Participant's role is changed during a Measurement Period then:

- a pro-rata award is payable after the end of the Measurement Period based on performance for the full Performance Measurement Period but pro-rated for the period in the relevant role, and
- a substitute STIP Statement is agreed with the Participant for the remainder of the Measurement Period.
- If termination of employment occurs before the end of the Measurement Period then entitlement to awards are governed by the termination of employment rule.

Forfeiture Due to Fraud

A Participant, who in the opinion of the Board based on reasonable grounds, commits any fraud, dishonesty or defalcation in relation to the Company ceases to participate in the Plan and forfeits all entitlements to unpaid awards and unvested Rights related to previous STI awards.

Funding

No funds need be set aside or reserved for payment of awards under the Plan. Any obligation of the Company to pay awards under the Plan is paid from general assets and funds of the Company.

The Company budgets for target levels of STIP awards.

The Plan is not the exclusive method of providing incentive remuneration for employees of the Company. The Board may provide other forms of remuneration including incentives as it sees fit from time to time.

Discretion

Participation by an employee in one Measurement Period is discretionary and does not confer any right on the employee to participate in any subsequent Measurement Period. Participation in one or more Measurement Periods by an employee neither confers on the employee any right to continue as an employee of the Company nor affects the right of the Company to terminate the employment of the employee.

Non-transferability of Awards

No award payable at any time under the Plan may be transferred or subject to charge or encumbrance or subjected to the debts or liabilities of any person.

3.7 Long-term Incentive Policy and Procedure

The purpose of LTI is to create a strong link between performance and reward by providing a variable/at risk element of Senior Executive remuneration that focuses on performance and/or service over a period generally of three or more years. It aims to align the interests of Senior Executives with those of shareholders in Primary and to aid in maintaining a stable senior executive team being the CEO and direct reports to the CEO. Non-executive Directors are not eligible to participate in the Plan.

The LTI plan ("LTIP") is effected through the Performance Rights Plan.

Offer to Participate

Each year selected Senior Executives are offered Rights, which are equity instruments with conditions, and are provided with an offer letter, explanatory booklet, and copy of the LTIP Rules.

Measurement Period

The Measurement Period is generally three years unless otherwise determined by the Board in relation to an offer or a tranche of an offer. The start of the Measurement Period is the start of the financial year to which a grant relates, regardless of whether the grant is made during or after that year. The end of the Measurement Period is then the end of the third financial year from and including the first financial year to which the grant relates.

LTI Grants of Securities

The LTI is effected by grants of Rights under the LTIP.

LTI award opportunities

LTI award opportunities are expressed as percentages of Base Package (as defined in the Senior Executive Remuneration Policy) for delivering target performance. Target performance is a challenging but achievable level in relation to a performance metric.

For non-binary metrics a range of outcomes may be recognised via the use of a stretch performance outcome, and where appropriate, a threshold performance outcome.

Stretch represents an outstanding level of performance, expected to be rarely achieved, aligned with a maximum award opportunity for the performance metric. Initially vesting at target performance will be set at 50% of the maximum. Pro-rata awards will apply for performance that falls between target and stretch, or between threshold and target.

Entitlement to vesting of Rights

Eligible participants must be employees of the Company up to the end of the Measurement Period, or ceased to be an employee during the Measurement Period and did not forfeit all or some of their Rights under the terms of the LTI Plan and/or offer terms. The determination of vesting will occur following the end of a Measurement Period, having regard to the extent to which performance and service conditions have been satisfied.

Board Discretion

Where the Board recognises in hindsight that the level of vesting as indicated in an offer (when actual performance is compared to the vesting conditions or scales) may not be appropriate, it reserves the right to adjust the level of vesting to the extent allowed for under the Plan Rules. In exercising this discretion the Board has regard to the circumstances that prevailed over the Measurement Period and the experience of shareholders relative to their expectation at the beginning of the Measurement Period. This ensures that the LTI will operate as intended and will not result in vesting that is misaligned with the Company's circumstances at the time of vesting.

Termination of Employment

Termination of employment generally triggers a forfeiture of some or all of the unvested Rights held by an executive depending upon the circumstances of the termination. Those not forfeited will be held for possible vesting, based on performance relative to the vesting conditions, following the end of the Measurement Period. However, the Board retains discretion to trigger or accelerate payment or vesting of incentives in accordance with the applicable Plan Rules, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached (unless shareholder approval to do so has been obtained).

No Hedging

Participants are prohibited from entering into any hedging arrangement in relation to Rights granted to executives under the LTIP until those Rights have vested and any holding lock or disposal restriction has been removed.

Procedure

Shareholder approval of the LTIP is sought where necessary:

- for purposes of satisfying Exception 9 in ASX Listing Rule 7.2, ie. so that new issues do not count towards the annual 15% limit on new issues that may be made without shareholder approval (approval applies for three years);
- for the purposes of S260A of the Corporations Act in relation to providing financial assistance which is generally considered to apply when the Company makes a contribution to a remuneration trust following the exercise of vested Rights; and
- if the trustee of any employee share trust or remuneration trust that forms part of the operation of the LTI plan is a related party.

Review Performance Conditions, Vesting Scales and Gates

Each year the Board considers the appropriateness of performance conditions, vesting scales, targets and gates to the circumstances that are anticipated to prevail over the Measurement Period and the expectations of shareholders. This is likely to require adjustment to these aspects in each year as part of offers.

Review LTI% and Calculate Numbers of Rights to be offered

As part of the annual process for reviewing Senior Executive remuneration the Board either confirms or adjusts the target percentage of Base Packages of Senior Executives to be provided as an LTI. The Board then decides upon the number of Rights to be offered to each executive.

The calculation to determine the number of Performance Rights to be granted should generally be as follows:

Number of Rights = Base Package x Target LTI% x Tranche Weighting ÷ % Vesting @ Target ÷ Right Value

Where Right Value is calculated as:

Right Value = Share Price – (Annual Dividend x Years in Vesting Period)

3.8 Clawback Policy and Procedure

Payments or vesting related to performance conditions associated with STI and LTI are potentially subject to clawback.

An overpayment of incentive remuneration arises when executives have received either STI awards or vesting of LTI grants due to materially incorrect performance information, including financial statements as well as any other information relating to the performance of the Company, and/or business unit and/or individual. An overpayment may be considered to have arisen if it becomes apparent that actions taken to secure a benefit were, are or will be detrimental to the best interests of the Company, as determined by the Board.

Recoveries are limited to overpayments that occurred in the previous three financial years, unless otherwise determined by the Board. The amount or value of the overpayment, including over-vesting, is determined by the Board, having regard to the award calculations that would have applied had the correct information been available, and/or the impact of actions taken that were deemed to have been detrimental and which contributed to the over-payment.

The Board determines the extent to which recovery of over-payment will be pursued and how such recovery will be achieved. Priority will be given to making recoveries from:

- deferred STI awards, if any;
- vested LTI grants that remain subject to dealing/disposal restrictions, if any;
- imminent STI awards that are earned; and
- imminent LTI vesting that has been earned.

Further recovery action, if any, will be determined by the Board, having regard to the amounts of overpayments remaining outstanding, the cost of recovery, the potential impact on current and former executives and the potential impact on the Company.

In cases of fraud, the Company will take all reasonable steps to recover damages to the extent permissible at law, including possible criminal sanctions.

3.9 Short-term Incentive Plan (STIP) Summary

ASPECT	PLAN RULES, OFFERS AND COMMENTS
Measurement Period	1 July to 30 June each year
Instrument	The STI award is delivered in the form of 75% cash and 25% equity in the form of rights. Of the 25% rights portion, 50% is deferred for 1 year and 50% for two years.
Award Opportunities	Target award opportunities for each level of participant vary according to level of responsibility. The following summary applies as a percentage of Base Package available for an award of STI: ■ CEO and CFO – up to 58.3% ■ CEO's other direct reports – up to 50% ■ Reports to CEO's direct reports – up to 30%

ASPECT	PLAN RULES, OFFERS AND COMMENTS
Key Performance Indicators (KPIs), Weighting and Performance Goals	As a percentage of award opportunity for 2016 CEO and CFO Net Profit after Tax (NPAT) 60% Net debt, Operating cash flow 10% Group strategic KPIs 20% Non-financial/behavioural 10% CEO direct reports – operational Net Profit after Tax (NPAT) 20% Net debt, Operating cash flow 10% Group divisional 50% Non-financial/behavioural 20% CEO direct reports – functional Net Profit after Tax (NPAT) 50% Net debt, Operating cash flow 10% Group functional 20% Non-financial/behavioural 20% STIs for operational line roles reporting to the CEO's direct reports are more heavily weighted to business unit performance. STIs for functional line roles reporting to the CEO's direct reports are more heavily weighted to functional unit performance.
Award Determination and Payment	The potential STI award value is set as a percentage of actual Base Package 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 determined 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. No award is made where performance objectives have not been met.
Cessation of Employment During a Measurement Period	In the event of termination during a measurement period, those employees who are dismissed for serious misconduct forfeit all entitlements in relation to the measurement period. Any unvested Rights related to prior STI awards are forfeited. The Board has discretion to determine that entitlements not be fully forfeited where an employee resigns. The opportunity will be reduced pro-rata to reflect the measurement period not served. There will be no acceleration of STIs.
Change of Control	In the event of a Change of Control including a takeover the Board may in its discretion decide to: ■ terminate the STIP for the Measurement Period and pay pro-rata awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control; or ■ continue the STIP but make interim non-refundable pro-rata awards based on the completed proportion of the Measurement Period and taking into account performance up to the date of the Change of Control; or ■ allow the STIP to continue.
Plan Gate & Board Discretion	For each Measurement Period the Board has the discretion to: ■ abandon the STI plan for that Measurement Period; or ■ adjust award payouts; if the Company's overall performance during the Measurement Period is substantially lower than expectations and resulted in significant loss of value for shareholders.
Fraud, Gross Misconduct etc.	A participant, who in the opinion of the Board based on reasonable grounds, commits any fraud, dishonesty or defalcation in relation to the Company or any subsidiary or related company or the affairs of any of these companies ceases to participate in the Plan and forfeits all entitlements to unpaid awards and unvested Rights related to previous STI awards.
Amendment of Plan Rules	The Board may amend or terminate the Plan at any time provided that the rights of Participants to awards earned prior to the amendment or termination are not affected, unless otherwise agreed in writing by the Participants.

3.10 Long -term Incentive Plan (LTIP) Summary

ASPECT	PLAN RULES, OFFERS AND COMMENTS
Measurement Period	The Measurement Period is three years. The start of the Measurement Period is the start of the financial year in which a grant is made, with the end of the Measurement Period being the end of the third financial year from and including the year of the grant.
Instrument	LTI awards are delivered as equity in the form of Performance Rights or Service Rights.
Award Opportunities	Target award opportunities for each level of participant vary according to level of responsibility. The following summary applies as a percentage of Base Package available for an award of LTI: ■ CEO and CFO – up to 58.3%; ■ CEO's other direct reports – up to 50%; and ■ Reports to CEO's direct reports – up to 20%.
LTI Value	LTI award opportunities are expressed as percentages of Base Package for delivering target performance. For non-binary metrics, a range of outcomes may be recognised via the use of a stretch performance outcome and a threshold performance outcome.
Weighting and Performance Goals	Weighting 50% weighting against return on invested capital ("ROIC"). 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). 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). Performance goals ROIC The target is 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 is 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 but which would be unlikely to occur. rTSR In the case of the rTSR measure, the target and threshold are the same, as it is 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 Conditions	ROIC performance ■ 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. rTSR performance 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 simply for performing less poorly than comparators). Other vesting conditions Participants are eligible for vesting of Rights provided they (if employees): ■ remain employees of the Group up to the end of the Measurement Period; or ■ cease to be an employee during the Measurement Period, but did not forfeit all or some of their Rights under the Plan Rules and/or offer terms.

ASPECT	PLAN RULES, OFFERS AND COMMENTS
Amount Payable for Instrument	On exercise of a Right, the Board determines whether to deliver the Exercised Rights Value in Shares, a cash payment or a combination of Shares and a cash payment. The Exercised Rights Value is determined by multiplying the relevant number of vested Rights in a Tranche by the relevant Share Price at the date of exercise of the Rights.
Dealing Restrictions on Shares	Shares may not be sold or disposed of in any way until their sale would not breach either: ■ the Company's share trading policy; or ■ the Corporations Act. Disposal restrictions attached to Shares acquired when Rights were exercised cease when the Participant ceases to be an employee of a Group Company.
Cessation of Employment	If a Participant ceases to be an employee of a Group Company and: ■ the termination is in circumstances other than Special Circumstances, then all unvested Rights held by the Participant are forfeited and lapse, unless determined otherwise by the Board; and ■ the termination is in Special Circumstances then Performance and Service Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year, unless otherwise determined by the Board.
Change of Control of the Company	Unless otherwise determined by the Board, in the event of a Change of Control, the Vesting Conditions attached to the Tranche at the time of the Offer cease to apply and: ■ unvested Performance Rights granted in the financial year of the Change of Control lapse in the proportion that the remainder of the financial year bears to the full financial year; ■ all remaining unvested Performance Rights vest in accordance with the application of the following formula (noting that negative results will be taken to be nil): *Number of Performance Rights to Vest* = *Unvested Performance Rights x (Share Price at the Change of Control – Offer Share Price) ÷ Offer Share Price* ■ any unvested Performance Rights that do not vest in relation to the preceding paragraph lapse unless otherwise determined by the Board; ■ all unvested Service Rights vest, and ■ disposal restrictions applied to Deferred Rights by the Company and specified as part of an Offer and acceptance are lifted, unless otherwise determined by the Board and participants notified in writing.
Major Return of Capital to Shareholders	In the event of a major return of capital to Shareholders, unvested Performance Rights vest in the proportion that the Company's share price has grown relative to the Offer Share Price used to calculate the number of Rights in an Offer, or such proportion as is determined appropriate in the discretion of the Board. The terms and conditions that apply to the remainder of the Rights, would then be reviewed by the Board.
Fraud, Gross Misconduct etc.	In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the Participant forfeits all unvested Rights.
Clawback	The Company can claw back unvested and/or vested Rights and/or Restricted Shares.
Hedging	Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares.
Amendment of Plan Rules	The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules.

4. Employment terms of Executives and Directors

4.1 Managing Director & Chief Executive Officer

The remuneration arrangements for the Managing Director & Chief Executive Officer for the year ended 30 June 2016 are outlined below.

KEY TERM	SUMMARY OF KEY TERM
Fixed remuneration	Total fixed remuneration of $1,650,000 per annum (inclusive of superannuation and other fringe benefits). This is subject to annual review, the first such review having occurred in September 2016, with the increase taking effect from 1 March 2016 in accordance with the contractual terms.
Short-term incentive	Eligible to receive a short-term incentive (STI) for FY 2016 with a maximum value of $961,950. 75% of the STI award will be in unrestricted cash and the other 25% will be in equity, which will vest over 2 years, subject to the comments below regarding treatment on termination.
Long-term incentive	Eligible to receive a long-term incentive (LTI) award for the 2015-2017 performance period with a maximum value of $961,950, which will vest annually over three 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).
Term and entitlements on cessation of the engagement	Mr Gregg's contract of employment has no fixed term. 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 (ie., place Mr Gregg on 'garden leave') for up to six 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, 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 six months from the last date he works for Primary (ie. from the date of termination or from when Mr Gregg is placed on 'garden leave'). No termination payments will be made that exceed the termination benefit limit (unless shareholders approve such additional amounts).
Confidential information	Mr Gregg must not use or disclose, or cause or permit the disclosure of confidential information.
Intellectual property	The Company or a Group Company is the sole and exclusive owner of all intellectual property created or contributed to during Mr Gregg's employment.
Leave	Mr Gregg is entitled to annual leave, long service leave, personal/carer's leave, compassionate leave, parental leave and community service leave in accordance with applicable legislation.
Policies and procedures	Mr Gregg is required to comply with the Group's policies and procedures (which may be amended from time to time). However, such policies and procedures do not form part of the employment agreement.

4.2 Service Agreements of other Senior Executives

Historically, the remuneration and other terms of employment for other Senior Executives at Primary were not formalised in employment and service agreements and were governed by common law. All new Senior Executives now enter into Executive Service Agreements on joining the Group. A summary of the key terms and conditions of Senior Executives on Executive Service Agreements is provided below:

KEY TERM	SUMMARY OF KEY TERM
Fixed remuneration	Senior Executives are paid a specified total fixed remuneration (inclusive of superannuation and other fringe benefits). This is subject to annual review.
Incentive arrangements	Senior Executives are invited to participate in the Company's Executive Incentive Plan, subject to the terms of the rules (or any replacement plan rules) which may be amended from time to time. The rules and offer letters do not form part of the employment agreement. In the event that the Senior Executive terminates or gives notice of termination of their employment, or their employment is terminated in circumstances justifying summary dismissal, the Senior Executive is not entitled to receive any incentive payments for the performance period in which the employment was terminated or notice was given (including any unvested LTI from previous years).
Term and notice of termination	Senior Executives' Executive Services Agreements generally have no fixed term. Subject to any probation period, either the Senior Executives or the Company may terminate the employment by providing a specified period of written notice. The Company may elect to pay the Senior Executive in lieu of their notice period.
Duties during notice period	During any notice period, the Company may direct the Senior Executive not to attend the Company's premises, not perform all or part of their duties, cease holding their position; cease all contact with clients, suppliers, employees or contractors; or perform different duties.
Termination without notice	The Company may end the Senior Executive's employment without notice if, in the opinion of the Company, the Senior Executive engages in misconduct, fraud, commits a serious or persistent breach of the agreement, or other specified circumstances occur.
Suspension from duty	The Company may suspend the Senior Executive from duty with pay, or direct the Senior Executive to perform work in a different position, at any time during the term of employment.
Post-employment restraints	The Senior Executive must not, during a specified period and within a specified area: 1. carry on, be employed by, or engaged or otherwise interested in any business that competes with the Company; 2. directly or indirectly induce or attempt to induce any Director or employee or contractor of the Group; or 3. directly or indirectly solicit or persuade any client or supplier of the Group to cease doing business with the Group or reduce the amount of business which the person would normally do with the Group.
Termination benefits	The Company is not required to pay or provide, or procure the payment or provision, of any payment or benefit to the Senior Executive which would require shareholder approval.
Confidential information	The Senior Executive must not use or disclose, or cause or permit the disclosure of confidential information.
Intellectual property	The Company or a Group Company is the sole and exclusive owner of all intellectual property created or contributed to during the Senior Executive's employment.
Leave	Senior Executives are entitled to annual leave, long service leave, personal/carer's leave, compassionate leave, parental leave and community service leave in accordance with applicable legislation.
Policies and procedures	Senior Executives are required to comply with the Group's policies and procedures (which may be amended from time to time). However, such policies and procedures do not form part of the employment agreement.

5. Remuneration records for FY 2016

5.1 Executive KMP Remuneration

Table of STI and LTI opportunities in relation to FY 2016

The target STI and LTI opportunities for eligible Primary Executive Incentive Plan ("PEIP") participants are set out below:

LEVEL	STI (% OF BASE PACKAGE) TARGET	LTI (% OF BASE PACKAGE) TARGET (RESTRICTED FOR 3 YEARS)
L1 CEO	58.3% (60% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow, 20% Group strategic KPIs and 10% Non-financial/behavioural)	58.3%
L1 CFO	58.3% (60% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow, 20% Group strategic KPIs and 10% Non-financial/behavioural)	58.3%
L1 KMP Operational	50% (20% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow, 50% Group divisional, 20% Non-financial/behavioural)	50%
L1 KMP Functional[1]	50% (50% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow, 20% Group functional, 20% Non-financial/behavioural)	50%
L2 Operational and Functional[1]	30% (20% Net Profit After Tax (NPAT), 20% Group Divisional Performance, 40% Function or Business Unit Performance, 20% Non-financial/behavioural)	20%
L2 Functional (Corporate)[1]	30% (30% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow, 50% Function or Business Unit Performance, 10% Non-financial/behavioural)	20%
L3 Operational[1]	20% (10% Net Profit After Tax (NPAT), 30% Group Divisional, 50% Function or Business Unit Performance, 10% Non-financial/behavioural)	0%
L3 Functional (Corporate)[1]	20% (20% Net Profit After Tax (NPAT), 10% Net Debt and Operating Cashflow 60% Function or Business Unit Performance, 10% Non-financial/behavioural)	0%
L4[1]	15% (Function or Business Unit Performance)	0%

1 No KMP fell into these categories in FY 2016.

Executive KMP remuneration mix for FY 2016

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 PEIP in FY 2016 and those measures upon which recommendations are made in relation to STIs awarded under the PEIP:

KMP	BASE PACKAGE	STI	LTI	AT-RISK	STI MEASURES
Peter Gregg Managing Director & Chief Executive Officer *(L1 CEO)*	46.2%	26.9%	26.9%	53.8%	The Managing Director & Chief Executive Officer has primary responsibility for Company earnings (NPAT) 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 long-term leadership development and alignment.
Malcolm Ashcroft Chief Financial Officer (from 13 July 2015) *(L1 CFO)*	46.2%	26.9%	26.9%	53.8%	Group-wide initiatives to improve returns on capital including Company-wide profit improvement program and outsourcing of suitably identified activities. Strengthen the balance sheet by establishing a REIT structure, process improvement and consolidation of transactional banking framework. Lead establishment of governance and control initiatives including business performance (structure) framework and internal audit function.

KMP	BASE PACKAGE	STI	LTI	AT-RISK	STI MEASURES
Matthew Bardsley General Manager, Information Innovation (until 18 May 2016) *(L1 KMP Operational)*	50.0%	50.0%	N/A	50.0%	Key performance indicators linked to the successful sale of Health Communication Network Limited (MedicalDirector).
James Bateman General Manager Diagnostics (including Imaging) (until 23 October 2015) and General Manager, Pathology (from 23 October 2015 until 5 August 2016) *(L1 KMP Operational)*	50.0%	25.0%	25.0%	50.0%	There are several key performance components to the STI which apply in various combinations to each KMP: – linked to key performance indicators with metrics including revenue growth, NPAT 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 and 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.
John Houston General Manager, Medical Centres - Bulk Billing (From 1 March 2016) *(L1 KMP Operational)*	50.0%	25.0%	25.0%	50.0%	
Maxine Jaquet General Manager, Medical Centres - Private Billing (from 1 March 2016) *(L1 KMP Operational)*	50.0%	25.0%	25.0%	50.0%	
Dean Lewsam General Manager, Imaging (from 23 October 2015 *(L1 KMP Operational)*	50.0%	25.0%	25.0%	50.0%	

Note: Neither Henry Bateman nor Andrew Duff participated in the PEIP for FY 2016.

Dollar value of at-risk remuneration potential for executive KMP for FY 2016

The following table sets out the minimum and target at-risk remuneration potential for executive KMP for FY 2016. Incentive amounts are based on Base Packages approved by the Board as part of the 2016 remuneration review process and the Senior Executive remuneration strategy outlined above, as well as the potential total STI and LTI award for FY 2016.

Unless noted otherwise, these amounts are annualised; where an executive KMP has occupied their role for part of FY 2016 these amounts have been pro-rated by the Company accordingly in the calculation of any actual award. These amounts are calculated on the basis of the relevant KMP's current Base Package.

	SHORT-TERM INCENTIVE LINKED TO GROUP OR DIVISIONAL FINANCIAL TARGETS		SHORT-TERM INCENTIVE LINKED TO STRATEGIC AND BEHAVIOURAL KPIs		LONG-TERM INCENTIVE	
	(75% CASH; 25% PERFORMANCE RIGHTS)				(100% PERFORMANCE RIGHTS)	
	MIN ($)	TARGET ($)	MIN ($)	TARGET ($)	MIN ($)	TARGET ($)
MD & CEO						
Peter Gregg	0	673,365	0	288,585	0	961,950
Other KMP						
Malcolm Ashcroft	0	365,250	0	156,536	0	521,785
Matthew Bardsley	0	258,192	0	416,628[1]	0	0
James Bateman	0	234,150	0	156,100	0	390,250
John Houston	0	225,000	0	150,000	0	375,000
Maxine Jaquet	0	135,000	0	90,000	0	225,000
Dean Lewsam	0	129,000	0	86,000	0	215,000

1 Potential includes a special performance bonus of $244,500 in relation to the sale of Health Communication Network Limited and is not pro-rated, as well as an STI potential of $172,128 linked to strategic and behavioural KPIs, which has been pro-rated based on the proportion of the performance period worked.

Note: Neither Henry Bateman nor Andrew Duff participated in the PEIP for FY 2016.

Details of at-risk remuneration awarded to executive KMP in relation to FY 2016 (to be paid in subsequent periods)

The following table discloses the total at-risk remuneration awarded to executive KMP in relation to FY 2016 to all Executives who fall within the definition of KMP, being those persons with authority and responsibility for planning, directing and controlling the activities of the Group, including the Managing Director & CEO (and excluding Non-executive Directors).

	SHORT-TERM INCENTIVE LINKED TO GROUP OR DIVISIONAL FINANCIAL TARGETS		SHORT-TERM INCENTIVE LINKED TO STRATEGIC AND BEHAVIOURAL KPIs		LONG-TERM INCENTIVE	
	(75% CASH; 25% PERFORMANCE RIGHTS)				(100% PERFORMANCE RIGHTS)[1]	
	AWARD ($)	% OF TARGET	AWARD ($)	% OF TARGET	AWARD ($)	% OF TARGET
MD & CEO						
Peter Gregg	74,352	11	274,156	95	961,950	100
Other KMP						
Malcolm Ashcroft	40,330	11	140,882	90	521,785	100
Matthew Bardsley	84,899	25	146,309	85	0	0
James Bateman	108,932	47	132,685	85	390,250	100
John Houston	28,985	10	150,000	100	375,000	100
Maxine Jaquet	17,391	13	90,000	100	225,000	100
Dean Lewsam	27,733	16	77,400	90	215,000	100

Note: Neither Henry Bateman nor Andrew Duff participated in the PEIP for FY 2016.

1 Performance Rights are tested at the end of the three year measurement period and vest by reference to the Company's relative Total Shareholder Return and Return On Invested Capital.

Details of remuneration paid to executive KMP in FY 2016

The following table discloses the total remuneration paid in FY 2016 to:

- all Executives who fall within the definition of KMP, 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 following matters should be noted in relation to payments set out below.

- For persons who were KMP for part of FY 2016, the amounts in the table below relate to the period during which that person was a KMP; payments made to the person which do not relate to their KMP status (for example for employment by the Company prior to becoming a KMP) are not included.
- STI payments paid in FY 2016, set out in the table below, are attributable to performance during FY 2015. Readers should note that the "% of STI" values in the table below have been calculated using the relevant FY 2015 figures for Base Package and STI potential, which may differ from the equivalent FY 2016 figures for some KMP. Refer to page 45 of the Company's 2015 Annual Report for details of KMP STI potential in FY 2015.
- LTI payments made in FY 2016 were due to the vesting of cash amounts under legacy LTI arrangements (FY 2012-FY 2014 inclusive). As disclosed in the Company's 2015 Annual Report, no LTI was awarded or paid in relation to FY 2015.
- 27 (rather than the typical 26) fortnightly pay days fell in FY 2016.
- The amounts included in the following table differ to those provided in the statutory remuneration table on page 64 which shows the accounting expense for FY 2016 STI and FY 2016 LTI determined in accordance with accounting standards rather than the value of STI and LTI payments made during the year that relate to prior years.

FY 2016	FIXED REMUNERATION (SALARY/FEES)			SHORT-TERM INCENTIVE UNDER PEIP (STI AWARDED FOR FY 2015 AND PAID IN FY 2016)		LONG-TERM INCENTIVE UNDER PEIP (NOTE: NO LTI AWARDED IN FY 2016 FOR FY 2015; ALL LTI PAYMENTS ARE VESTING OF LEGACY AMOUNTS)		
	SALARY 1 JULY 2015 TO 30 JUNE 2016 ($)	POST-EMPLOYMENT BENEFITS						
		SUPER-ANNUATION ($)	TERMINATION PAYMENT ($)	STI ($)	% OF FY 2015 POTENTIAL STI	LTI ($)	% OF FY 2015 POTENTIAL LTI	TOTAL PAID IN FY 2016 ($)
Chief Executive Officer								
Peter Gregg	1,537,642	20,050	–	157,500	62	–	–	1,715,192
Key Management Personnel								
Malcolm Ashcroft (from 13 July 2015)	833,802	19,308	–	–	–	–	–	853,110
Matthew Bardsley (until 18 May 2016)	430,482	18,045	–	318,132[1]	40[1]	70,880	–	837,539
Henry Bateman (until 1 March 2016)[2]	547,968	14,110	707,167	121,750	41	103,920	–	1,494,915
James Bateman	790,469	20,050	–	121,750	41	107,253	–	1,039,522
Andrew Duff (until 10 July 2015)[3]	58,553	1,485	795,000	–	–	107,254	–	962,292
John Houston (from 1 March 2016)	243,564	6,436	–	–	–	–	–	250,000
Maxine Jaquet (from 1 March 2016)	138,367	6,758	–	–	–	–	–	145,125
Dean Lewsam (from 23 October 2015)	252,357	13,070	–	–	–	–	–	265,427
Total	**4,833,204**	**119,312**	**1,502,167**	**719,132**	**–**	**389,307**	**–**	**7,563,122**

1 STI paid in FY 2016 included a special performance bonus of $244,500 in relation to the sale of Health Communication Network Limited. The calculation of percentage of FY 2015 STI potential uses the STI amount awarded in respect of FY 2015 performance ($73,632) and does not include the special performance bonus.

2 In addition to the amounts disclosed above, Mr Bateman received $201,103 on or about 2 March 2016 in respect of accrued unused annual and long service leave entitlements at the time of his cessation of employment with Primary on 1 March 2016.

3 In addition to the amounts disclosed above, Mr Duff received $137,015 on or about 2 September 2015 in respect of accrued unused annual and long service leave entitlements at the time of his cessation of employment with Primary on 31 August 2015.

Prior year comparison (paid in FY 2015 – STI and LTI relate to FY 2014 and prior)

FY 2015	SALARY ($)	SUPER-ANNUATION ($)	TERMINATION PAYMENT ($)	STI ($)	% OF STI	LTI ($)	% OF LTI	TOTAL PAID IN FY 2016 ($)
Chief Executive Officer								
Peter Gregg (from 2 March 2015)	423,301	9,392	–	–	–	–	–	432,693
Edmund Bateman[1] (until 30 January 2015)	940,003	14,088	1,500,000	900,000	90	–	–	3,354,091
Key Management Personnel								
Carl Adams[2] (until 30 January 2015)	274,926	12,643	–	151,872	84	54,240	60	493,681
Matthew Bardsley	442,217	18,783	–	151,872	84	54,240	60	667,112
Henry Bateman[3]	720,467	18,783	–	237,048	84	84,660	60	1,060,958
James Bateman[3]	720,466	18,783	–	237,048	84	84,660	60	1,060,957
Andrew Duff[3,4]	1,294,485	18,783	–	237,048	84	84,660	60	1,634,976
Total	**4,815,865**	**111,255**	**1,500,000**	**1,914,888**		**362,460**		**8,704,468**

1 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.

2 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.

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

4 As part of his fixed remuneration referable to FY 2015, 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.

Details of all remuneration of executive KMP related to FY 2016

FY 2016	FIXED REMUNERATION (SALARY/FEES) SALARY ($)	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION ($)	POST-EMPLOYMENT BENEFITS TERMINATION PAYMENT ($)	INCENTIVE PAYMENTS RELATING TO FY 2016 STI – CASH ($)[6]	STI – EQUITY ($)[7]	LTI – EQUITY ($)[8]	TOTAL REMUNERATION FOR FY 2016 ($)
Chief Executive Officer							
Peter Gregg	1,587,642[1]	20,050	–	261,381	36,303	320,650	2,226,026
Key Management Personnel							
Malcolm Ashcroft (from 13 July 2015)	833,802	19,308	–	135,909	18,876	253,790[2]	1,261,685
Matthew Bardsley (until 18 May 2016)	430,482	18,045	–	417,906[3]	24,084	–	890,517
Henry Bateman (until 1 March 2016)[4]	547,968	14,110	707,167	–	–	–	1,269,245
James Bateman	790,469	20,050	–	181,213	25,168	130,084	1,146,984
Andrew Duff (until 10 July 2015)[5]	58,553	1,485	795,000	–	–	–	855,038
John Houston (from 1 March 2016)	243,564	6,436	–	134,239	18,644	125,000	527,883
Maxine Jaquet (from 1 March 2016)	138,367	6,758	–	80,543	11,187	75,000	311,855
Dean Lewsam (from 23 October 2015)	252,357	13,070	–	78,850	10,951	71,667	426,895
Total	**4,883,204**	**119,312**	**1,502,167**	**1,290,041**	**145,213**	**976,191**	**8,916,128**

1 Base Package increased from $1,500,000 to $1,650,000 with effect from 1 March 2016.

2 On 12 September 2016 Mr Ashcroft was awarded Service Rights to the value of $250,000 pursuant to a sign on arrangement. An amount has been included within LTI – Equity which reflects the three year service period associated with the Service Rights and has been calculated in accordance with AASB 2 *Share-based Payment*. No rights have been issued as at the date of this Report.

3 STI paid in FY2016 included a special performance bonus of $244,500 in relation to the sale of Health Communication Network Limited.

4 In addition to the amounts disclosed above, Mr Bateman received $201,103 on or about 2 March 2016 in respect of accrued unused annual and long service leave entitlements at the time of his cessation of employment with Primary on 1 March 2016.

5 In addition to the amounts disclosed above, Mr Duff received $137,015 on or about 2 September 2015 in respect of accrued unused annual and long service leave entitlements at the time of his cessation of employment with Primary on 31 August 2015.

6 The STI award is delivered in the form of 75% cash and 25% equity in the form of rights. The STI – cash amounts disclosed represents the cash amount payable in respect of FY 2016.

7 Of the 25% rights portion for the STI awards, 50% is deferred for one year and 50% deferred for two years in accordance with the STIP. The amounts disclosed for STI – Equity have been calculated in accordance with AASB 2 Share-based Payment and all relate to grants made in respect of FY 2016. No rights have been issued as at the date of this Report.

8 The LTI awards are all delivered as equity in the form of rights. The amounts disclosed for LTI – Equity have been calculated in accordance with AASB 2 Share-based Payment and all relate to grants made in respect of FY 2016. No rights have been issued as at the date of this Report.

5.2 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 $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 FY 2016 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.

No termination benefits are payable to Non-executive Directors.

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 FY 2016 and a prior year comparison:

FY 2016	DIRECTORS' FEES FOR PRIMARY ($)	RISK COMMITTEE FEES ($)	AUDIT COMMITTEE FEES ($)	NOM & REM COMMITTEE FEES ($)	DIRECTORS' FEES FOR SUBSIDIARY BOARDS ($)[1]	SUPER CONTRIBUTIONS ($)	TOTAL ($)
Robert Ferguson	215,692	–	10,000	20,000	–	19,308	265,000
Brian Ball	113,516	–	10,000	10,000	40,000	16,484	190,000
Edmund Bateman (deceased 13 September 2015)	–	–	–	–	–	–	–
Gordon Davis (from 3 August 2015)	110,119	2,647	–	–	–	10,713	123,479
Robert Hubbard	115,251	10,000	30,000	–	–	14,749	170,000
Paul Jones	113,516	10,000	10,000	–	40,000	16,484	190,000
Errol Katz	116,119	20,000	–	10,000	–	13,881	160,000
Arlene Tansey	116,986	–	10,000	10,000	–	13,014	150,000
Total	**901,199**	**42,647**	**70,000**	**50,000**	**80,000**	**104,633**	**1,248,479**

1 The relevant subsidiary is Transport Health Pty Limited ACN 099 028 127 which was disposed of on 30 June 2016.

Prior year comparison

FY 2015	DIRECTORS' FEES FOR PRIMARY ($)	AUDIT COMMITTEE FEES ($)	DIRECTORS' FEES FOR SUBSIDIARY BOARDS[1] ($)	SUPER CONTRIBUTIONS ($)	TOTAL ($)
Robert Ferguson[2]	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**

1 The relevant subsidiary is Transport Health Pty Limited ACN 099 028 127.
2 Mr Ferguson's remuneration for FY 2015 was a fixed fee inclusive of fees for his role as Chair of the Nomination and Remuneration Committee.

5.3 KMP Disclosures

Equity holding of Key Management Personnel and related parties

The following tables detail the equity holdings of KMP and their related parties (their close family members or an entity they, or their close family members, control, jointly control or significantly influence) for the year ended 30 June 2016.

Share option holdings

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

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 EXERCIS-ABLE AT THE END OF YEAR	VESTED AND UNEXER-CISABLE AT THE END OF THE YEAR
Paul Jones	35,000	Nil	Nil	Nil	17,500	17,500	N/A	N/A	N/A

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)[1]	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR AS COMPENSATION	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Malcolm Ashcroft	–	–	35,000	35,000
Matthew Bardsley	10,886	–	–	10,886
Henry Bateman	124,399	–	(6,090)	118,309
James Bateman	98,000	–	–	98,000
Andrew Duff	15,000	–	(14,000)	1,000
John Houston	268	–	6	274

1 Shareholdings of Directors are discussed on page 37 of this report under 'Directors' Interests'.

Loans to Key Management Personnel and related parties

No loans have been made to any of the KMP or their related parties.

Transactions with Dr Edmund Bateman

During FY 2016, Primary conducted certain transactions with Dr Edmund Bateman, who had 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 during FY 2016 and was therefore a related party pursuant to Accounting Standard AASB 124.

Litigation conducted by Dr Bateman and Primary entities

During FY 2016, Primary paid legal costs (incurred in FY 2015) in relation to legal proceedings, the details of which were disclosed in the Company's 2015 Annual Report.

The proceedings have been settled on confidential terms and no further legal costs are anticipated in relation to the proceedings.

Legal costs of $869,122 were paid in FY 2016 in relation to the proceedings. (Payments of legal costs for the proceedings in periods FY 2010-FY 2015 totalled $795,404.)

As at 30 June 2015 Primary had recognised a receivable from Dr Bateman in the amount of $125,000 in relation to the proceedings. During FY 2016, as part of the Company's balance sheet review, the receivable from Dr Bateman was written off and accordingly the amount receivable from Dr Bateman as at 30 June 2016 is $nil.

Consultancy services provided by Dr Bateman since his retirement as Managing Director & CEO

Since Dr Bateman's retirement as Managing Director & CEO, 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 per month (plus GST and adjusted for superannuation contributions). 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 2016 totalled $76,195 (2015: $460,087). 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.

5.4 Other information

Primary's financial performance

The table below demonstrates the performance of the Primary over the five years ended 30 June 2016:

		YEAR ENDED 30 JUNE			
	2016	**2015**	**2014[1]**	**2013**	**2012**
Revenue ($ million)	**1,714.6**	1,617.9	1,523.1	1,440.0	1,392.1
Profit attributable to equity holders of Primary Health Care Ltd ($ million)	**74.9**	127.5	91.5[1]	150.1	116.6
Share price at end of year ($)	**3.95**	5.04	4.54	4.78	2.95
Interim dividend (cents per share)	**5.6**	9.0	9.0	6.5	5.0
Final dividend (cents per share)	**6.4**	11.0	11.0	11.0	6.0
Basic Earnings Per Share (cents)	**14.4**	24.9	18.1[1]	29.9	23.3

1 These amounts have been restated on the basis that any balance sheet review items prior to FY 2015 have been adjusted in FY 2014.

The Board considers that the Company's overall performance over the five year period set out above demonstrates a positive relationship between the Board's remuneration policy and Primary's performance.

No fees for Executive Directors

During FY 2016, 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 C2 to the financial statements on page 94. 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 into ordinary shares in Primary on a 1:1 basis 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 FY 2016 (FY 2015: 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.

Signing of Directors' Report

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

15 September 2016

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 FY 2016, 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 FY 2016 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
Level 6, 203 Pacific Highway
St Leonards NSW 2065

15 September 2016

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 2016, 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

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Sydney, 15 September 2016

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 consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated 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 72 to 114.

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 the introduction to the Notes to the consolidated financial statements, 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 2016 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 the introduction to the Notes to the consolidated financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 67 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

GJMcLean

G J McLean
Partner
Chartered Accountants
Sydney, 15 September 2016

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 the introduction to the Notes to the consolidated financial statements; and

(D) there are reasonable grounds to believe that Primary and the controlled entities identified in Note D2 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 2016.

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

15 September 2016

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Notes to the financial Statements

Consolidated statement of profit or loss for the year ended 30 June 2016

	NOTE	2016 $M	RESTATED 2015 $M
Revenue[1]	A2	**1,636.9**	1,579.7
Employee benefits expense	A3	**717.1**	683.1
Property expenses	A3	**214.8**	195.2
Consumables		**169.1**	160.9
ATO settlement		**(13.5)**	110.5
IT expenses		**12.2**	12.4
Significant items	A3	**84.8**	38.0
Other expenses		**181.3**	148.2
EBITDA		**271.1**	231.4
Depreciation[1]	B3	**70.1**	71.6
Amortisation of intangibles	B4	**86.6**	87.2
EBIT		**114.4**	72.6
Finance costs	A3	**58.0**	66.5
Profit before tax		**56.4**	6.1
Income tax expense/(benefit)	A4	**18.2**	(110.8)
Profit for the year from continuing operations		**38.2**	116.9
Profit for the year from discontinued operations	D4	**36.5**	10.6
Profit for the year		**74.7**	127.5
Attributable to:			
Equity holders of Primary Health Care Limited		**74.9**	127.5
Non-controlling interest		**(0.2)**	–
Profit for the year		**74.7**	127.5

	NOTE	2016 CENTS PER SHARE	2015 CENTS PER SHARE
Basic and diluted earnings per share from continuing operations	A5	**7.4**	22.8
Basic and diluted earnings per share from continuing and discontinued operations	A5	**14.4**	24.9

Notes:

1 Refer Note A3 for details of the significant items included within this balance.

Where applicable, comparative information has been restated to correct prior period errors (refer Note E9) and to reclassify the results for Health Communication Network Limited ("HCN") which is classified as a discontinued operation in the current and comparative period (refer Note D4).

Notes to the financial statements are included on pages 79 to 114.

Consolidated statement of other comprehensive income

for the year ended 30 June 2016

	2016 $M	RESTATED 2015 $M
Profit for the year	**74.7**	127.5
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value (loss) on cash flow hedges	**(3.6)**	(14.4)
Reclassification adjustments relating to cash flow hedges for amounts recognised in profit or loss	**11.3**	9.3
Fair value (loss) on available-for-sale financial assets	**–**	(4.3)
Reclassification adjustments relating to available-for-sale financial assets disposed in the period	**(5.4)**	–
Exchange differences arising on translation of foreign operations	**(0.2)**	–
Income tax relating to items that may be reclassified subsequently to profit or loss	**(0.7)**	2.8
Other comprehensive income/(loss) for the year, net of income tax	**1.4**	(6.6)
Total comprehensive income for the year	**76.1**	120.9
Attributable to:		
Equity holders of Primary Health Care Limited	**76.3**	120.9
Non-controlling interest	**(0.2)**	–
	76.1	120.9

Where applicable, comparative information has been restated to correct prior period errors (refer Note E9).

Notes to the financial statements are included on pages 79 to 114.

Consolidated statement of financial position as at 30 June 2016

	NOTE	30 JUNE 2016 $M	RESTATED 30 JUNE 2015 $M	RESTATED 30 JUNE 2014 $M
Current assets				
Cash		**82.3**	50.0	27.5
Receivables	B1	**136.8**	145.3	148.5
Consumables		**25.5**	28.2	27.3
Other financial assets		**–**	3.2	–
Tax receivable	E2	**5.7**	44.3	–
		250.3	271.0	203.3
Assets classified as held for sale	E4	**–**	39.2	–
Total current assets		**250.3**	310.2	203.3
Non-current assets				
Receivables	B1	**4.4**	4.1	4.1
Goodwill	B2	**2,772.2**	2,832.1	2,798.2
Property, plant and equipment	B3	**342.2**	435.7	400.5
Other intangible assets	B4	**220.7**	285.3	271.2
Other financial assets		**1.3**	34.2	25.7
Investment in joint ventures		**–**	2.0	1.9
Deferred tax asset	E2	**33.5**	14.5	16.0
Total non-current assets		**3,374.3**	3,607.9	3,517.6
Total assets		**3,624.6**	3,918.1	3,720.9
Current liabilities				
Payables	B5	**181.0**	185.1	156.9
Tax liabilities		**–**	–	31.6
Provisions	B6	**87.2**	76.4	55.8
Other financial liabilities		**10.6**	11.7	8.4
Interest bearing liabilities	C1	**2.0**	155.5	3.1
Total current liabilities		**280.8**	428.7	255.8
Non-current liabilities				
Payables	B5	**7.8**	7.1	13.1
Provisions	B6	**11.2**	9.6	3.6
Other financial liabilities		**0.8**	7.3	5.6
Interest bearing liabilities	C1	**896.3**	1,050.0	1,094.6
Total non-current liabilities		**916.1**	1,074.0	1,116.9
Total liabilities		**1,196.9**	1,502.7	1,372.7
Net assets		**2,427.7**	2,415.4	2,348.2
Equity				
Issued capital	C2	**2,422.8**	2,407.3	2,366.3
Reserves		**(5.2)**	(5.9)	8.0
Retained earnings		**8.5**	12.2	(27.9)
Equity attributable to equity holders		**2,426.1**	2,413.6	2,346.4
Non-controlling interest		**1.6**	1.8	1.8
Total equity		**2,427.7**	2,415.4	2,348.2

Where applicable, comparative information has been restated to correct prior period errors (refer Note E9).

Notes to the financial statements are included on pages 79 to 114.

Consolidated statement of changes in equity for the year ended 30 June 2016

$M	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Balance at 1 July 2015 (Restated)	**2,407.3**	**3.8**	**(13.4)**	**0.9**	**2.8**	**12.2**	**2,413.6**	**1.8**	**2,415.4**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**74.9**	**74.9**	**(0.2)**	**74.7**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Reclassification adjustments relating to available-for-sale financial assets disposed in the period	**–**	**(5.4)**	**–**	**–**	**–**	**–**	**(5.4)**	**–**	**(5.4)**
Fair value (loss) on cash flow hedges	**–**	**–**	**(3.6)**	**–**	**–**	**–**	**(3.6)**	**–**	**(3.6)**
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	**–**	**–**	**11.3**	**–**	**–**	**–**	**11.3**	**–**	**11.3**
Income tax relating to components of other comprehensive income	**–**	**1.6**	**(2.3)**	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Total comprehensive income	**–**	**(3.8)**	**5.4**	**(0.2)**	**–**	**74.9**	**76.3**	**(0.2)**	**76.1**
Payment of dividends	**–**	**–**	**–**	**–**	**–**	**(79.9)**	**(79.9)**	**–**	**(79.9)**
Share-based payment	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**	**–**	**0.6**
Transfers	**–**	**–**	**–**	**–**	**(1.3)**	**1.3**	**–**	**–**	**–**
Movement in share capital (refer Note C2)	**15.5**	**–**	**–**	**–**	**–**	**–**	**15.5**	**–**	**15.5**
Balance at 30 June 2016	**2,422.8**	**–**	**(8.0)**	**0.7**	**2.1**	**8.5**	**2,426.1**	**1.6**	**2,427.7**

$M	ISSUED CAPITAL	INVESTMENTS REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Balance at 1 July 2014 as previously reported	2,366.3	6.8	(9.8)	0.9	10.1	(4.9)	2,369.4	1.8	2,371.2
Restatement (refer Note E9)	–	–	–	–	–	(23.0)	(23.0)	–	(23.0)
Balance at 1 July 2014 (Restated)	2,366.3	6.8	(9.8)	0.9	10.1	(27.9)	2,346.4	1.8	2,348.2
Profit for the year	–	–	–	–	–	127.5	127.5	–	127.5
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–
Fair value (loss) on available-for-sale investments	–	(4.3)	–	–	–	–	(4.3)	–	(4.3)
Fair value (loss) on cash flow hedges	–	–	(14.4)	–	–	–	(14.4)	–	(14.4)
Reclassification adjustments relating to cash flow hedges recognised in profit or loss	–	–	9.3	–	–	–	9.3	–	9.3
Income tax relating to components of other comprehensive income	–	1.3	1.5	–	–	–	2.8	–	2.8
Total comprehensive income	–	(3.0)	(3.6)	–	–	127.5	120.9	–	120.9
Payment of dividends	–	–	–	–	–	(94.8)	(94.8)		(94.8)
Share-based payment	–	–	–	–	0.1	–	0.1	–	0.1
Transfers	–	–	–	–	(7.4)	7.4	–	–	–
Movement in share capital (refer Note C2)	41.0	–	–	–	–	–	41.0	–	41.0
Balance as at 30 June 2015	2,407.3	3.8	(13.4)	0.9	2.8	12.2	2,413.6	1.8	2,415.4

Where applicable, comparative information has been restated to correct prior period errors (refer Note E9).

Notes to the financial statements are included on pages 79 to 114.

Consolidated statement of cash flows for the year ended 30 June 2016

	NOTE	2016 $M	2015 $M
Cash flows from operating activities			
Receipts from customers		**1,737.5**	1,637.6
Payments to suppliers and employees		**(1,383.6)**	(1,269.6)
Gross cash flows from operating activities		**353.9**	368.0
Interest paid		**(59.6)**	(66.9)
Net income tax paid		**(10.6)**	(62.4)
Interest received		**1.4**	0.7
Net cash provided by operating activities	E1	**285.1**	239.4
Cash flows from investing activities			
Payment for property, plant and equipment		**(94.0)**	(134.9)
Payment for Medical Centres healthcare practitioners		**(60.6)**	(79.9)
Payment for Pathology healthcare practices		**(14.0)**	–
Payment for Imaging healthcare practitioners		**(10.3)**	(4.1)
Payment for subsidiaries acquired		**–**	(9.5)
Payment for other intangibles		**(26.0)**	(34.5)
Net proceeds from sale of/(payments for) investments		**36.7**	(5.5)
Proceeds from the sale of property, plant and equipment		**118.6**	0.2
Net proceeds from sale of discontinued operations	D4	**152.7**	–
Net proceeds from sale of controlled entity	D4	**19.3**	–
Net cash provided by/(used in) investing activities		**122.4**	(268.2)
Cash flows from financing activities			
Repayment of borrowings and finance lease liabilities		**(577.6)**	(187.8)
Proceeds from borrowings		**267.3**	300.0
Dividends paid		**(64.4)**	(53.7)
Other finance costs		**(0.6)**	(7.6)
Net cash (used in)/provided by financing activities		**(375.3)**	50.9
Net increase in cash held		**32.2**	22.1
Cash at the beginning of the year		**50.0**	27.5
Effect of exchange rate movements on cash held in foreign currencies		**0.1**	0.4
Cash at the end of the year		**82.3**	50.0

Notes to the financial statements are included on pages 79 to 114.

About this report

Overview

Primary Health Care Limited ("Primary") is a for-profit entity domiciled in Australia. These financial statements represent the consolidated financial statements of Primary for the financial year ended 30 June 2016 and comprise Primary and its subsidiaries (together referred to as "the consolidated entity" or "the Group").

In order to present the information contained in the financial statements in a more informative and straightforward manner Primary has made changes to the format of the financial statements in the current year by grouping together notes pertaining to particular areas of interest into separate sections and amending the wording and structure to improve clarity of the information being presented. The table of contents on page 73 shows how the notes have been grouped.

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.

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 15 September 2016.

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.

Rounding of amounts

Primary is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Significant accounting policies

Accounting 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. Significant accounting policies are included within the relevant notes to the financial statements.

Preparation of the financial report requires management to make judgements, estimates and assumptions about the future. Information on key accounting estimates and judgements can be found in the following notes:

ACCOUNTING ESTIMATE AND JUDGEMENT	NOTE	PAGE
Recoverability of goodwill	B2	88
Useful lives of property, plant and equipment	B3	90
Recognition and recoverability of other intangible assets	B4	91
Provisions	B6	92

Basis of consolidation – Subsidiaries

Subsidiaries are those entities controlled by Primary. 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 statement of profit or loss and consolidated statement of financial position respectively.

Investments in subsidiaries are carried at their cost of acquisition in the parent company's financial statements.

A. Group performance

This section contains details of the way the business measures performance for the purpose of internal reporting along with details of the key elements of the consolidated statement of profit or loss, earnings per share and accounting policies and key assumptions relevant to the consolidated statement of profit or loss.

A1. Segment information

Operating segments are identified based on the way that the CEO and Board of Directors (also known as the chief operating decision makers) regularly review the financial performance of the business to assess performance and determine the allocation of resources. For internal management reporting purposes, the Group is organised into the following three divisions or operating segments:

OPERATING SEGMENT	ACTIVITY
Medical Centres	This division provides a range of services and facilities to general practitioners, specialists and other health care providers.
Pathology	This division provides pathology services.
Imaging	This division provides imaging and scanning services from stand-alone imaging sites and from within the consolidated entity's medical centres.

During the current period the entities comprising the Health Technology (MedicalDirector) segment were sold (primarily Health Communication Network Limited – refer note D4 for further details). The results of the Health Technology segment are classified and disclosed as a discontinued operation in this financial report including the segment information below.

The Group operates predominantly in Australia.

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.

Presentation of segment revenue and results

The internal reporting that is regularly provided to the chief operating decision makers includes financial information prepared on both a statutory or reported basis (prepared in accordance with A-IFRS) and on an underlying basis. It is considered important to include the financial information on an underlying basis as this reflects the ongoing or underlying activities of each of the divisions and excludes items that are not expected to occur frequently and which do not form part of the core activities of the relevant divisions.

Underlying results for the year ended 30 June 2016 exclude the impact of non-underlying items relating to:

- Gains on sale of MedicalDirector, Transport Health, Primary's shareholding in Vision Eye Institute, and non-cash gains on dissolution of a Joint Venture;
- Finalisation of the Australian Taxation Office ("ATO") Settlement relating to certain healthcare practitioner ("HCP") tax liabilities and refunds to Primary arising from the acquisition of the practices of those HCPs;
- Balance sheet review – refer Note A3; and
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives.

In order to provide comparatives on a consistent basis, as underlying profit was not reported for the year ended 30 June 2015, non-underlying adjustments have been recognised in the disclosures below. Underlying results for the comparative period exclude the impact of the non-underlying items relating to:

- ATO settlement relating to certain HCP tax liabilities;
- Balance sheet review – refer Note A3; and
- Non-cash adjustments and one off items associated with restructuring and strategic initiatives.

A1. Segment information (continued)

Underlying

2016	MEDICAL CENTRES $M	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M	HCN $M	UNDERLYING $M
Segment Revenue	323.7	994.4	326.9	1.6	1,646.6	37.5	1,684.1
Intersegment sales					(33.1)		(33.1)
Total Statutory Revenue					1,613.5	37.5	1,651.0
EBITDA	166.8	161.5	62.2	(41.2)	349.3	14.9	364.2
Depreciation	(20.0)	(19.1)	(25.6)	(1.6)	(66.3)	(0.4)	(66.7)
Amortisation of intangibles	(60.9)	(7.5)	(11.4)	(6.9)	(86.7)	(4.2)	(90.9)
EBIT	85.9	134.9	25.2	(49.7)	196.3	10.3	206.6
Finance costs					(58.0)		(58.0)
Profit before tax					138.3	10.3	148.6
Income tax expense[1]							44.6
Profit for the year							104.0

2015	MEDICAL CENTRES $M	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M	HCN $M	UNDERLYING $M
Segment Revenue	323.8	934.5	330.8	3.1	1,592.2	38.2	1,630.4
Intersegment sales					(31.1)		(31.1)
Total Statutory Revenue					1,561.1	38.2	1,599.3
EBITDA	172.8	151.7	72.4	(37.7)	359.2	20.2	379.4
Depreciation	(20.6)	(17.1)	(26.2)	(0.8)	(64.7)	(0.4)	(65.1)
Amortisation of intangibles	(55.8)	(7.2)	(11.9)	(7.7)	(82.6)	(5.9)	(88.5)
EBIT	96.4	127.4	34.3	(46.2)	211.9	13.9	225.8
Finance costs					(66.5)		(66.5)
Profit before tax					145.4	13.9	159.3
Income tax expense[1]							47.8
Profit for the year							111.5

1 Underlying income tax is calculated as 30% of underlying profit before tax.

A1. Segment information (continued)

Reconciliation of underlying segment revenue to statutory revenue:

	SEGMENT REVENUE	
	2016 $M	RESTATED 2015 $M
Total segment revenue from continuing operations	**1,613.5**	1,561.1
Gains on sale/dissolution of joint ventures	**23.4**	–
Balance sheet review	**–**	(0.6)
FY 2015 adjustments	**–**	(5.4)
Restructuring and strategic initiatives	**–**	24.6
Total revenue	**1,636.9**	1,579.7

Reconciliation of underlying segment result to profit before tax:

	SEGMENT RESULT	
	2016 $M	RESTATED 2015 $M
Total segment result from continuing operations	**138.3**	145.4
Gains on sale/dissolution of joint ventures	**23.4**	–
ATO settlement	**13.5**	(110.5)
Balance sheet review – non-underlying items (refer Note A3)	**(85.9)**	(8.6)
FY 2015 adjustments	**–**	(40.3)
Restructuring and strategic initiatives	**(32.9)**	20.1
Total profit before tax	**56.4**	6.1

Further information on the reconciliation between reported and underlying performance can be found in the Group Performance on pages 20 and 21.

Where applicable, comparative information has been restated to correct prior period errors (refer Note E9), and to provide comparative information on a consistent basis in relation to the reporting of non-underlying adjustments.

A1. Segment information (continued)

Reported

2016	MEDICAL CENTRES $M	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment Revenue	323.7	994.4	329.8	22.1	1,670.0
Intersegment sales					(33.1)
Total Statutory Revenue					1,636.9
EBITDA	127.4	153.5	27.6	(37.4)	271.1
Depreciation	20.9	19.3	25.6	4.3	70.1
Amortisation of intangibles	61.1	7.5	11.4	6.6	86.6
EBIT	45.4	126.7	(9.4)	(48.3)	114.4
Finance costs					58.0
Profit before tax					56.4
Income tax expense					18.2
Profit for the year from continuing operations					38.2

2015	MEDICAL CENTRES $M	PATHOLOGY $M	IMAGING $M	OTHER $M	TOTAL CONTINUING OPERATIONS $M
Segment Revenue	326.6	937.2	334.9	12.1	1,610.8
Intersegment sales					(31.1)
Total Statutory Revenue					1,579.7
EBITDA	168.5	150.3	64.9	(152.3)	231.4
Depreciation	23.2	17.5	26.6	4.3	71.6
Amortisation of intangibles	55.8	7.2	12.4	11.8	87.2
EBIT	89.5	125.6	25.9	(168.4)	72.6
Finance costs					66.5
Profit before tax					6.1
Income tax (benefit)					(110.8)
Profit for the year from continuing operations					116.9

A2. Revenue

	2016 $M	2015 $M
Trading revenue	**1,611.2**	1,575.8
Other revenue	**25.7**	3.9
	1,636.9	1,579.7

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 and is recognised once the services have been provided.

A3. Expenses

Employee benefits expense

	2016 $M	2015 $M
Other employee benefits	**664.2**	631.3
Defined contribution superannuation	**52.3**	51.7
Share-based payments	**0.6**	0.1
	717.1	683.1

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.

Property expenses

	2016 $M	2015 $M
Operating leases	**192.7**	170.8
Other property expenses	**22.1**	24.4
	214.8	195.2

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, for example CPI linked increases to lease payments, are recognised as an expense in the period in which they are incurred.

Finance costs

	2016 $M	2015 $M
Interest expense	**53.6**	61.9
Amortisation of borrowing costs	**4.6**	5.4
Capitalised interest	**(0.2)**	(0.8)
	58.0	66.5

Interest expense comprises the interest expense on interest-bearing liabilities and gains/losses arising on derivatives accounted for as cash flow hedges and reclassified from equity.

Other borrowing costs associated with arranging interest bearing liabilities are initially recognised in the consolidated statement of financial position (refer Note C1) and are subsequently amortised through the consolidated statement of profit or loss on a straight line basis over the term of the interest bearing liability they relate to.

A3. Expenses (continued)

Significant items

The significant items relate to previously announced asset impairments and non-cash write-offs identified through the balance sheet review undertaken as part of the finalisation of results for the year ended 30 June 2016. The amount disclosed as a significant item in the consolidated statement of profit or loss is reconciled below. The amounts included in the comparative period include prior period errors identified as part of the balance sheet review (refer Note E9) and amounts previously reported as significant items.

	2016 $M	2015 $M
Revenue	**2.5**	0.6
Included within the significant items are the following asset impairment and non-cash charges by expense type:		
Employee benefits expense	**8.0**	5.5
Property expenses	**1.1**	6.6
Consumables	**0.4**	–
Impairment of assets	**66.0**	17.4
Other expenses	**9.3**	8.5
Total significant items	**84.8**	38.0
EBITDA	**87.3**	38.6
Depreciation	**4.4**	3.0
Profit before tax[1]	**91.7**	41.6
Income tax benefit	**(25.4)**	(11.4)
Profit after tax	**66.3**	30.2

1 Includes $5.8 million (2015: $2.8 million) of underlying and $85.9 million (2015: $38.8 million) of non-underlying items (refer Note A1).

A4. Income tax expense

	2016 $M	2015 $M
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	**56.4**	6.1
Income tax calculated at 30% (2015: 30%)	**16.9**	1.8
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
ATO settlement of healthcare practitioner tax liabilities	**(4.1)**	33.1
Amortisation of healthcare practitioner contractual relationship intangible	**14.7**	16.5
Other items	**(0.5)**	(4.1)
	10.1	45.5
(Over) provision in prior years	**(7.0)**	(2.4)
	20.0	44.9
ATO settlement for the cost of acquiring healthcare practices now deductible	**(1.8)**	(155.7)
Income tax expense/(benefit)	**18.2**	(110.8)
Comprising:		
Current tax	**44.5**	27.1
Deferred tax	**(17.7)**	(4.2)
(Over) provision in prior years	**(8.6)**	(133.7)
	18.2	(110.8)

Current and deferred tax is recognised as an expense or income in the consolidated 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.

A4. Income tax expense (continued)

Amortisation of healthcare practitioner contractual relationships intangible

In June 2015 the ATO advised Primary that the cost of acquiring medical and healthcare practices was tax deductible.

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 that were not recognised as business combinations 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 these intangible assets continue to be amortised. Once these intangible assets have been fully amortised (which will occur progressively over the next four years) these historical practice acquisitions will have no ongoing impact on the effective tax rate.

Primary's expectation is that the Group's long term effective tax rate will approximate 30% (based on the current structure and nature of its business).

ATO objection decisions – years 2003-2007

Primary filed an appeal in the Administrative Appeals Tribunal on 21 July 2016 against a decision by the Commissioner of Taxation not to exercise his discretion to allow objections for the years ended 30 June 2003 to 2007 in relation to medical practice acquisitions. No amounts have been recognised in relation to this matter in either the current or comparative periods.

A5. Earnings per share

Basic and diluted earnings per share

EARNINGS	2016 $M	RESTATED 2015 $M
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss as follows:		
Profit attributable to equity holders of Primary Health Care Limited	74.9	127.5
Profit for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	(36.5)	(10.6)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	38.4	116.9

WEIGHTED AVERAGE NUMBER OF SHARES	2016 000'S	2015 000'S
The weighted average number of shares used in the calculation of basic and diluted earnings per share	520,215	511,412

EARNINGS PER SHARE	2016 CENTS	RESTATED 2015 CENTS
Basic and diluted earnings per share from continuing operations	7.4	22.8
Basic and diluted earnings per share from continuing and discontinued operations	14.4	24.9

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.

B. Operating assets and liabilities

This section provides information on the assets used by the Group to generate operating profits and the liabilities incurred.

B1. Receivables

	2016 $M	RESTATED 2015 $M
Measured at amortised cost		
Current		
Trade receivables	99.2	94.7
Allowance for doubtful debts	(12.6)	(7.6)
	86.6	87.1
Prepayments	21.9	14.4
Accrued revenue	18.5	14.9
Other receivables	9.8	28.9
	136.8	145.3
Non-current		
Other receivables and prepayments	4.4	4.1
	4.4	4.1
Ageing of trade receivables		
Current	58.3	60.4
30-60 days	15.7	12.1
60-90 days	6.8	5.4
90 days +	18.4	16.8
	99.2	94.7
Movement in allowance for doubtful debts		
Balance at beginning of year	7.6	6.6
Provision for the year	8.7	3.4
Amounts written off during the year as uncollectable	(3.7)	(2.4)
	12.6	7.6

Other receivables are carried at amortised cost, using the effective interest rate method, less an allowance for impairment.

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 consolidated statement of financial position. 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.

Further discussion of the credit risk associated with trade receivables is included in Note C4.

B2. Goodwill

	2016 $M	2015 $M
Carrying value		
Opening balance	**2,832.1**	2,798.2
Acquisition of subsidiaries	**2.8**	9.9
Acquisition of businesses	**9.5**	24.0
Disposal of subsidiaries	**(72.2)**	–
Closing balance	**2,772.2**	2,832.1
Impairment tests		
Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:		
Medical Centres	**849.6**	855.6
Pathology	**1,581.0**	1,572.5
Imaging	**341.6**	338.9
Health Technology	**–**	65.1
	2,772.2	2,832.1

Goodwill acquired in a business combination is 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 the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the CGUs, or Group of CGUs, expected to benefit from the synergies of the business combination.

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.

Impairment of goodwill and other non-financial assets

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 by testing the CGU or Group of CGUs to which goodwill has been allocated.

Other assets are reviewed at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss and 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. Where an asset is deemed to be impaired, it is written down to its recoverable amount and an impairment loss is recognised in profit or loss immediately for the amount by which the asset's carrying amount exceeds its recoverable amount.

In its impairment assessment, the Group determines the recoverable amount based on a fair value less costs of disposal calculation, under a five year Discounted Cash Flow model cross checked to available market data. The five year Discounted Cash Flow uses:

- the FY 2017 Board approved budget as year one in the five year cash flow;
- for FY 2018 – FY 2019 the business plans as discussed with the Board as years two and three in the five year cash flow; and
- for FY 2020 – FY 2021, the Group assumes a long term growth rate consistent with the historic industry trend levels.

B2. Goodwill (continued)

The key assumptions in the Group's Discounted Cash Flow model as at 30 June 2016 are as follows:

ASSUMPTION	HOW DETERMINED
Forecast Revenue	Forecast revenue has been calculated assuming FY 2018 – FY 2021 growth rates as follows: ■ Medical Centres: 7.9% (30 June 2015: 7.8%) ■ Pathology: 5.1% (30 June 2015: 5.5%) ■ Imaging: 7.5% (30 June 2015: 6.0%) Changes to forecast revenue in the current year have been determined with reference to historical company experience, industry data and scheduled centre openings.
Terminal value growth rate	The terminal value growth rate assumed for all CGUs is 3.0% (30 June 2015: 3.0%).
Weighted Average Cost of Capital (WACC)	Post-tax discount rates for each CGU reflect the Group's estimate of the time value of money and risks specific to each CGU. In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group adjusted for business risks specific to that CGU. The post-tax discount rate for each CGU is: ■ Medical Centres: 8.5% (30 June 2015: 8.8%) ■ Pathology: 8.5% (30 June 2015: 8.5%) ■ Imaging: 8.8% (30 June 2015: 8.9%)

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 following table sets out the change in each of the key assumptions that would be required in order for the carrying value of the CGU to equal the recoverable amount.

	INCREASE/(DECREASE) IN ASSUMPTIONS REQUIRED FOR RECOVERABLE AMOUNT TO EQUAL CARRYING AMOUNT	
CGU	REVENUE GROWTH PER ANNUM	WACC
Medical Centres	(4.0%)	2.8%
Imaging	(3.2%)	3.0%
Pathology	(1.4%)	1.4%

Following the recent federal election there is uncertainty in relation to the Federal Government's proposed changes to healthcare regulation as it relates to bulk billing incentives for pathology and diagnostic imaging services and proposed reregulation of pathology collection centre rents. As a result of this uncertainty the company's forecast cash flows do not incorporate any adjustments for potential changes to bulk billing incentives or reregulation of collection centre rents.

Accounting estimates and judgements: 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 fair value of the Group's CGU's are disclosed above.

B3. Property, plant and equipment

2016 $M	FREEHOLD LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
Net book value					
Opening balance	4.0	54.0	196.5	181.2	435.7
Additions	0.4	31.0	8.0	42.3	81.7
Subsidiary acquired	–	2.2	–	–	2.2
Capitalisation of Assets Under Construction	19.8	(68.3)	40.1	8.4	–
Disposals	(22.2)	–	(2.4)	(57.1)	(81.7)
Impairment	–	–	(6.6)	(19.0)	(25.6)
Depreciation expense	–	–	(29.3)[1]	(40.8)	(70.1)
Closing balance	2.0	18.9	206.3	115.0	342.2
Cost	2.3	18.9	399.3	469.8	890.3
Accumulated depreciation	(0.3)	–	(193.0)	(354.8)	(548.1)
Closing balance	2.0	18.9	206.3	115.0	342.2

1 Includes $4.4 million of accelerated depreciation.

RESTATED 2015 $M	FREEHOLD LAND AND BUILDINGS	LEASEHOLD LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
Net book value						
Opening balance	0.8	–	39.5	183.6	176.7	400.6
Additions	3.5	39.4	70.7	5.7	31.4	150.7
Capitalised borrowing costs	–	–	–	0.7	–	0.7
Capitalisation of Assets Under Construction	–	–	(56.2)	35.6	20.6	–
Disposals	–	–	–	(2.6)	–	(2.6)
Impairment	–	–	–	–	(2.9)	(2.9)
Reclassified as held for sale	–	(39.2)	–	–	–	(39.2)
Depreciation expense	(0.3)	(0.2)	–	(26.5)[1]	(44.6)	(71.6)
Closing balance	4.0	–	54.0	196.5	181.2	435.7
Cost	4.3	–	54.0	367.8	537.2	963.3
Accumulated depreciation	(0.3)	–	–	(171.3)	(356.0)	(527.6)
Closing balance	4.0	–	54.0	196.5	181.2	435.7

1 Includes $3.0 million of accelerated depreciation.

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation commences once an asset is available for use and 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 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:

CLASS OF PROPERTY, PLANT AND EQUIPMENT	USEFUL LIFE
Freehold land	Not depreciated
Buildings on freehold land	40 years
Leasehold improvements	1 – 20 years
Plant and equipment	3 – 20 years

Further disclosures relating to the assessment of the recoverable amount of the Group's non-financial assets including property, plant and equipment is provided in Note B2.

B4. Other intangible assets

2016 $M	HCP CONTRACTUAL RELATIONSHIPS	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	**163.9**	**87.0**	**14.9**	**19.5**	**285.3**
Additions	**73.2**	**13.1**	**–**	**7.9**	**94.2**
Capitalisation of Intangible Assets Under Construction	**–**	**18.9**	**–**	**(18.9)**	**–**
Disposals	**(1.7)**	**(0.2)**	**–**	**–**	**(1.9)**
Impairment	**(3.6)**	**(20.6)**	**(3.1)**	**–**	**(27.3)**
Amortisation expense	**(66.9)**	**(20.6)**[1]	**(3.3)**	**–**	**(90.8)**
Disposal of subsidiary	**–**	**(38.8)**	**–**	**–**	**(38.8)**
Closing balance	**164.9**	**38.8**	**8.5**	**8.5**	**220.7**
Cost	**512.9**	**143.0**	**35.5**	**8.5**	**699.9**
Accumulated amortisation	**(348.0)**	**(104.2)**	**(27.0)**	**–**	**(479.2)**
Closing balance	**164.9**	**38.8**	**8.5**	**8.5**	**220.7**

1 Includes $4.2 million of amortisation included within discontinued operations.

The copyright in computer software programs with a written down value of $nil as at 30 June 2015 was disposed of during the current year as part of the disposal of Health Communication Network Limited.

RESTATED 2015 $M	HCP CONTRACTUAL RELATIONSHIPS	IT SOFTWARE	LICENCES	INTANGIBLES UNDER CONSTRUCTION	TOTAL
Net book value					
Opening balance	156.9	88.7	6.4	19.2	271.2
Additions	73.0	6.0	12.8	18.9	110.7
Capitalisation of Intangible Assets Under Construction	–	18.6	–	(18.6)	–
Impairment	(3.5)	–	–	–	(3.5)
Amortisation expense	(62.5)	(26.3)[1]	(4.3)	–	(93.1)
Closing balance	163.9	87.0	14.9	19.5	285.3
Cost	544.7	223.6	43.4	19.5	831.2
Accumulated amortisation	(380.8)	(136.6)	(28.5)	–	(545.9)
Closing balance	163.9	87.0	14.9	19.5	285.3

1 Includes $5.9 million of amortisation included within discontinued operations and accelerated amortisation of $5.2 million.

Intangible assets acquired separately or developed internally are recognised initially at cost. Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition intangible assets are recognised at cost less amortisation and impairment (if any).

An internally-generated intangible asset arising from development is only recognised once the feasibility, intention and ability to complete the intangible asset can be demonstrated. Any expenditure on research activities is recognised as an expense when incurred.

All intangible assets have a finite life and are amortised on a straight-line basis over their estimated useful life. 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 for each class of asset:

CLASS OF OTHER INTANGIBLES	USEFUL LIFE
HCP contractual relationships	Life of the contractual agreement (typically 5 years)
IT software	3 – 10 years
Licences	3 – 8 years

Further disclosures relating to the assessment of the recoverable amount of the Group's non-financial assets including other intangibles is provided in Note B2.

B4. Other intangible assets (continued)

Accounting estimates and judgements – Other intangible assets

Judgement must be exercised when determining whether it is appropriate to capitalise costs related to internally developed intangible assets, in particular costs related to the development of IT software. Judgement is also required when estimating the expected useful life of other intangible assets and the period over which these assets are amortised.

Details of estimation uncertainty relating to the assessment as to whether other intangible assets are impaired are set out in Note B2.

B5. Payables

	2016 $M	RESTATED 2015 $M
Current		
Trade payables and accruals	**156.5**	139.0
Payables and accruals relating to acquisitions	**15.7**	23.9
Accrued interest	**2.3**	6.7
Deferred revenue	**6.5**	15.5
	181.0	185.1
Non-current		
Trade payables and accruals	**6.8**	3.5
Payables and accruals relating to acquisitions	**1.0**	3.6
	7.8	7.1

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.

B6. Provisions

	2016 $M	2015 $M
Current		
Provision for employee benefits	**77.6**	70.4
Self-insurance provision	**4.2**	3.2
Insurance provision	**–**	2.8
Other provisions	**5.4**	–
	87.2	76.4
Non-current		
Provision for employee benefits	**6.9**	7.9
Self-insurance provision	**0.8**	1.7
Other provisions	**3.5**	–
	11.2	9.6

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).

B6. Provisions (continued)

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.

Other

The Group recognises other provisions, which include:

- make good provisions where under certain lease agreements the Group has an obligation to restore the leased premises to a specified condition at the end of the lease term; and
- onerous lease provisions whereby the unavoidable cost of future lease payments under non-cancellable operating leases exceeds the future economic benefits expected to be obtained under the lease.

C. Financing and capital structure

This section contains details of the way the business is financed including details around debt and equity, the key financial risks that Primary faces and how they are managed and accounting policies and key assumptions relevant to the borrowings and equity.

C1. Interest-bearing liabilities

	2016 $M	2015 $M
Current		
Gross bank loans	**1.9**	3.0
Finance lease liabilities	**0.1**	0.2
Retail Bonds	**–**	152.3
	2.0	155.5
Non-current		
Gross bank loans	**905.0**	1,061.9
Unamortised borrowing costs	**(8.7)**	(11.9)
	896.3	1,050.0

The Group's Retail Bonds matured on 28 September 2015 and were redeemed.

Interest-bearing liabilities are recorded initially at fair value (usually the amount of the proceeds received) less 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 term of the interest-bearing liability using the effective interest method.

Interest rate sensitivity and liquidity analysis disclosures relating to the Group's interest-bearing liabilities is disclosed in Note C4.

C2. Issued capital

	2016 NO. OF SHARES 000'S	2015 NO. OF SHARES 000'S	2016 $M	2015 $M
Opening balance	**515,999**	505,660	**2,407.3**	2,366.3
Shares issued via Dividend Reinvestment Plan	**3,899**	8,881	**15.5**	41.0
Shares issued via Bonus Share Plan	**1,535**	1,458	**–**	–
Closing balance	**521,433**	515,999	**2,422.8**	2,407.3

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

Transaction costs that are incurred directly in connection with 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.

Share options on issue

As at 30 June 2016, the company has 2,272,500 (2015: 5,035,000) share options on issue, exercisable on a 1:1 basis for 2,272,500 (2015: 5,035,000) ordinary shares of Primary at an average exercise price of $5.91 (2015: $5.91). The options expire between November 2016 and May 2019 (2015: August 2015 and May 2019) and carry no rights to dividends and no voting rights. 147,500 options expired (unexercised) after 30 June 2016 and before the date of this Report.

C3. Dividends on equity instruments

	2016 CENTS PER SHARE	2015 CENTS PER SHARE	2016 $M	2015 $M
Recognised amounts				
Final dividend – previous financial year	**11.0**	11.0	**56.8**	55.6
Interim dividend – this financial year	**5.6**	9.0	**29.2**	46.1
Dividend forgone under the Bonus Share Plan	**–**		**(6.1)**	(6.9)
	16.6	20.0	**79.9**	94.8
Unrecognised amounts				
Final dividend – this financial year	**6.4**	11.0		

In respect of FY 2016:

- an interim dividend of 5.6cps (50% franked), was paid to the holders of fully paid ordinary shares on 29 March 2016; and
- the Directors have approved the payment of a final dividend of 6.4cps (100% franked), to the holders of fully paid ordinary shares, the record date being 2 September 2016, payable on 19 September 2016.

In the prior year the Company offered a Dividend Reinvestment Plan ("DRP") and a Bonus Share Plan ("BSP") however these plans were both suspended as of 16 February 2016 until further notice.

FRANKING ACCOUNT	2016 $M	2015 $M
Closing balance as at 30 June	**39.8**	14.2

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.

C4. Financial instruments

Financial Risk Management

Overview

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of risk management and this is delegated through the Group's:

- Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies (excluding financial reporting risks); and.
- Audit Committee, which is responsible for developing and monitoring the Group's financial reporting risk management policies.

The committees report regularly to the Board of Directors on their 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 (in relation to material business risks excluding financial reporting risks) and Audit Committee (in relation to financial reporting risks) 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.

C4. Financial instruments (continued)

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 cash and derivatives held with financial institutions and trade receivables due from external customers. The credit risk on cash and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies. The Group's maximum exposure to credit risk from trade receivables is equal to the carrying amount of the Group's trade receivables as at the reporting date of $99.2 million (30 June 2015: $94.7 million). The ageing of the Group's trade receivables and an analysis of the Group's provision for doubtful debts is provided in Note B1.

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.

Liquidity risk

Liquidity risk refers 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.

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

	2016 $M	2015 $M
Financing facilities		
Current		
Secured Loan Facility		
Amount used	1.9	3.0
Amount unused	–	–
Non-current		
Unsecured Syndicated Debt Facilities		
Amount used	905.0	1,060.0
Amount unused	345.0	190.0
Secured Loan Facility		
Amount used	–	1.9
Amount unused	18.1	15.1
Total amount used	906.9	1,064.9
Total amount unused	363.1	205.1
Total financing facilities	1,270.0	1,270.0

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		
2016	CARRYING AMOUNT $M	TOTAL $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M
Consolidated				
Non-derivative financial liabilities				
Gross bank loan	906.9	996.5	32.3	964.2
Payables	182.3	182.3	174.5	7.8
Finance lease liabilities	0.1	0.1	0.1	–
	1,089.3	1,178.9	206.9	972.0
Derivative financial liabilities				
Interest rate swaps	11.4	11.5	10.7	0.8

C4. Financial instruments (continued)

The repayment of contractual cash flows due in the period less than one year from 30 June 2016 will be met through the ordinary working capital cycle of the Group, including the collection of trade receivables (30 June 2016: $99.2 million) and the unused headroom in the Syndicated Debt Facility.

2015	CARRYING AMOUNT $M	CONTRACTUAL CASH FLOWS TOTAL $M	LESS THAN 1 YEAR $M	1 TO 5 YEARS $M
Consolidated				
Non-derivative financial liabilities				
Gross bank loan	1,064.9	1,241.2	44.5	1,196.7
Retail bonds	152.3	154.8	154.8	–
Payables	176.7	176.7	169.9	6.8
Finance lease liabilities	0.3	0.3	0.2	0.1
	1,394.2	1,573.0	369.4	1,203.6
Derivative financial liabilities				
Interest rate swaps	19.1	19.5	11.8	7.7

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. Interest rate risk is managed by the Group by the use of interest rate swap contracts (cash flow hedges), executed by authorised representatives of the Group within limits approved by the Risk Management Committee.

The following table details the Group's exposure to interest rate risk on non-derivative financial assets and financial liabilities as at 30 June 2016.

2016	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	FIXED INTEREST RATE LESS THAN 1 YEAR $M	1 TO 5 YEARS $M	TOTAL $M
Financial assets					
Cash	2.06	82.3	–	–	82.3
Financial liabilities					
Finance leases	6.44	–	(0.1)	–	(0.1)
Gross bank loan	3.55	(905.0)	(1.9)	–	(906.9)
		(822.7)	(2.0)	–	(824.7)

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.

2016	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest Rate Swaps			
Less than 1 year	4.80	600.0	(0.7)
1 to 2 years	4.64	700.0	(10.7)
			(11.4)

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2016 was $1,300 million. Included in this amount are $475 million of forward dated interest rate swap contracts which commence in the 2017 financial year.

C4. Financial instruments (continued)

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.

2015	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $M	FIXED INTEREST RATE: LESS THAN 1 YEAR $M	FIXED INTEREST RATE: 1 TO 5 YEARS $M	FIXED INTEREST RATE: >5 YEARS $M	TOTAL $M
Financial assets						
Cash	2.25	50.0	–	–	–	50.0
Investments	4.68	–	3.1	5.1	0.5	8.7
Financial liabilities						
Finance leases	6.44	–	(0.2)	(0.1)	–	(0.3)
Gross bank loan	4.18	(1,060.0)	(3.0)	(1.9)	–	(1,064.9)
Retail bonds	6.61	(152.3)	–	–	–	(152.3)
		(1,162.3)	(0.1)	3.2	0.5	(1,158.8)

The following table details the interest rate contracts outstanding as at 30 June 2015.

2015	AVERAGE CONTRACTED FIXED INTEREST RATE %	NOTIONAL PRINCIPAL $M	FAIR VALUE $M
Interest Rate Swaps			
Less than 1 year	5.24	977.3	(1.8)
1 to 2 years	4.79	600.0	(7.9)
2 to 5 years	4.63	700.0	(9.5)
			(19.2)

The aggregate notional principal amount of the outstanding interest rate swap contracts as at 30 June 2015 was $2,277.3 million. Included in this amount are $1,300.0 million of forward dated interest rate swap contracts, of which $825.0 million commenced in FY 2016 and $475.0 million commences in FY 2017.

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. 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: 50BP INCREASE $M	PROFIT AFTER TAX: 50BP DECREASE $M	OTHER COMPREHENSIVE INCOME: 50BP INCREASE $M	OTHER COMPREHENSIVE INCOME: 50BP DECREASE $M
Consolidated				
30 June 2016 – variable rate instruments	**(1.5)**	**1.5**	**3.5**	**(3.5)**
30 June 2015 – variable rate instruments	(0.9)	0.9	7.5	(7.5)

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

C4. 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.

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 consolidated statement of profit or loss.

Payments under 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 statement of profit or loss over the period that the floating rate interest payments on the underlying financial liability affect the statement of profit or loss.

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

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. 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 (ie. as prices) or indirectly (ie. 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).

Carrying Amount

2016 $M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Other investments	**–**	**–**	**1.3**	**1.3**
Financial Liabilities				
Interest rate swaps	**–**	**11.4**	**–**	**11.4**

2015 $M	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Available-for-sale investments	26.7	–	–	26.7
Held-to-maturity investments	9.4	–	–	9.4
Other investments	–	–	1.3	1.3
Financial Liabilities				
Interest rate swaps	–	19.0	–	19.0

There were no transfers between levels during the period.

C4. Financial instruments (continued)

Other risks

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.

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 and providing a stable capital base from which Primary can pursue its corporate strategic objectives.

The capital structure of the Group consists of debt, which includes the interest-bearing liabilities disclosed in Note C1, 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 on a long term basis from committed long term revolving bank facilities and through recycling capital in order to meet anticipated funding requirements.

C5. Commitments for expenditure

	2016 $000	2015 $M
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	**191.5**	165.5
Later than 1 year but not later than 5 years	**365.6**	304.3
Later than 5 years	**52.3**	56.5
	609.4	526.3
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	**46.1**	9.4
Later than 1 year but not later than 5 years	**2.3**	–
	48.4	9.4

Operating lease terms

Operating leases relate to:

- Premises for medical centres and pathology and imaging sites as well as corporate offices and have lease terms of between one and twenty years; and
- Diagnostic Imaging equipment with lease terms of between one and five years.

D. Group structure

This section contains details of the way the business is structured including details of controlled entities and changes to the group structure during the year and the financial impact of these changes.

D1. 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 2016 %	2015 %
Primary Health Care Limited	Australia		
Former AP Pty Ltd [1]	Australia	**100**	100
Former SDS Pty Limited	Australia	**100**	100
Health Communication Network Limited [2]	Australia	**–**	100
Phoenix Medical Publishing Pty Ltd [2]	Australia	**–**	100
Idameneo (No. 123) Pty Ltd	Australia	**100**	100
Austrials 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
Amokka Java Pty Limited	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
Orana Services Pty Ltd [4]	Australia	**100**	50
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
Jandale Pty Ltd	Australia	**100**	100

D1. Subsidiaries (continued)

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2016 %	2015 %
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. [5]	Philippines	**99.98**	99.98
Specialist Diagnostic Services (India) Private Limited [6]	India	**100**	100
Specialist Haematology Oncology Services Pty Ltd	Australia	**100**	100
Specialist Veterinary Services Pty Ltd	Australia	**100**	100
Primary (Camden) Pty Ltd	Australia	**100**	100
Primary (Camden) Property Trust	Australia	**100**	100
Primary (Richmond) Pty Ltd	Australia	**100**	100
Primary (Greensborough) Property Sub Trust	Australia	**100**	–
Primary PST Pty Ltd [3]	Australia	**100**	–
Primary (Richmond) Property Trust	Australia	**100**	100
Primary (Robina) Property Sub Trust	Australia	**100**	–
Primary Millers Point Pty Ltd	Australia	**100**	100
Primary Millers Point Property Trust	Australia	**100**	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
Primary Health Insurance Pty Ltd	Australia	**100**	100
Transport Health Pty Ltd [2]	Australia	**–**	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 Abbott Pathology Pty Ltd effective 1 July 2015.
2 Disposed during the financial year.
3 Incorporated on 13 November 2015.
4 Previously classified as a joint venture entity. Remaining 50% interest acquired during the financial year on dissolution of the joint venture.
5 Entity has a 31 December year end.
6 Entity has a 31 March year end.

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 D2); or
- they are small proprietary companies; or
- their trust deeds do not specify these requirements.

D2. 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

Primary Health Care Limited has entered into a Deed of Cross Guarantee with certain of its wholly-owned subsidiaries. The holding entity and subsidiaries, subject to the Deed of Cross Guarantee as at 30 June 2016 are as follows:

Austrials Pty Ltd
Digital Diagnostic Imaging Pty Ltd
Former AP Pty Ltd (formerly Abbott Pathology Pty Ltd)
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
Moaven & Partners Pathology 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
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

The only change to the entities subject to the Deed of Cross Guarantee in the current period is the removal of Health Communication Network Limited and Phoenix Medical Publishing Pty Ltd effective 9 December 2015.

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 2016 are materially consistent with the Group's consolidated statement of profit or loss and consolidated statement of financial position disclosed elsewhere in this financial report.

D3. Businesses and subsidiaries acquired

2016

During the current year members of the Group continued to acquire healthcare practices to expand their existing businesses. Individually the financial impact of the acquisitions is not material and accordingly the disclosures below have been made in aggregate.

There were no controlled entities acquired during 2016.

2015

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 Insurance on the Group's results for the prior period was not material.

Healthcare practices

During the comparative period members of the Group continued to acquire healthcare practices to expand their existing businesses.

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

Healthcare practices acquired

THE NET CASH PAYMENT TO ACQUIRE HEALTHCARE PRACTICES IS RECONCILED AS FOLLOWS:	2016 $M	2015 $M
Fair value of identifiable net assets acquired	**0.5**	6.0
Goodwill	**9.5**	24.0
Consideration:		
Total consideration transferred	**10.0**	30.0
(Increase)/decrease in deferred consideration	**5.2**	(11.5)
Payment for healthcare practices	**15.2**	18.5
Less cash acquired	**–**	–
Net payment for the purchase of healthcare practices	**15.2**	18.5

Included within the following items in the statement of cash flows:

Payments for Medical centres healthcare practitioners	**1.2**	17.9
Payments for Pathology healthcare practices	**14.0**	–
Payments for Imaging healthcare practitioners	**–**	0.6
	15.2	18.5

Business combinations

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

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

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

Where Primary acquire a healthcare practice 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 the transaction is considered to be a business combination under AASB 3 *Business Combinations* and:

- the contractual relationship with the healthcare professional is separately identified and valued as an intangible asset;
- the value of that intangible asset is amortised over the life of the contractual agreement, which is usually five years; and
- a deferred tax liability is recognised in relation to the intangible asset, then

in the absence of any other identifiable intangibles, the residual of the purchase price is allocated to goodwill in accordance with AASB 3.

D4. Subsidiaries disposed and discontinued operations

Health Communication Network Limited (MedicalDirector)

On 18 May 2016 the Group disposed of 100% of its shareholding in Health Communication Network Limited ("HCN"). The operations of HCN comprised the Health Technology segment and have been classified as a discontinued operation and disclosed as such in the Statement of Profit or Loss in both the current and comparative period.

GAIN ON DISPOSAL	2016 $M
Cash consideration net of transaction costs	149.9
Carrying amount on disposal	109.7
Net gain on disposal of controlled entities before tax	40.2
Carrying value of assets and liabilities disposed	
Cash	1.0
Receivables	5.7
Goodwill	65.1
Property, plant and equipment	0.9
Intangibles	38.8
Deferred tax asset	7.3
Payables	(6.1)
Provisions	(3.0)
Net assets disposed	109.7
Cash flows resulting from sale	
Cash consideration net of transaction costs[1]	153.7
Cash disposed	(1.0)
Net cash inflow	152.7

1 Certain transaction costs are accrued as at 30 June 2016 and are therefore not included within the net cash inflow.

The financial performance and cash flow information for HCN presented below are for the period 1 July 2015 to 18 May 2016 and the year ended 30 June 2015. The comparative profit and cash flows from discontinued operations have been re-presented to include the operations of HCN that have been classified as discontinued in the current year.

	2016 $M	2015 $M
Profit for the period from discontinued operations		
Revenue	37.5	38.2
Expenses	27.2	24.3
Profit before tax and before gain on sale of discontinued operations	10.3	13.9
Gain on sale of discontinued operations	40.2	–
Profit before tax	50.5	13.9
Income tax expense from discontinued operations before gain on sale of assets	0.7	3.3
Income tax expense on gain on sale of assets	13.3	–
Profit for the year from discontinued operations	36.5	10.6

	2016 $M	2015 $M
Cash flows from discontinued operations		
Net cash from operating activities	10.3	19.7
Net cash (used in) investing activities	(11.8)	(13.1)
Net cash from/(used in) financing activities	–	–
Net cash flow for the year	(1.5)	6.6

Transport Health Pty Ltd

On 30 June 2016 the Group disposed of 100% of its shareholding in Transport Health Pty Ltd. The proceeds received on disposal (net of cash disposed) was $19.3 million.

D5. 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 statement of financial position of Primary Health Care Limited at the end of the financial year is as follows:

STATEMENT OF FINANCIAL POSITION	2016 $M	2015 $M
Assets		
Current	**54.1**	31.5
Non-current	**2,720.5**	3,067.1
Total assets	**2,774.6**	3,098.6
Liabilities		
Current	**18.7**	180.1
Non-current	**906.3**	1,058.6
Total liabilities	**925.0**	1,238.7
Net assets	**1,849.6**	1,859.9
Equity		
Issued Capital	**2,442.7**	2,427.2
Accumulated losses	**(587.2)**	(556.6)
Cash flow hedge reserve	**(8.0)**	(13.4)
Share-based payments reserve	**2.1**	2.7
Total equity	**1,849.6**	1,859.9

The statement of comprehensive income of Primary Health Care Limited for the financial year is as follows:

STATEMENT OF COMPREHENSIVE INCOME	2016 $M	2015 $M
Profit/(loss) for the year	**51.3**	(77.3)
Other comprehensive (loss)	**(5.4)**	(3.6)
Total comprehensive income/(loss)	**45.9**	(80.9)

E. Other disclosures

This section contains details of other items required to be disclosed in order to comply with accounting standards and other pronouncements.

E1. Notes to the statement of cash flows

	2016 $M	RESTATED 2015 $M
Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
Profit attributable to equity holders	**74.7**	127.5
Depreciation of plant and equipment	**70.1**	71.6
Amortisation of intangibles	**86.6**	87.2
Amortisation of borrowing costs	**4.6**	5.4
Net loss (profit) on sale of property plant and equipment	**(0.2)**	2.6
(Profit) on sale of investments	**(60.5)**	(1.0)
Impairment and non-cash write-offs	**87.3**	38.6
Non-controlling interest	**(0.2)**	–
Increase (decrease) in:		
Trade payables and accruals	**9.9**	(21.8)
Provisions	**2.0**	20.1
Deferred revenue	**1.6**	2.5
Tax balances	**19.3**	(74.4)
Share option reserve	**0.7**	0.1
Decrease (increase) in:		
Consumables	**(2.5)**	(1.0)
Receivables and prepayments	**(8.3)**	(18.0)
Net cash provided by operating activities	**285.1**	239.4

Non-cash investing and financing

During the financial year 3,899,358 (2015: 8,881,468) and 1,534,600 (2015: 1,457,533) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the cash flow statement.

E2. Tax balances

Current tax balances

	2016 $M	RESTATED 2015 $M
Income tax receivable is attributable to:		
Entities in the Tax Consolidated Group	**6.0**	44.2
Other	**(0.3)**	0.1
	5.7	44.3

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

E2. Tax balances (continued)

Reconciliation of deferred tax balances

2016 $M	1 JULY 2015 OPENING BALANCE RESTATED	CHARGED TO INCOME	CHARGED TO EQUITY	DISPOSALS	30 JUNE 2016 CLOSING BALANCE
Receivables	(5.7)	3.1	–	–	(2.6)
Consumables	(7.9)	1.7	–	–	(6.2)
Prepayments	(0.6)	(1.5)	–	–	(2.1)
Available-for-sale financial assets	(1.6)	–	1.6	–	–
Property, plant and equipment	5.9	6.4	–	–	12.3
Intangibles	3.7	(5.9)	–	(7.9)	(10.1)
Capitalised costs	(15.5)	1.7	–	1.2	(12.6)
Payables	2.1	10.1	–	–	12.2
Provisions	26.7	11.4	–	(0.6)	37.5
Other financial liabilities	5.6	–	(2.3)	–	3.3
Net temporary differences	12.7	27.0	(0.7)	(7.3)	31.7
Tax losses – revenue	1.8	–	–	–	1.8
Deferred tax asset	14.5	27.0	(0.7)	(7.3)	33.5

RESTATED 2015 $M	1 JULY 2014 OPENING BALANCE RESTATED	CHARGED TO INCOME	CHARGED TO EQUITY	30 JUNE 2015 CLOSING BALANCE
Receivables	(3.6)	(2.1)	–	(5.7)
Consumables	(8.0)	0.1	–	(7.9)
Prepayments	(0.5)	(0.1)	–	(0.6)
Available-for-sale financial assets	(2.9)	–	1.3	(1.6)
Property, plant and equipment	11.9	(6.0)	–	5.9
Intangibles	4.3	(0.6)	–	3.7
Capitalised costs	(12.8)	(2.7)	–	(15.5)
Payables	1.6	0.5	–	2.1
Provisions	19.6	7.1	–	26.7
Other financial liabilities	4.2	(0.1)	1.5	5.6
Net temporary differences	13.8	(3.9)	2.8	12.7
Tax losses – revenue	2.2	(0.4)	–	1.8
Deferred tax asset	16.0	(4.3)	2.8	14.5

Deferred tax arises when there are temporary differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. Deferred taxes are not recognised for temporary differences relating to:

- the initial recognition of assets and liabilities that is not a business combination which affects neither taxable income nor accounting profit;
- the initial recognition of goodwill; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

E2. Tax balances (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by reporting date.

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.

Tax consolidation

Primary Health Care Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. The entities in the income tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the entities' joint and several liability in the case of an income tax payment default by the head entity, Primary Health Care Limited.

The entities have also entered into a tax funding agreement under which the entities fully compensate Primary Health Care Limited for any current income 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 income tax consolidation legislation.

E3. Contingent liabilities

	2016 $M	2015 $M
Treasury bank guarantees		
Workers compensation statutory requirement	**18.9**	18.9
Other	**10.8**	9.3
	29.7	28.2

E4. Assets classified as held-for-sale

In the prior year the Barangaroo office site was classified as held-for-sale as a sales process had commenced. During the current year the Barangaroo office site was sold with settlement occurring in March 2016.

E5. Related party disclosures

Transactions within the wholly-owned Group

Loans between wholly-owned entities in the 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 wholly-owned entities within the Group at commercial rates.

E6. Key management personnel disclosures

Key management personnel compensation

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

	2016 $000	2015 $000
Other employee benefits	**7,295**	7,823
Post-employment benefits	**119**	179
Termination payments	**1,502**	1,500
	8,916	9,502

Transactions with Dr Bateman

During the year ended 30 June 2016, Primary conducted certain transactions with Dr Edmund Bateman, who had held the office of Managing Director and 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 2016, Primary paid legal costs (incurred in the year ended 30 June 2015) in relation to legal proceedings, the details of which were disclosed in the Company's 2015 Annual Report.

The proceedings have been settled on confidential terms and no further legal costs are anticipated in relation to the proceedings.

Legal costs of $869,122 were paid in FY 2016 in relation to the proceedings. Payments of legal costs for the proceedings in periods FY 2010–2015 totalled $795,404.

As at 30 June 2015 Primary had recognised a receivable from Dr Bateman in the amount of $125,000 in relation to the above proceedings. During FY 2016, as part of the Group's balance sheet review, the receivable from Dr Bateman of $125,000 was written off and accordingly the amount receivable from Dr Bateman as at 30 June 2016 is $nil.

Consultancy services provided by Dr Bateman since his retirement as Managing Director and CEO

Since Dr Bateman's retirement as Managing Director and CEO, 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 per month (plus GST and adjusted for superannuation contributions). 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 2016 totalled $76,195 (2015: $460,087). During this period (or subsequently) Dr Bateman was not paid any fees in relation to his role as a Non-executive Director of Primary.

E6. Key management personnel disclosures (continued)

Transactions with Dr Paul Jones

During the year ended 30 June 2016 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 FY 2016 were $95,073 (FY 2015: $116,061). This Service fee 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 2016 (2015: nil) and the provision of the Services continues as at the date of this financial report.

Other transactions with key management personnel

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

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

E7. Remuneration of auditor

	2016 $000	2015 $000
Auditing the financial report	**1,038**	1,300
Internal controls and compliance	**369**	454
Other services:		
Tax consulting	**152**	404
Advisory	**254**	200
	1,813	2,358

E8. Adoption of new and revised standards

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

A number of amendments to AASBs issued by the Australian Accounting Standards Board ("AASB") are mandatorily effective for an accounting period that begins on or after 1 July 2015 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.

Standards on issue not yet adopted

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

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

E8. Adoption of new and revised standards (continued)

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

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 this standard is that an entity will recognise revenue when it transfers promised goods or services to customers for an amount that reflects its expected consideration. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, ie. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Standard 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.

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 16 *Leases*	1 January 2019	30 June 2020

AASB 16 will remove the distinction between operating and finance leases resulting in almost all leases being recognised by lessees as an asset and a liability on the statement of financial position except for short-term leases and leases of low value assets. The new standard also provides enhanced guidance on identifying whether a contract contains a lease and includes enhanced disclosure requirements.

The Directors are yet to assess the impact of the application at AASB 16.

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.

E9. Prior period restatement – correction of error

Prior period re-statement – correction of error

Following a detailed review of the balance sheet a number of adjustments were identified whereby certain assets were impaired and provisions were understated. Where these adjustments arose as a result of information that existed in prior periods but was incorrectly taken into consideration when assessing the carrying amount of assets and the adequacy of liabilities the errors are prior period errors that have been corrected by restating each of the affected financial statement line items for the prior periods as set out below. There is no impact on the statement of cash flows for the prior period arising from the correction of the prior period errors.

Impact on the consolidated statement of profit or loss for the year ended 30 June 2015 (Extract)

	NOTE	RESTATED 30 JUNE 2015 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2015[1] $M
Revenue		**1,579.7**	(0.6)	1,580.3
Significant items		**38.0**	7.8	30.2
EBITDA		**231.4**	(8.4)	239.8
Depreciation		**71.6**	3.0	68.6
EBIT		**72.6**	(11.4)	84.0
Profit before tax		**6.1**	(11.4)	17.5
Income tax (benefit)/expense		**(110.8)**	2.4	(108.4)
Profit for the period		**116.9**	(9.0)	125.9

1 After adjusting to exclude the operations of HCN that have been classified as discontinued in the current year (refer Note D4).

Impact on the consolidated statement of financial position as at 30 June 2015 (Extract)

	NOTE	RESTATED 30 JUNE 2015 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2015 $M
Current receivables		**145.3**	(2.0)	147.3
Tax receivable		**44.3**	2.2	42.1
Property, plant and equipment		**435.7**	(33.2)	468.9
Other intangibles assets		**285.3**	(4.7)	290.0
Deferred tax asset		**14.5**	10.1	4.4
Current payables		**185.1**	4.4	180.7
Net assets		**2,415.4**	(32.0)	2,447.4
Retained earnings		**12.2**	(32.0)	44.2
Total equity		**2,415.4**	(32.0)	2,447.4

E9. Prior period restatement – correction of error (continued)

Impact on the consolidated statement of financial position as at 30 June 2014 (Extract)

	NOTE	RESTATED 30 JUNE 2014 $M	RESTATEMENT INCREASE/ (DECREASE) $M	AS REPORTED 30 JUNE 2014 $M
Current receivables		**148.5**	(1.4)	149.9
Property, plant and equipment		**400.5**	(27.4)	427.9
Other intangibles assets		**271.2**	(1.2)	272.4
Deferred tax asset		**16.0**	8.6	7.4
Current payables		**156.9**	2.9	154.0
Tax liabilities		**31.6**	(1.3)	32.9
Net assets		**2,348.2**	(23.0)	2,371.2
Retained earnings		**(27.9)**	(23.0)	(4.9)
Total equity		**2,348.2**	(23.0)	2,371.2

Impact on earnings per share for the year ended 30 June 2015

EARNINGS PER SHARE (CONSOLIDATED)	NOTE	RESTATED 2015 CENTS PER SHARE	RESTATEMENT INCREASE/ (DECREASE) CENTS PER SHARE	AS REPORTED 2015[1] CENTS PER SHARE
Basic and diluted earnings per share from continuing operations		**22.8**	(1.8)	24.6
Basic and diluted earnings per share from continuing and discontinued operations		**24.9**	(1.8)	26.7

1 After adjusting to exclude the operations of HCN that have been classified as discontinued in the current year (refer Note D4).

E10. Subsequent events

There has not been any 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.

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 6
203 Pacific Highway
ST LEONARDS NSW 2065
(02) 9432 9400

Company's Principal Administrative Office

(and location of Register of Option Holders)
Level 6
203 Pacific Highway
ST LEONARDS NSW 2065
(02) 9432 9400

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 2016

Ordinary share capital

521,432,903 fully paid ordinary shares are held by 18,868 individual shareholders.

All issued ordinary shares carry one vote per share.

2,165,000 unlisted share options have been granted to 101 persons.

Share options do not carry any voting rights.

5. Distribution of shareholders as at 31 August 2016

NUMBER OF SHARES HELD	INDIVIDUALS
1 – 1000	4,921
1,001 – 5000	9,445
5,001 – 10,000	2,815
10,000 – 100,000	1,598
100,001 – 999,999,999	89
Total	18,868

801 shareholders hold less than a marketable parcel of shares.

6. Top 20 shareholders as at 31 August 2016

RANK	NAME	SHARES	% OF SHARES
1.	J P Morgan Nominees Australia Limited	107,667,406	20.65
2.	Citicorp Nominees Pty Limited	91,763,410	17.60
3.	HSBC Custody Nominees (Australia) Limited	88,473,926	16.97
4.	National Nominees Limited	53,599,648	10.28
5.	Jangho Health Care Australia Pty Ltd	24,089,329	4.62
6.	BNP Paribas Noms Pty Ltd <DRP>	12,729,297	2.44
7.	Idameneo (No 122) Pty Ltd	10,094,082	1.94
8.	Argo Investments Limited	6,808,917	1.31
9.	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	5,026,566	0.96
10.	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	2,580,241	0.49
11.	Rinrim Pty Limited	2,500,000	0.48
12.	BKI Investment Company Limited	2,484,500	0.48
13.	HSBC Custody Nominees (Australia) Limited <NT- Comnwlth Super Corp A/C>	2,036,842	0.39
14.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,666,425	0.32
15.	Charado Pty Ltd	1,435,488	0.28
16.	Mr Fei Wang	1,325,000	0.25
17.	T Batsakis Pty Ltd	1,296,865	0.25
18.	Navigator Australia Ltd <MLC Investment Sett A/C>	1,199,635	0.23
19.	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,076,770	0.21
20.	AMP Life Limited	935,945	0.18
Total		418,790,292	80.33

7. Substantial holders as at 31 August 2016

NAME	NUMBER OF FULLY PAID ORDINARY SHARES	% OF TOTAL ISSUED CAPITAL AS AT THE DATE OF EACH NOTICE
Jangho Group Co Ltd and its related bodies corporate	83,060,070	15.93%
Ellerston Capital Limited and its related bodies corporate	42,521,467	8.15%
Maple-Brown Abbott Limited	36,592,465	7.02%
Dimensional Entities	30,282,418	5.36%
Harris Associates LP	26,223,386	5.03%

Information in the table above is as per the most recent substantial holder notices received by Primary as at 31 August 2016.

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