Primary Health Care Limited

Annual Report for the Year Ended 30 June 2009

ACN 064 530 516

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Overview

$000	2009 Operating Earnings	2009 One-off items	2009 Total	2008 Total
Trading revenue	**1,329,303**	-	**1,329,303**	649,994
Trading expenses	**981,239**	-	**981,239**	474,890
Segment EBITDA	**348,064**	-	**348,064**	175,104
Other revenue	**7,264**	27,460	**34,724**	12,369
Operating EBITDA	**355,328**	27,460	**382,788**	187,473
Depreciation	**52,850**	-	**52,850**	30,033
Amortisation of intangibles	**14,927**	-	**14,927**	8,387
EBIT	**287,551**	27,460	**315,011**	149,053
Impairment of assets	**-**	-	**-**	10,415
Direct restructuring costs	**-**	7,500	**7,500**	27,689
Interest expense	**128,089**	-	**128,089**	84,263
Borrowing costs	**-**	29,781	**29,781**	17,991
Profit (loss) for the year before income tax	**159,462**	(9,821)	**149,641**	8,695
Income tax (benefit) expense	**42,878**	(11,545)	**31,333**	(1,789)
Profit for the year from continuing operations	**116,584**	1,724	**118,308**	10,484
(Loss) for the year from discontinued operations	**-**	(7,603)	**(7,603)**	(1,810)
Profit (loss) for the year	**116,584**	(5,879)	**110,705**	8,674
Profit attributable to minority interest	**2,203**	-	**2,203**	812
Profit attributable to members of the parent entity	**114,381**	(5,879)	**108,502**	7,862

Cents per share	**2009 Total**	**2008 Total**
Basic earnings per share – operating earnings[1]	32.0	20.7
Basic earnings per share – total[1]	28.1	2.5
Final dividend [2,3]	7.0	5.0
Interim dividend [2]	7.0	22.0
	14.0	27.0

[1] Diluted earnings per share is materially consistent with basic earnings per share.
[2] All dividends are fully franked at the corporate income tax rate (2009 30%, 2008 30%)
[3] The record date for determining entitlement to the final dividend is 11 September 2009 and is payable on 28 September 2009.

Highlights

The Directors of Primary Health Care Limited (Primary) are pleased to announce the results for the year ended 30 June 2009.

Key highlights of the full year results are:

- Segment EBITDA of $348.1m, up from $175.1m in the prior year.
- Margin improvement across all divisions.
- Symbion integration on track and synergies in line with expectations.
- EBITDA growth of 16.0% from the existing Primary large-scale Medical Centre business.
- Successful integration of New South Wales Pathology laboratories and upgrade of other laboratory facilities.
- Successful sale of Consumer and Pharmacy (C&P) businesses and reduction of debt facility by $780.0m.
- Successful recent equity raising via placements and share purchase plan totalling $342.5m.

Segment analysis

$000	Year ended 30 June 2009 Total	Year ended 30 June 2008 Total	6 months to 31 December 2008 Total
Revenue			
Medical Centres	**252,016**	**189,144**	122,475
Pathology	**737,363**	**310,278**	365,152
Imaging	**314,378**	**129,179**	162,211
Health Technology	**49,398**	**38,611**	22,498
Intersegment	**(23,852)**	**(17,218)**	(11,554)
Total	**1,329,303**	**649,994**	**660,782**
EBITDA			
Medical Centres	**140,892**	**105,512**	65,936
Pathology	**145,220**	**53,215**	62,985
Imaging	**54,842**	**19,524**	26,604
Health Technology	**16,818**	**11,362**	6,938
Corporate	**(9,708)**	**(14,509)**	(7,442)
Total	**348,064**	**175,104**	**155,021**
Margin			
Medical Centres	**55.9%**	**55.8%**	53.8%
Pathology	**19.7%**	**17.1%**	17.2%
Imaging	**17.4%**	**15.1%**	16.4%
Health Technology	**34.0%**	**29.4%**	30.8%
Total	**26.2%**	**26.9%**	**23.5%**

Note: Symbion was acquired 1 March 2008 and FY2008 results include only 4 months' results from Symbion. The 6 months results to 31 December 2008 have been included for comparison purposes.

Medical Centres

The integration of the Symbion Medical Centre business is progressing well. A total of 19 Symbion centres have been closed or merged into Primary's operations. Doctor retention from these sites remains strong. Symbion State office operations have been closed. Operational improvements and efficiencies have been made with the introduction of system controls and procedures. Upgrading of certain Symbion sites is underway.

The EBITDA/Revenue for the year was 55.9% compared to 53.8% for the first 6 months of FY2009 reflecting both the successful integration of Symbion centres and the maturing of large-scale Primary centres. The 2008 margin only included 4 months of the lower margin Symbion centres and is therefore not reflective of the significant improvements made to medical centre operations. Underlying EBITDA growth of the 45 large-scale Primary centres was 16%.

Primary has continued to roll-out its large-scale medical centres, with 45 of these operational by 30 June 2009 and the Group is on track to meet its target of 50 by 31 December 2009. The balance between roll-out of new centres and adding practices to centres with capacity will continue to be met. A total of 88 GP practices were bought during the year.

Pathology

Merger of the New South Wales based SDS and Laverty laboratories successfully occurred in the year. The further automation of the core laboratories in Western Australia, Queensland and Victoria is complete with ongoing upgrades in instrumentation scheduled to occur over FY2010.

EBITDA margin improved from 17.1% (FY2008) to 19.7% (FY2009). This improvement was the result of Primary's investment of expertise and capital. Consumables savings are beginning to be realised, but are occurring with timing slower than anticipated. Overall synergy targets are being met.

Revenue growth for the year was 1.0%. This was acceptable during a period of substantial transition and integration for the Pathology operations.

The May 2009 Federal Budget includes significant cuts to Medicare rebates for patients needing pathology services. The resultant increased costs for patients will be implemented throughout FY2010. The extent and timing of these changes are difficult to quantify at present.

Imaging

Imaging reported revenue of $314.4m and EBITDA of $54.8m. After allowing for closed sites, revenues were stable for the combined Primary and Symbion revenues compared to the prior period. EBITDA margins of the combined business have shown an improvement from 16.4% for the first 6 months of the year to 17.4% for the full year.

Imaging margins are expected to increase over the longer term, as improved productivity is achieved with the moving of more work to larger practices. Implementation of the technology update across the combined business is now well advanced.

The Imaging business continues to undergo significant structural change. A real reduction in workforce numbers has occurred. There is an introduction of productivity incentive schemes for staff. Change continues to involve disruption as occurred with industrial action in Victoria. A number of salaried radiologists have moved to the Primary model of private practice, percentage of billing. Together with the introduction of Primary's reporting technology this is expected, over the long term, to lead to better outcomes for patients, referrers, radiologists and shareholders.

The May 2009 Federal Budget included some funding increases to non-hospital diagnostic imaging service rebates for Medicare patients requiring these services. These increases, however, do not make significant inroads into the decade of under-funding of imaging rebates for patients.

Health Technology

Health Technology reported revenue growth of 28.0% in FY2009, to $49.4m, reflecting strong growth in Medical Director and other software products. EBITDA grew by 48.0% to $16.8m.

Subscription renewal rates remain strong for all products with additional revenues from programs to encourage e-claiming. Hospital applications EBITDA contribution was reduced slightly in a more challenging environment for that product. Underlying margins showed a real improvement from 29.4% to 34.0%.

Corporate costs

The integration of the Primary and Symbion management functions is complete. The anticipated annual synergies have been realised.

Other revenue

A former subsidiary of Symbion Health Limited ("Symbion"), FH Faulding & Co Limited ("Faulding") was a party to a supply agreement with Pan Pharmaceuticals Ltd ("Pan") pursuant to which it sourced approximately 30% of Symbion's Consumer Division's nutriceutical products. Pan was subsequently placed in liquidation, and Faulding lodged a proof of debt in the liquidation. Pan's liquidators have subsequently issued interim dividends to Symbion in the amount of approximately $10.1m including $5.1m received post the disposal of the Consumer business on 31 August 2008 and included in other revenue in FY2009.

Reduced Medicare rebates

The May 2009 Federal budget included significant reduction in Medicare rebates for patients who need pathology services. Additionally, there has been an ongoing effective reduction in rebates for patients needing most medical services.

These reductions of rebates for patients do not reduce the cost of healthcare provision. These reductions are cost shifting by the Federal Government to individuals who are in need of pathology services, GP services, or other specialist medical services. The Federal Finance Minister and the Federal Treasurer indicated these measures were necessary for the reduction of the Federal Governments budget deficit. While greater "user pays" together with a hoped for reduction in the Federal Government deficit may be the desired outcome, these measures are counter-productive due to the loss of Medicare bulk billing efficiencies.

One off items

Litigation brought by Healthscope Limited against Symbion in respect of alleged break fees payable has been found in favour of Symbion and total provisions of $27.4m for break fees have been written back to profit and loss.

Additional restructure costs of $7.5m have been recognised in FY2009 to take account of the greater level of redundancies that were originally estimated at 30 June 2008.

Borrowing costs relating to the Symbion acquisition (excluding Consumer & Pharmacy ("C&P")) have been amortised over 12 months to 13 February 2009.

Primary's taxation charge has benefited from operating losses incurred in the course of disposing the Consumer and Pharmacy businesses during the year.

$000	Profit (loss) before income tax	Income tax (benefit) expense	**Profit (loss) after income tax**
Break fee – provision release	27,460	8,238	**19,222**
Direct restructuring costs	(7,500)	(2,250)	**(5,250)**
Borrowing costs relating to the financing of the Symbion acquisition (excluding Symbion's C&P businesses)	(29,781)	(8,934)	**(20,847)**
Discontinued operations (Symbion's C&P businesses)	(9,767)	(2,164)	**(7,603)**
Operating loss on sale of business	-	(8,599)	**8,599**
	(19,588)	(13,709)	**(5,879)**

Interest expense and debt

At 30 June 2008, Primary carried $2,191.9m of debt on its balance sheet. The $780.0m of debt attributable to the C&P divisions was repaid following receipt of the sales proceeds of the businesses during the year. In May 2009 Primary undertook an Institutional Placement of 53 million shares at $5.00 per share. Net debt as at 30 June 2009 was $1,211.2m. Since 30 June 2009 Primary has also received further placement proceeds of $50.0m and $27.5m which will be used to further reduce debt.

The debt facility has a term expiry on 13 February 2010. Primary has a strong banking syndicate and is focused on ensuring that the refinance is done in a manner and on terms that are in the best interests of shareholders.

Primary currently has $950.0m hedged until 13 February 2010 at a margin inclusive rate of 4.80%.

Taxation

The effective tax rate on operating earnings for the year was 26.9%. Primary has also benefited from operating losses incurred in the course of disposing the Consumer and Pharmacy businesses and this one-off benefit will not recur.

Directors' Report
For the year ended 30 June 2009

The Directors of Primary Health Care Limited submit their Directors' Report for the financial year ended 30 June 2009 (referred to as "**the year**" or "**2009**") accompanied by the financial report of the Company and the entities it controlled from time to time during the year (referred to as "**Primary**" or "**the Group**"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The Directors of the Company during or since the end of the financial year were:

- Mr. Gregory John Gardiner
- Mr. Robert Ferguson
- Dr. Edmund Gregory Bateman
- Mr. Brian Ball
- Dr. Michael Joseph Christie
- Mr. John David Crawford
- Mr. Stephen Higgs
- Mr. Terence Smith

The above Directors held office during the whole of the financial year and since the end of the financial year, except for:

- Mr. Gregory John Gardiner – resigned 12 May 2009.
- Mr. Robert Ferguson – appointed 1 July 2009.

Details of the qualifications and experience of each of the Directors are set out on page 9 of this report.

Gregory Gardiner

Alongside Primary's many achievements in 2009, the year was also marked by sadness. Our longstanding Chairman, Mr. Gregory Gardiner died at the age of 66. Mr. Gardiner made an extraordinary contribution as Chairman and Board member, from Primary's inception as an unlisted public company in 1995, to its listing on the ASX in 1998, and then to its position as a top 100 ASX listed entity today. Mr. Gardiner brought experience, wisdom and guidance to his role and was admired by all who had the opportunity to know and work with him. He will be greatly missed.

Company Secretaries

Details of the qualifications and experience of each of Mr. Andrew Duff and Ms. Yvette Cachia, the Company Secretaries, are set out on page 10 of this Report.

Directors' meetings

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

	Board of Directors		**Audit Committee**		**Remuneration Committee**	
	Held	**Attended**	Held	**Attended**	Held	**Attended**
GJ Gardiner	10	**6**	2	**1**	1	**-**
EG Bateman	10	**10**	2	**2**	1	**1**
B Ball	10	**9**	2	**2**	1	**1**
MJ Christie	10	**7**	2	**1**	1	**-**
JD Crawford	10	**10**	2	**2**	1	**1**
S Higgs	10	**10**	2	**2**	1	**1**
T Smith	10	**9**	2	**2**	1	**1**

Note: The Audit Committee for the year ended 30 June 2009 comprised Mr. Brian Ball (Chair), Mr. John Crawford and Mr. Stephen Higgs. The Remuneration Committee for the year ended 30 June 2009 comprised Mr. Brian Ball (Chair), Mr. John Crawford, Mr. Stephen Higgs and Mr. Terrence Smith. However, other Directors may attend Committee meetings by invitation.

Details of committee membership and functions are set out in the Corporate Governance Statement on pages 17 to 22 of the Annual Report.

Significant change in the state of affairs

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

Principal activities

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

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

As a medical centre operator, the Group provides a range of services and facilities to general practitioners, specialists and other health care providers who conduct their own practices and businesses at its medical centres. Further details of these activities can be found on pages 41 to 43 of the Annual Report.

Review and results of operations

A review of the operations of the Group during the year, and the results of those operations, can be found on pages 2 to 5 of the Annual Report.

Events after the end of the year

Other than the events referred to on page 83 of the Annual Report, there has not been any matter or circumstance, that has arisen since the end of the financial year, that in the opinion of Directors, has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations other than that disclosed in this Report is likely to result in unreasonable prejudice to the Group. Accordingly, no further information is included in this Report.

Dividends

In respect of the financial year ended 30 June 2008, a final dividend of 5.0 cents per share (100 per cent franked), was paid to the holders of fully paid ordinary shares on 9 October 2008.

In respect of the financial year ended 30 June 2009:

- an interim dividend of 7.0 cents per share (100 per cent franked), was paid to the holders of fully paid ordinary shares on 9 March 2009; and
- the Directors have approved the payment of a final dividend of 7.0 cents per share (100 per cent franked), to the holders of fully paid ordinary shares payable on 28 September 2009.

The Company operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). During the year, shares issued pursuant to the DRP and BSP were 5,531,230 (2008: 749,915) and 20,470 (2008: 466,124) respectively.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, or where the amount is $500 or less, zero in accordance with that Class Order.

Shares under option

Options are held by both employees and independent contractors of the Group. Details of all unissued ordinary shares of the Company under option at the date of this Report are set out below. Further details of options are set out in note 6 to the financial statements in the Annual Report. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

	Grant date	Expiry date	Exercise price at report date	**Number**
Issue 101	28 Feb 2003	30 Dec 2013	$0.43	**875,000**
Issue 102	25 Jul 2003	30 Dec 2011	$1.15	**66,000**
Issue 103	27 Feb 2004	24 Sep 2012	$2.10	**470,000**
Issue 104	29 Oct 2004	2 Dec 2011	$3.14	**945,000**
Issue 7	16 Feb 2005	7 Mar 2010	$5.35	**250,000**
Issue 7a	16 Feb 2005	7 Mar 2012	$5.35	**200,000**
Issue 8	1 Apr 2005	1 Apr 2010	$5.15	**365,000**
Issue 105	11 Apr 2005	24 Mar 2012	$5.45	**50,000**
Issue 106	1 Jun 2005	1 Jun 2014	$5.18	**360,000**
Issue 9	1 Jun 2005	1 Jun 2010	$5.18	**360,000**
Issue 107	5 Oct 2005	1 Nov 2013	$7.51	**840,000**
Issue 108	13 Feb 2006	13 Feb 2012	$8.30	**30,000**
Issue 10	13 Feb 2006	13 Feb 2010	$8.28	**100,000**
Issue 10a	13 Feb 2006	13 Feb 2011	$8.28	**100,000**
Issue 109	2 May 2006	2 Jun 2013	$8.99	**715,000**
Issue 110	31 Oct 2006	13 Dec 2013	$9.02	**927,500**
Issue 12	31 Oct 2006	29 Sep 2011	$9.02	**110,000**
Issue 111	1 Jun 2007	19 Dec 2012	$9.35	**385,000**
Issue 13	1 Jun 2007	1 Jul 2012	$9.35	**30,000**
Issue 112	2 Nov 2007	6 Dec 2014	$9.15	**1,500,000**
Balance at date of this Report				**8,678,500**

Shares issued on the exercise of options

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

		Exercise price at exercise date	**Number**
During the year	Issue 101	$0.43	**485,000**
	Issue 102	$1.15	**123,500**
	Issue 103	$2.10	**358,000**
	Issue 104	$3.14	**35,000**
	Issue 8	$5.15	**100,000**
Since the end of the year	Issue 101	$0.43	**30,000**
	Issue 102	$1.15	**15,000**
	Issue 103	$2.10	**70,000**

Qualifications, experience and special responsibilities of directors

Gregory John Gardiner. B.Ec. Sydney, FCPA and FAICD (age 66)
Mr. Gardiner joined the Board in 1995 as a Non-executive Director and Chairman and resigned from these positions on 12 May 2009 due to ill health. He was also Chairman of the Remuneration Committee and a member of the Audit Committee until his resignation.

Robert Ferguson. B.Ec (Hons). Non-executive Chairman (age 64)
Mr. Ferguson was appointed Non-executive Chairman of the Board on 1 July 2009.

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

Edmund Gregory Bateman. M.B.,B.S. Managing Director (age 67)
Dr. Bateman was a founding member of the Board as Managing Director and CEO in 1994.

Dr. Bateman has overseen the development of the Company from the establishment of the first 24 hour medical centre through to the present day.

Brian Ball. B.Ec. Non-executive Director (age 60)
Mr. Ball joined the Board in 1994 as a Non-executive Director. He is Chairman of the Audit Committee and member of the Remuneration Committee. Mr. Ball was appointed acting Chairman on the 1 February 2009 until 30 June 2009.

Mr. Ball is part owner and joint Managing Director of the private equity management company, Advent Private Capital Pty Ltd. Mr. Ball joined Advent in 1986 and has been Chairman or a Director on the boards of over 20 investee businesses receiving equity capital from funds managed by the Group as well as the Advent IV and Advent V private equity management funds. Mr. Ball is currently Managing Director of Advent III Private Equity Ltd (unlisted public company - Director since 1999).

Michael Joseph Christie. M.B.,B.S., F.R.A.C.G.P., Dip.Obs.R.A.C.O.G., B.Sc., M.A., B.A., B.A.Hons. Non-executive Director (age 66)
Dr. Christie joined the Board in 1994 as an Executive Director and is now a Non-executive Director.

Dr. Christie was Medical Director of the Chatswood Medical Centre until January 2001 and has extensive experience in general practice and the operation of medical centres.

John David Crawford. ANZIIF (Senior Associate), FAICD Non-executive Director (age 70)
Mr. Crawford joined the Board in 1998 as a Non-executive Director. He is a member of the Audit Committee and the Remuneration Committee.

Mr. Crawford has had extensive insurance and management experience including as Deputy Group Managing Director of GIO Australia, Chairman of AA-GIO Insurance (NZ) and Freemans Australia and Deputy Chairman of RAA Insurance Ltd and RACQ Insurance Ltd. He is also a former Director of Northern Medical Research Foundation (2003 to 2006).

Stephen Higgs. B.Ec. Non-executive Director (age 62)
Mr. Higgs joined the Board in 1999 as a Non-executive Director. He is a member of the Audit Committee and the Remuneration Committee.

Mr. Higgs has previous Board experience including as Chairman of Orlando Wines Group, Director of Jasco Limited, Leigh Marden Pty Ltd, Rural Press Limited, Freedom Nutritional Products Limited and IPAC Securities Limited. He is currently a Director of Peet & Co Limited (since 2004).

Terence Smith. MBE RFD ED. Non-executive Director (age 66)
Mr. Smith joined the board in 2008 as a Non-executive Director. He is a member of the Remuneration Committee.

Mr. Smith is the Managing Director and Chief Executive Officer of the Hospital Contribution Fund of Australia Ltd group of companies (since February 1990). He is also a Vice President of the International Federation of Health Funds, past President of the Australian Health Insurance Association Limited (from November 2001 to November 2008), a Director of HCF Life Insurance Pty Ltd and the Managing Director of Manchester Unity Friendly Society Ltd since December 2008. He is also a trustee for the HCF Health and Medical Research Foundation which he helped establish in 2001 and a Trustee for the Royal New South Wales Regiment Trust. Mr. Smith has particular experience in the delivery and quality of private hospital, medical and ancillary services.

Joint company secretaries

Andrew Duff. ICAEW, ACA, Chief Financial Officer and Company Secretary
Mr. Duff was appointed to the position of company secretary in 1998.

Mr. Duff is a member of the Institute of Chartered Accountants in Australia and also the Institute of Chartered Accountants in England and Wales. Before joining Primary Health Care Limited, Mr. Duff worked with a major accounting firm and in commerce.

Yvette Cachia. B.Ed, MA (Dist.), LLB (Hons 1), Company Secretary
Ms. Cachia was appointed to the position of company secretary in 2008.

Ms. Cachia is a member of the New South Wales Bar Association and the Australasian Compliance Institute. Before joining Primary Health Care Limited, Ms. Cachia worked as a company secretary for a range of ASX listed entities in the technology and mining sectors in addition to her work as a barrister.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares (directly and indirectly owned) in the Company as at the date of this Report. No options over shares in the Company were held by Directors at the date of this Report.

	Number of shares
GJ Gardiner	-
R Ferguson	190,800
EG Bateman	46,935,194
B Ball	87,000
MJ Christie	3,262,878
JD Crawford	72,421
S Higgs	812,464
T Smith	-

Indemnification of officers and auditors

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

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

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

The Audit Committee review the non-audit services performed by the auditor on a case by case basis. A new policy has been adopted in July 2008 which outlines when they will approve non-audit services by the auditor. Further details are outlined in the Corporate Governance Report on pages 17 to 22 of the Annual Report.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Directors' Report. Details of amounts paid or payable to the auditor of the Company and its related practices for audit and non-audit services provided during the year are outlined in note 8 on page 52 of the Annual Report.

Management of safety risks

Primary is committed to ensuring that the health and safety of all employees, sub-contractors and general public is given the highest priority. As part of this commitment, full-time resources are allocated to the maintenance and improvement of the OHS management system throughout Australia. The OHS management system is subject to regular internal and external auditing, and a detailed OHS plan is in place to monitor and improve OHS performance across all businesses. There was a reduction in the number of lost time injuries in the year ended 30 June 2009 compared to previous years.

Environmental regulations

The operations of the Group are subject to various environmental regulations under both Commonwealth and State legislation. Based upon enquiries within the Group, the Directors are not aware of any material breaches of any particular and significant environmental regulation affecting the Group's operations.

Proceedings on behalf of the Company

No proceedings under section 237 of the Corporations Act 2001 have been brought on behalf of the Company and no application has been made for leave to bring, or to intervene in, such proceedings in respect of the Company.

Remuneration report

The Directors of Primary Health Care Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the consolidated entity for the year ended 30 June 2009.

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.

A. Executive remuneration

The disclosures in this section relate to Primary Health Care Limited executives as listed in the table below. These individuals are the Key Management Personnel (KMP) of the Group (other than the Non-executive Directors) – namely the Managing Director and the Senior Executives with authority and responsibility for planning, directing and controlling the activities of the Group during the financial year. This table also represents the 5 Company and Group executives who received the highest remuneration for the year ended 30 June 2009.

Senior Executives

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

- the 5 most highly remunerated Group executives; and
- all other executives who fall within the definition of key management personnel of the Group, being those persons with authority and responsibility for planning, directing and controlling the activities of the Group including the Managing Director.

Current KMP (2009)	Title
Dr. Edmund Bateman	Managing Director
Mr. Henry Bateman	General Manager – Medical Centres
Mr. James Bateman	Chief Operating Officer & General Manager – Pathology
Mr. Andrew Duff	Chief Financial Officer
Mr. John Frost	Chief Executive Officer – Health Technology
Mr. Stephen James	General Manager – Diagnostic Imaging
Mr. Matthew Bardsley	Chief Information Officer

Former KMP (2008)	Title
Dr. Edmund Bateman	Group Managing Director
Mr. Henry Bateman	General Manager – Medical Centres
Mr. James Bateman	Chief Operating Officer & General Manager – Pathology
Mr. Andrew Duff	Chief Financial Officer
Mr. John Frost	Chief Executive Officer – Health Technology
Mr. Stephen James	General Manager – Diagnostic Imaging
Mr. Adam Lieutenant	Property Manager

Board policy on remuneration

The Board's policy on remuneration is designed to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Group's operations. The Board's Remuneration Committee reviews the remuneration packages of all Directors and Senior Executives on an annual basis and makes recommendations to the Board. Independent experts are available to the Remuneration Committee, if required, to assist with its deliberations. Remuneration packages are reviewed with due regard to performance and other relevant factors. As well as a base salary, Senior Executive remuneration packages include superannuation and fringe benefits without creating additional cost for the Company. Senior Executives may also be eligible to participate in the Company's Employee Option Plan.

There is no direct link between a Senior Executive's remuneration and the performance of Primary. Primary does not have any service contracts with its specified Senior Executives.

There were no key changes to the remuneration policy of Senior Executives during the year.

Company strategy and performance

Primary's medical centre management business was formally established in 1985 with one medical centre and Primary has been listed on the ASX since 1998. Primary has since grown to become Australia's largest medical centre operator with a network of large scale medical centres across Australia. In addition, Primary now delivers a broad range of pathology and diagnostic services and is a leading provider of health technology services to medical practitioners.

The table below demonstrates the continued growth and strong performance of the Group over the 5 years ended 30 June 2009. The financial results for the year ended 30 June 2009 include 12 months' results relating to the acquisition of Symbion Health Limited, which was acquired on 1 March 2008. The Group incurred significant one-off costs in relation to the transaction in 2008 and 2009 which materially affected the Profit Attributable to Equity Holders and Earnings Per Share.

	Year ended 30 June				
	2009	**2008**	**2007**	**2006**	**2005**
Profit Attributable to Equity Holders of Primary Health Care Ltd ($000)	**108,502**	7,862	56,903	47,480	37,622
Share price at end of year ($)	**5.25**	5.20	12.68	11.85	9.10
Interim dividend (cents per share)	**7.0**	22.0	21.0	20.0	12.0
Final dividend (cents per share)	**7.0**	5.0	24.0	22.0	13.0
Special dividend (cents per share)	**-**	-	-	8.00	-
Earnings Per Share (cents)	**28.65**	3.17	32.48	27.95	24.02

Notes

- All dividends are franked to 100% at 30% corporate income tax rate.
- Final and special dividends were declared after the balance date and were therefore paid in the following financial year.
- The weighted average number of shares used in the calculation of EPS in all years, has been adjusted for the impact of the pro-rata entitlement offer that took place in June 2009 (prior financial year: February and March 2008).

Components of Remuneration

Remuneration for Senior Executives has the following components:

Fixed remuneration

The terms of employment for all Senior Executives contain a fixed remuneration component expressed as a dollar amount. The executive may take this amount in a form agreed with the Company. Fixed remuneration is made up of base salary, company superannuation contributions and benefits, including fringe benefits tax. This amount of remuneration is not "at risk" but is set by reference to appropriate benchmark information for an individual's responsibilities, performance, qualifications, experience and location.

"At risk" remuneration

Option plan

Options may be issued to Senior Executives under the Company's Employee Option Plan at the sole discretion of the Board. Further details of the Plan are included in note 6 to the financial statements. The Board will not consider issuing options to a Senior Executive in the normal course of events until the executive has served a minimum of 2 years with the Company. The options will normally be exercisable a minimum of 3 years after date of issue to the Senior Executive. Options are not linked to performance.

The Company does not have a policy in relation to Directors or Senior Executives ability to hedge options issued.

"At risk" remuneration **(continued)**

Option plan **(continued)**

During the current financial year, the following Senior Executives exercised options that were granted to them as part of their compensation. Each option exercised converts into one ordinary share of Primary Health Care Limited.

Name	No. of options exercised	No. of ordinary shares of Primary Health Care Limited	Amount paid	Amount unpaid
A Duff	100,000	100,000	$515,000	-

Full details of options held by Senior Executives can be found in this Report.

Bonus

No bonuses were paid in 2009.

In addition to fixed remuneration and options, in the prior year the Senior Executives remuneration included a non-recurring bonus on completion of the successful takeover of Symbion Health Limited. The bonuses do not form part of a recurring payment program nor do they entitle the recipient to any future payment. The Remuneration Committee determined the bonuses paid were appropriate to grant in light of the significant work undertaken to ensure a successful takeover of Symbion Health Limited. The Senior Executives to whom these non-recurring bonuses were paid have also been an integral part of the growth of the business over the past 5 years which enabled such a significant takeover to succeed.

Details of contracts of CEO and Senior Executives

The remuneration and other terms of employment for Senior Executives are not formalised in employment and service agreements. However, each Senior Executive is entitled to leave and notice provisions in accordance with the relevant state or commonwealth legislation.

Details of remuneration paid

The following tables disclose the total remuneration of the KMP of the Company and Group (excluding Non-executive Directors) and prior year comparisons. The 2009 table also discloses the 5 group executives that received the highest remuneration for this year.

	Short term employee benefits:		Post employment benefits:	Share based payments:		
2009	**Salary/ fees**	**Bonus**	**Superannuation**	**Options[1]**	**Total**	**Options as a % of total**
Managing Director						
E Bateman	386,255	-	13,745	-	**400,000**	-
Senior Executives						
H Bateman	186,255	-	13,745	-	**200,000**	-
J Bateman	304,841	-	48,606	-	**353,447**	-
A Duff	361,255	-	13,745	-	**375,000**	-
J Frost	302,860	-	27,140	33,119	**363,119**	9.1
S James	306,255	-	13,745	59,578	**379,578**	15.7
M Bardsley	304,469	-	13,745	25,680	**343,894**	7.5
Total	2,152,190	-	144,471	118,377	**2,415,038**	4.9

2008	Short term employee benefits: Salary/ fees	Bonus	Post employment benefits: Superannuation	Share based payments: Options[1]	Total	Options as a % of total
Managing Director						
E Bateman	386,871	-	13,129	-	**400,000**	-
Senior Executives						
H Bateman	186,954	500,000	13,129	13,914	**713,997**	1.9
J Bateman	362,141	3,000,000	13,129	-	**3,375,270**	-
A Duff	361,957	2,000,000	13,129	84,095	**2,459,181**	3.4
J Frost	302,752	250,000	27,248	95,958	**675,958**	14.2
S James	308,414	250,000	13,129	118,803	**690,346**	17.2
A Lieutenant	186,954	500,000	13,129	13,914	**713,997**	1.9
Total	2,096,043	6,500,000	106,022	326,684	**9,028,749**	3.6

[1] Options are valued at grant date using a binomial option-pricing model. The total fair value of options at grant date is allocated evenly over each of the reporting periods between grant date and vesting date. That portion of the fair value of options granted in any financial year which has been allocated to the current and previous financial year are shown in the tables above.

B. Non-executive director remuneration

Board policy on non-executive remuneration

Non-executive Directors receive a fixed fee, which includes superannuation contributions. Fees are not linked to the performance of the Company so that independence and impartiality is maintained. Superannuation contributions are made at a rate of 9%, which satisfies the Company's statutory superannuation obligations.

An additional fee of $30,000 was paid to the Chairman of the Board, recognising the additional time commitment required. There was no change in the fees paid to Non-executive Directors in the year ended 30 June 2009.

Non-executive Directors do not accrue separate retirement benefits in addition to statutory superannuation entitlements.

2009	Gross salary	Sub committee fees[1]	Super contributions	Total
Directors				
Greg Gardiner[2]	68,807	-	6,193	**75,000**
Brian Ball[3]	75,000	-	-	**75,000**
John Crawford	55,046	-	4,954	**60,000**
Michael Christie	55,046	-	4,954	**60,000**
Stephen Higgs	55,046	-	4,954	**60,000**
Terrence Smith	54,220	-	5,780	**60,000**
Total	363,165	-	26,835	**390,000**

[1]Sub committee fees paid in the year ended 30 June 2008 specifically related to the acquisition of Symbion Health Limited.
[2]Mr. Gardiner resigned 12 May 2009.
[3]Mr. Ball was acting Chairman from 1 February 2009 to 30 June 2009.

2008	Gross salary	Sub committee fees	Super contributions	Total
Directors				
Greg Gardiner	82,568	250,000	7,432	**340,000**
Brian Ball	60,000	-	-	**60,000**
John Crawford	55,045	100,000	4,955	**160,000**
Michael Christie	55,045	-	4,955	**60,000**
Stephen Higgs	55,045	-	4,955	**60,000**
Terrence Smith	9,174	-	826	**10,000**
Total	316,877	350,000	23,123	**690,000**

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

On behalf of the Directors

Edmund Bateman - Director
Sydney 11 August 2009

Corporate Governance Statement

The following description of the governance arrangements of Primary Health Care Limited ("Primary") for the year ended 30 June 2009 addresses those principles set out in the 2nd edition of the ASX Corporate Governance Principles and Recommendations (Revised Recommendations).

Following its takeover of Symbion Health Limited on 1 March 2008, Primary conducted a review of its existing corporate governance policies and procedures in recognition of the Company's growth.

Copies of Primary's charters and polices are available via the Company's website at www.primaryhealthcare.com.au.

Principle 1: Lay solid foundations for management and oversight

The Board has adopted a formal Board Charter which outlines the Board's responsibilities and its relationship with management. Primary's management function is conducted by, or under the supervision of the CEO, as directed by the Board (and by other officers to whom management function is properly delegated by the CEO).

Under the Charter, the Board is responsible for:

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

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

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

Board functions
General functions of the Board include:

- selecting, appointing and evaluating the performance of, determining the remuneration and succession of the Managing Director ("MD");
- reviewing procedures in place for appointment of and monitoring of Senior Management, its performance and succession planning;
- developing corporate strategy;
- monitoring corporate performance and implementation of strategy and policy; and
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting.

A copy of the Board Charter is available on Primary's website at www.primaryhealthcare.com.au.

Principle 2: Structure the Board to add value

Directors' independence
The size and composition of Primary's Board is determined pursuant to the Board Charter. The Board recognises that independent Directors are important in assuring shareholders that the Board is properly able to exercise independent judgement when meeting its responsibilities under the Charter. The Board also considers that its membership should comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The names, skills, experience, expertise and appointment dates of the current Directors of the Company are set out on page 9 of the Annual Report.

Having considered the various positions and relationships of each of the Non-executive Directors, and in light of the definition of independence and assessment procedures discussed below, the Board considers all current Non-executive Directors, including the Chairman, to meet the definition of independence as proscribed in the ASX Revised Recommendations. These guidelines seek to determine whether the Director is independent of management and generally free from any interest and any business or other relationship that could, or could be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

The Board assesses materiality on a case-by-case basis and has adopted the following materiality threshold to assist that assessment, including whether the Director:
- is a substantial shareholder or otherwise directly associated with a substantial shareholder of the Company;
- is employed, or was previously employed in an executive capacity in the Company or a group member within the previous 3 years prior to serving on the Board;
- has been a professional adviser or consultant, or a material supplier or customer of the Company or a group member; or
- has a material contractual relationship with the Company other than as a Director.

Board membership
The Board has previously determined that it is inappropriate, given its size and scope, to maintain a separate Nomination Committee. As outlined above, the responsibilities traditionally performed by such a Committee are assumed by the Board. As part of its role in relation to the nomination of Directors, the Board devises criteria for Board membership. The key criteria for the selection of suitable candidates is their capacity to contribute to the ongoing development of Primary, having regard to Primary's business and the candidate's experience and the attributes of existing Board members. Where a vacancy exists on the Board, or where it is considered that the Board would benefit from the services of a new Director with particular skills, suitable candidates are proposed for consideration. Where appropriate, the services of external consultants are engaged.

The Board is involved in reviewing:
- the size and composition of the Board, setting criteria for Board membership and the consideration of potential candidates for appointment;
- succession plans;
- the appointment and removal of Directors to the Board;
- the performance evaluation of the Board, its committees and individual Directors;
- corporate governance issues; and
- ensuring an effective induction process is in place for new Directors.

The Board is also responsible for selecting, appointing and evaluating the performance of the CEO and for monitoring the performance of Senior Management. During the year, the performance of the CEO was evaluated by the Board and the Remuneration Committee and the performance of Senior Executives was evaluated by the CEO and the Remuneration Committee, in line with previous policies.

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

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

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

A copy of the Board Charter is available on Primary's website at www.primaryhealthcare.com.au.

Principle 3: Promote ethical and responsible decision-making

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

Trading in securities
Primary recognises the importance of establishing and maintaining appropriate compliance standards and procedures to ensure that public confidence in the Company's market integrity is maintained. Primary has written policies and procedures in place to ensure Directors, officers and employees do not trade in the Company's shares in breach of the insider trading provisions of the Corporations Act.

Directors, officers and employees (and their associates), in possession of unpublished price-sensitive information, are not permitted to buy or sell Primary securities. Directors and Senior Executives inform the Chairman of any intended trade transactions. Any breaches of this policy may lead to disciplinary action, including termination.

A copy of the Code of Conduct and a summary of the Trading in Securities Policy are available on Primary's website at www.primaryhealthcare.com.au.

Principle 4: Safeguard integrity in financial reporting

Primary has systems of independent review and authorisation to ensure the integrity of its financial reporting. The Audit Committee is comprised of independent Chair who is not Chairman of the Board and a minimum of 3 independent Non-executive Directors.

At least one member of the Audit Committee must have past employment experience in finance and accounting and professional certification in accounting, or other equivalent experience or background. Details of the qualifications of the members of the Committee are set out on page 8 of the Annual Report. Details of the number of Committee meetings held during the year and members' attendance at those meetings are set out in the Directors' Report on page 5 of the Annual Report.

The members of the Audit Committee for the year ended 30 June 2009 were:

- Mr. B Ball (Chairman);
- Mr. J Crawford;
- Mr. G Gardiner (resigned 12 May 2009); and
- Mr. S Higgs.

However, all Directors may, at the invitation of the Committee, attend Audit Committee meetings.

The Audit and Compliance Committee Charter outlines the Committee's responsibilities and functions, which include overseeing the Company's:

- relationship with the external auditor and the external audit function generally;
- preparation of the financial statements and reports; and
- financial controls and systems.

The Audit Committee invites the Chief Financial Officer and the external auditors to attend Audit Committee meetings. Other individuals (such as the Managing Director) may, by invitation, also attend meetings of the Audit Committee.

Additionally, the Audit Committee meets with and receives reports from the external auditors concerning any matters arising in connection with the performance of its role, including the adequacy of internal controls. The external auditors have been appointed since the Company listed in 1998. Continued appointment is subject to periodic review. The Lead External Audit Engagement Partner is required to rotate at least once every 5 years.

Declaration of the Managing Directors and Chief Financial Officer
The Managing Director and Chief Financial Officer provide the Board with written confirmation that:
- the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

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

Principle 5: Make timely and balanced disclosure

Primary has put mechanisms in place to ensure the provision of timely, balanced and accurate disclosure of material information to the market in order to comply with the continuous disclosure obligations under the Corporations Act and Australian Securities Exchange (ASX) Listing Rules. This includes the provision of information about the Company's financial situation, performance, ownership and corporate governance. Primary ensures that shareholders, regulators, ratings agencies and the general investment community have equal and timely access to material information concerning the Company, including its:
- annual and interim profit announcements;
- release of financial reports; and
- investor presentations and briefings.

The identification and monitoring of matters which may require disclosure in accordance with the Company's continuous disclosure obligations occurs on a regular basis at management meetings attended by Senior Management. If a matter is identified as potentially requiring disclosure it is provided to the Board by the Managing Director, Chief Financial Officer and Company Secretaries.

Company announcements are simultaneously lodged on both the ASX Company Announcements Platform and the investor section of Primary's website and emailed to those shareholders who have elected to receive copies of the Company's market announcements.

Principle 6: Respect the rights of shareholders

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

Primary provides a website that includes copies of all information lodged with the ASX as well as other Company information. Shareholders are encouraged to provide email addresses in order to receive email notification of all Company announcements. In addition, investor briefings and the Annual General Meeting (AGM) provide an open forum for the Board to engage in direct dialogue with the Company's shareholders and is an opportunity for shareholders to express views, ask questions and respond to Board proposals.

Principle 7: Recognise and manage risk

The Board is responsible for reviewing and approving the Company's risk management systems and internal controls by working in conjunction with management to ensure that the Company continues to develop appropriate and sound systems and strategies for risk management, including the appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Audit Committee and Board consider the recommendations and advice of external auditors and other external advisers about the operational and financial risks facing the Company. The Board ensures that recommendations made by the external auditors and other external advisers are investigated and where necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

Risk management

The Board's specific function with respect to risk management is to review and satisfy itself that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- proper remedial action is undertaken to redress areas of weakness; and
- significant risks are overseen and mitigated.

The Board and Audit Committee's specific function with respect to compliance is to review and report on the appropriateness of the Company's compliance procedures, including its compliance with:

- relevant laws and regulations including trade practices, occupational health and safety and the environment;
- insider trading laws, continuous disclosure requirements and corporate governance processes under the ASX Listing Rules, Corporations Act 2001 and accounting standards; and
- relevant and appropriate ethical standards.

The identification, monitoring and reporting of risk occurs on a continuous basis at management meetings attended by Senior Management and where necessary is reported through to the Board by the Managing Director and Chief Financial Officer. Management separately reports to the Board as to the effectiveness of the Company's management of its material business risks.

Primary's operations are highly regulated and subject to a range of State and Commonwealth legislation and accreditation requirements. Each of the various business units encompassing pathology, medical centers and diagnostic imaging operate under a range of policies which provide guidance in relation to identifying and responding to risk. An incident notification and response procedure is in place throughout the Company. Implementation of these policies is ultimately overseen by senior executive within each business unit.

Occupational Health, Safety & Environment (OHS&E)

The Board has determined that due to its small size it would not be efficient to maintain a separate Occupational Health, Safety & Environment Committee and Nomination Committee. The responsibilities generally performed by these Committees are assumed by the Board.

The Board is responsible for:

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

Further information about the Company's management of risks to safety is provided in the Directors' Report on page 11.

Principle 8: Remunerate fairly and responsibly

A Remuneration Committee Charter was endorsed by the Board on 1 August 2008. A copy of the Remuneration Committee Charter is available on Primary's website at www.primaryhealthcare.com.au.

The Remuneration Committee consists of a majority of independent Directors, an independent Chair and a minimum of 3 Non-executive Directors. The current members of the Remuneration Committee who were also members for the year are:

- Mr. GJ Gardiner (Chairman) – resigned 12 May 2009;
- Mr. B Ball (Chairman from 1 February 2009);
- Mr. S Higgs;
- Mr. T Smith; and
- Mr. J Crawford.

The Remuneration Committee is responsible for reviewing and recommending to the Board:

- remuneration arrangements for the Managing Director and other Senior Executives including short term incentive strategies, performance targets and bonus payments;
- remuneration policies and personnel practices and strategies generally;
- major changes/developments to long term incentive plans and approving allocation of securities and other equity instruments within the delegated authority from the Board;
- remuneration arrangements for Non-executive Board members; and
- the Company's annual Remuneration Report prepared in accordance with the Corporations Act.

Details of Directors' attendance at meetings of the Remuneration Committee are included in the Directors' Report. The Remuneration Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages, which consist of base salary, superannuation and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

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

Particulars concerning Directors' and Senior Executives' remuneration are set out in the Directors' Report on pages 12 to 16 of the Annual Report.

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Dear Directors

Primary Health Care Limited

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 2009, 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; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Hamilton-James

Helen Hamilton-James
Partner
Chartered Accountants
Sydney 11 August 2009

Independent audit report

To the members of Primary Health Care Limited

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Report on the Financial Report

We have audited the accompanying financial report of Primary Health Care Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 26 to 84.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' Report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Primary Health Care Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Sydney 11 August 2009

Directors' declaration
For the year ended 30 June 2009

1. In the opinion of the Directors of Primary Health Care Limited (the Company):

   (c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group;

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) there are reasonable grounds to believe that the Company and the controlled entities identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

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

Edmund Bateman
Director

Sydney 11 August 2009

Income statement
For the year ended 30 June 2009

		Consolidated		Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Trading revenue	3	**1,328,604**	649,641	**-**	-
Other revenue	4	**34,724**	12,369	**182,397**	100,235
Share of net profits of associates accounted for using the equity method	26	**699**	353	**-**	-
Employee benefits expense		**602,489**	295,855	**-**	-
Share based payments expense	6	**1,460**	1,741	**-**	-
Finance costs	5	**157,870**	102,254	**184,396**	87,943
Consumables		**139,865**	67,809	**-**	-
Operating lease rental expense		**97,892**	50,063	**-**	-
Other property expenses		**41,373**	13,708	**-**	-
Health technology expenses		**12,502**	10,388	**-**	-
Other expenses		**93,128**	63,015	**-**	-
Loss on disposal of wholly owned unit trust		**-**	-	**235**	-
Impairment of property, plant and equipment	10	**-**	6,500	**-**	-
Impairment of other financial assets		**30**	3,915	**-**	3,915
Depreciation	10	**52,850**	30,033	**-**	-
Amortisation of intangibles	12	**14,927**	8,387	**-**	-
Profit (loss) for the year before income tax		**149,641**	8,695	**(2,234)**	8,377
Income tax expense (benefit)	7(a)	**31,333**	(1,789)	**(32,900)**	(15,071)
Profit for the year from continuing operations		**118,308**	10,484	**30,666**	23,448
(Loss) for the year from discontinued operations	31(b)	**(7,603)**	(1,810)	**-**	-
Profit for the year		**110,705**	8,674	**30,666**	23,448
Attributable to:					
Equity holders of Primary Health Care Limited		**108,502**	7,862	**30,666**	23,448
Minority interest		**2,203**	812	**-**	-
Profit for the year		**110,705**	8,674	**30,666**	23,448

Notes to the financial statements are included on pages 32 to 84

Further income statement disclosures

For the year ended 30 June 2009

Earnings per share (Consolidated)	Note	2009 Cents per share	2008 Cents per share
Basic earnings per share			
From continuing operations		**30.66**	3.83
From discontinued operations		**-2.01**	-0.66
Total basic earnings per share	20	**28.65**	3.17
Diluted earnings per share			
From continuing operations		**30.62**	3.80
From discontinued operations		**-2.01**	-0.66
Total diluted earnings per share	20	**28.61**	3.14

Dividends (Company & Consolidated)	2009 Cents per share	2008 Cents per share	2009 $000	2008 $000
Recognised amounts				
Final dividend – previous financial year	**5.0**	24.0	**18,569**	30,143
Interim dividend – this financial year	**7.0**	22.0	**26,266**	31,359
Dividend forgone under the Bonus Share Plan	**-**	-	**(94)**	(5,564)
	12.0	46.0	**44,741**	55,938
Unrecognised amounts				
Final dividend - this year	**7.0**	5.0	**30,152**	18,555

All dividends are fully franked at the corporate income tax rate (2009: 30%, 2008: 30%). The record date for determining entitlement to the final dividend is 11 September 2009. The final dividend is payable on 28 September 2009. The Company offers a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP). The last date for the receipt of an election notice for participation in these plans is 10 September 2009.

Notes to the financial statements are included on pages 32 to 84

		Consolidated		Company	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Current assets					
Cash	30(a)	**223,397**	7,784	**-**	-
Income tax receivable		**2,965**	11,061	**2,965**	11,061
Receivables	9(a)	**156,798**	141,004	**1,639**	115
Other financial assets	13(a)	**6,933**	870	**6,933**	870
Consumables		**21,716**	21,228	**-**	-
		411,809	181,947	**11,537**	12,046
Non-current assets classified as held for sale		**-**	1,286,412	**-**	-
Total current assets		**411,809**	1,468,359	**11,537**	12,046
Non-current assets					
Receivables	9(b)	**2,224**	2,014	**658,574**	1,096,637
Property, plant and equipment	10	**333,899**	329,245	**-**	-
Goodwill	11	**2,892,701**	2,833,535	**-**	-
Other intangible assets	12	**75,306**	79,886	**-**	-
Investments in associates accounted for using the equity method	26	**2,073**	2,850	**-**	-
Other financial assets	13(b)	**1,048**	778	**2,806,048**	2,834,273
Deferred tax asset	7(b)	**59,467**	87,354	**28,748**	29,688
Total non-current assets		**3,366,718**	3,335,662	**3,493,370**	3,960,598
Total assets		**3,778,527**	4,804,021	**3,504,907**	3,972,644
Current liabilities					
Payables	14(a)	**110,569**	108,411	**6,061**	3,630
Deferred revenue		**10,255**	11,951	**-**	-
Tax liabilities	7(c)	**1,624**	21,171	**-**	211
Provisions	15(a)	**61,180**	104,298	**-**	-
Interest bearing liabilities	17(a)	**1,432,261**	2,196,419	**1,430,863**	2,178,455
		1,615,889	2,442,250	**1,436,924**	2,182,296
Liabilities directly associated with non-current assets classified as held for sale		**-**	535,762	**-**	-
Total current liabilities		**1,615,889**	2,978,012	**1,436,924**	2,182,296
Non-current liabilities					
Payables	14(b)	**1,375**	1,504	**-**	-
Provisions	15(b)	**42,245**	58,964	**-**	-
Interest bearing liabilities	17(b)	**2,314**	3,311	**-**	-
Total non-current liabilities		**45,934**	63,779	**-**	-
Total liabilities		**1,661,823**	3,041,791	**1,436,924**	2,182,296
Net assets		**2,116,704**	1,762,230	**2,067,983**	1,790,348
Equity					
Issued capital	19	**1,995,264**	1,705,351	**2,015,129**	1,725,216
Reserves	21	**8,761**	7,574	**9,149**	7,352
Retained profits	22	**109,087**	45,326	**43,705**	57,780
Equity attributable to equity holders		**2,113,112**	1,758,251	**2,067,983**	1,790,348
Minority interest		**3,592**	3,979	**-**	-
Total equity		**2,116,704**	1,762,230	**2,067,983**	1,790,348

Notes to the financial statements are included on pages 32 to 84

Statement of changes in equity
For the year ended 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Balance at the beginning of the year		1,758,251	408,984	1,790,348	425,717
Foreign currency translation reserve					
Currency translation differences arising during the year		**(610)**	222	**-**	-
Available-for-sale investments revaluation reserve					
Valuation gain (loss) taken to equity on revaluation of available-for-sale investments		**292**	(1,771)	**292**	(1,771)
Associated tax movement	7	**(88)**	531	**(88)**	531
Transfer to income statement on disposal of available-for-sale investments		**-**	3,915	**-**	3,915
Associated tax movement	7	**-**	(1,174)	**-**	(1,174)
		204	1,501	**204**	1,501
Cash flow hedges reserve					
Valuation gain taken to equity		**1,524**	115	**1,524**	115
Associated tax movement	7	**(457)**	(34)	**(457)**	(34)
		1,067	81	**1,067**	81
Net increase (decrease) recognised directly in equity		**661**	1,804	**1,271**	1,582
Profit attributable to equity holders		**108,502**	6,777	**30,666**	23,448
Total recognised income and expense attributable to equity holders		**109,163**	8,581	**31,937**	25,030
Other equity transactions					
Share-based payments expense		**1,460**	1,741	**1,460**	1,741
Share options exercised		**1,727**	3,307	**1,727**	3,307
Other share issues		**275,440**	1,416,208	**275,440**	1,416,208
Dividends recognised	22	**(44,741)**	(55,938)	**(44,741)**	(55,938)
Dividends reinvested under DRP		**16,556**	6,055	**16,556**	6,055
Capital raising costs, net of tax, taken directly to equity		**(4,744)**	(31,772)	**(4,744)**	(31,772)
Fair value adjustments, net of tax, relating to Symbion acquisition	22	**-**	1,085	**-**	-
Balance at the end of the year		**2,113,112**	1,758,251	**2,067,983**	1,790,348

Notes to the financial statements are included on pages 32 to 84

Cash flow statement
For the year ended 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Cash flows from operating activities					
Receipts from customers		**1,395,634**	661,170	**-**	-
Payments to suppliers and employees		**(1,064,938)**	(470,836)	**-**	-
Payments against non employee provisions	15(c)	**(27,374)**	(8,346)	**-**	-
Income tax (paid) received		**(4,221)**	(20,667)	**8,096**	(17,391)
Proceeds on cancellation of interest rate swap		**-**	7,225	**-**	-
Interest received		**2,175**	5,583	**68**	1,486
Dividends received		**5,764**	6,916	**55**	-
Interest and other costs of finance paid		**(123,484)**	(127,791)	**(140,350)**	(123,978)
Net cash provided by (used in) continuing operating activities		**183,556**	53,254	**(132,131)**	(139,883)
Net cash (used in) discontinued operating activities		**(4,375)**	(1,255)	**-**	-
Net cash provided by (used in) operating activities	30(b)	**179,181**	51,999	**(132,131)**	(139,883)
Cash flows from investing activities					
Net proceeds from the sale of businesses disposed	31(c)	**748,095**	-	**-**	-
Payment for property plant and equipment		**(66,185)**	(65,579)	**-**	-
Payment for businesses purchased	30(e)	**(66,731)**	(2,708,142)	**-**	-
Payments for subsidiaries	30(e)	**(506)**	-	**-**	(2,652,315)
Payment for other intangibles		**(9,998)**	(5,841)	**-**	-
Payment for investments		**(6,072)**	(201)	**(3,410)**	(201)
Proceeds from the sale of property plant and equipment		**8,309**	136	**-**	-
Proceeds from the sale of other intangibles		**-**	505	**-**	-
Proceeds from the sale of associate		**1,000**	-	**-**	-
Loans from (to) related entities		**-**	-	**684,959**	(749,847)
Net cash (used in) continuing investing activities		**607,912**	(2,779,122)	**681,549**	(3,402,363)
Net cash (used in) discontinued investing activities		**(1,972)**	(2,549)	**-**	-
Net cash (used in) investing activities		**605,940**	(2,781,671)	**681,549**	(3,402,363)
Cash flows from financing activities					
Proceeds from issues of shares		**266,727**	1,419,515	**266,727**	1,419,515
Payments for share issue costs		**(6,777)**	(45,389)	**(6,777)**	(45,389)
Proceeds from borrowings		**-**	2,218,000	**-**	2,218,000
Repayment of borrowings and finance lease liabilities		**(782,962)**	(783,219)	**(780,000)**	-
Payment for debt issue costs		**(11,535)**	-	**(11,535)**	-
Dividends paid		**(20,336)**	(83,185)	**(17,746)**	(49,883)
Net cash provided by continuing financing activities		**(554,883)**	2,725,722	**(549,331)**	3,542,243
Net cash (used in) discontinued financing activities		**-**	(89)	**-**	-
Net cash provided by continuing financing activities		**(554,883)**	2,725,633	**(549,331)**	3,542,243
Net increase (decrease) increase in cash held		**230,238**	(4,039)	**87**	(3)
Cash at the beginning of the year		**(6,904)**	(2,605)	**(120)**	(117)
Effect of exchange rate movements on cash held in foreign currencies		**63**	(260)	**-**	-
Cash at the end of the year	30(a)	**223,397**	(6,904)	**(33)**	(120)

Notes to the financial statements are included on pages 32 to 84

1. Summary of significant accounting policies

Primary Health Care Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity' or the 'Group') and the consolidated entity's interest in associated and jointly controlled entities.

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

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

The financial report was authorised for issue by the Directors on 11 August 2009.

Adoption of new and revised standards
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Early adoption of Standards
Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2009 but are available for early adoption. The group has not applied the following accounting standards in preparing this financial report. The Group's assessment of these new standards is set out below.

AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* potentially change the composition of operating segments which must be based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. These potential changes in the definition of reportable segments will have implications for the definition of cash generating units and therefore impairment testing of goodwill under AASB 136 *Impairment of Assets*. Potential changes to the Group's operating segments are not expected to have a material impact on the reported results of the Group.

AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* change the treatment of several aspects of acquisition accounting which would impact the reported results and the financial position of the Group in respect of acquisitions made after 1 July 2009.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations* clarifies the treatment of vesting conditions and cancellations in AASB 2 *Share Based Payments.* These clarifications are not expected to have a material impact on the reported results and the financial position of the Group.

AASB 101 *Presentation of Financial Statements* (September 2007). The changes affect disclosure only and have no impact on the reported results or the financial position of the Group.

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

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

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

1. Summary of significant accounting policies (continued)

Going concern
The Group has a net current asset deficiency of $1,204.1m (30 June 2008: $1,509.6m) and the parent entity has a net current asset deficiency of $1,425.4m (30 June 2008: $2,171.1m) due to the Group's borrowings being classified as current liabilities.

The Directors' of Primary Health Care Limited and Senior Management have considered the relevant examples of financial events or conditions which may give rise to business risks that, individually or collectively, cast significant doubt about the Group and Company's ability to continue as a going concern. The Directors and Senior Management have concluded it is appropriate to prepare the 30 June 2009 Financial Statements on a going concern basis.

Specifically the Group's external bank borrowings mature on 13 February 2010 and are currently classified as current liabilities. The Directors' priority is to ensure that the Group and Company achieves a successful refinance of its bank borrowings subsequent to February 2010. It has been the Directors' view that the most beneficial outcome for shareholders of the Company will be achieved by its policy of keeping the Group's options open for an extended period of time and also maximising returns from its current facility.

As part of its capital management strategy a successful equity raising of $265.0m was completed in May 2009. Subsequent to year end shareholder approval was obtained for an additional $50.0m institutional equity share placement. These placements were achieved at a small premium to the prevailing market price of shares and highlights the strong support the Group has with its Institutional Shareholders. In addition a $27.5m eligible shareholder placement was also successfully completed on 2 July 2009. All funds will be used to repay external borrowings.

The Directors consider that there is no significant uncertainty in relation to the Group and Company's ability to achieve a successful refinance of the reduced borrowing requirement following the recent equity issues specifically;

- Primary has successfully raised equity at a premium during the year;
- Primary's net debt has reduced from $2,191.9m at 30 June 2008 to $1,211.2m at 30 June 2009;
- Primary is conducting the re-financing negotiations within the expected timeframe for re-financing debt with maturity eight months from the 30 June 2009;
- Primary is in commercial negotiations with members of the banking syndicate; and
- Primary consider negotiations to be concerned with the terms of refinancing only.

Based on the above, the Directors anticipate a successful completion of its refinancing arrangement in FY2010.

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.

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

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

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

(a) Basis of consolidation

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

1. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries **(continued)**

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

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

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

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

Jointly controlled entities
Jointly controlled entities are those entities over whose activities the consolidated entity has joint control, established by a contractual agreement, including partnerships. The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement, on an equity accounted basis, from the date joint control is established until the date joint control ceases. Other reserve movements are recognised directly in consolidated reserves.

Investments in jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell (refer note 1(q)).

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the fair values to be assigned to the acquiree's identifiable assets can only be determined provisionally by the first balance date after acquisition, then the acquirer will use provisional acquisition accounting for the first balance date. Any adjustments to those provisional values as a result of completing the initial accounting will be recognised within twelve months of the acquisition date and from the acquisition date.

Provisions for the cost of restructuring entities acquired can only be recognised as part of the acquisition accounting if the acquiree had, at the acquisition date, recognised an existing liability for restructuring.

(c) Foreign currency

Foreign currency transactions
Foreign currency transactions are translated to functional currency at the foreign exchange rate ruling at the transaction dates.

1. Summary of significant accounting policies (continued)

(c) Foreign currency (continued)

Foreign currency transactions **(continued)**
At balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling on that date. Exchange differences arising on retranslation are brought to account as exchange gains or losses in the income statement in the period in which the exchange rates change.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at exchange rates ruling at the date the fair value was determined. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are not retranslated.

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

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

(d) Revenue recognition

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

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

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

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

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

(e) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 July 2004, are measured at fair value at the date of grant. Fair value is measured by use of an appropriate option pricing model. No equity-settled share-based payments issued before 7 November 2002 are on issue as at 30 June 2009 (30 June 2008: nil).

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

1. Summary of significant accounting policies (continued)

(f) Finance costs

Finance costs comprise interest expense and the amortisation of costs associated with arranging finance. Costs associated with arranging finance are amortised to the income statement under the effective interest method over the life of the related finance. All other interest costs are recognised in profit or loss in the period in which they are incurred. See also note 1(t).

(g) Income tax

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

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation
Primary Health Care Limited and all of its Australian wholly-owned controlled entities have implemented the tax consolidation legislation. The head entity, Primary Health Care Limited, and the controlled entities in the tax consolidated group continue to account for their own deferred tax amounts in relation to temporary differences. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Primary Health Care Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

1. Summary of significant accounting policies (continued)

(i) Consumables

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

(j) Financial assets

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost, using the effective interest rate method, less impairment losses. Interest calculated using the effective interest rate method is recognised in the income statement.

Investments
Investments are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

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

(k) Property, plant and equipment

Construction in Progress is carried at the lower of initial cost plus capitalised development expenditure and recoverable amount.

Land and buildings, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.
Depreciation is calculated on a straight line basis so as to write off the net cost of each asset to its estimated residual value, over its expected useful life, or for leasehold improvements, over the period of the lease or its expected useful life, whichever is the shorter. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

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

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

(l) Leased assets

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

Group entity as lessor
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

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

1. Summary of significant accounting policies (continued)

(l) Leased assets (continued)

***Group entity as lessee* (continued)**

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Goodwill

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

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

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

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

(n) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight line basis over their useful lives. The useful lives used in the calculation of amortisation are disclosed in note 12. All of the consolidated entity's intangible assets have been acquired apart from development costs. The conditions under which development costs can be capitalised are set out below. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Research and development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.
An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1. Summary of significant accounting policies (continued)

(o) Useful lives

The useful life of property, plant and equipment and other intangibles shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where useful lives are changed, the net written down value of the asset is depreciated or amortised from the date of the change in accordance with the new useful life. Depreciation and amortisation recognised in prior financial years shall not be changed, that is, the change in useful life shall be accounted for on a 'prospective basis'.

(p) Impairment of assets (excluding goodwill)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(q) Non-current assets held for sale and discontinued operations

When the consolidated entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it classifies the non-current asset (or disposal group) as held for sale at the acquisition date. If the newly acquired asset is acquired as part of a business combination, it is measured at fair value less costs to sell. Non-current assets and the assets and liabilities of disposal groups are presented separately on the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. The single amount disclosed on the face of the profit and loss statement and entitled 'profit for the year from discontinued operations' comprises;

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss on the disposal of the assets or disposal group constituting discontinued operations.

(r) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(s) Employee benefits

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

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

1. Summary of significant accounting policies (continued)

(t) Borrowings

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

(u) Provisions

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

Self-insured workers compensation
Australian businesses provide for self-insured workers compensation under the licensing conditions of the respective States. The provisions are based on independent actuarial assessments of claim liabilities and 'Incurred But Not Reported' (IBNR) factors.

Restructuring
A provision for restructuring is recognised when a detailed and formal restructuring plan has been approved and the restructuring has either commenced or has been publicly announced by the consolidated entity. Future operating costs are not provided for.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(v) Financial instruments issued by the Company

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

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

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(w) Derivatives

The consolidated entity uses derivative financial instruments to hedge its interest rate risks, arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not enter, hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Controls have been put in place to monitor compliance with this policy.

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

1. Summary of significant accounting policies (continued)

(w) Derivatives (continued)

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

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

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

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

2. Segment information (Consolidated)

The Group operates substantially within Australia. For management purposes, the Group is organised into the 4 major operating divisions described below;

Medical Centres – This division provides a range of services and facilities to general practitioners, specialists and other health care providers who conduct their own practices and businesses at its medical centres.

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

Pathology operations – This division provides pathology services.

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

The consolidated entity’s discontinued operations relate to Symbion Health Limited’s Consumer and Pharmacy subsidiaries that met the criteria to be classified as held for sale on acquisition. These subsidiaries were disposed of during the financial year. The operations of these subsidiaries were not consistent with the operations of any of the four major operating segments described above and as such, segment information for these subsidiaries has not been disclosed. For more information on the consolidated entity’s discontinued operations, refer to note 31(b).

2. Segment information (Consolidated) (continued)

2009	Medical Centres $000	Imaging $000	Pathology $000	Health Technology $000	Corporate $000	Total $000
Segment revenue	**252,016**	**314,378**	**737,363**	**49,398**	**-**	**1,353,155**
Intersegment sales	(15,990)	-	-	(7,862)	-	**(23,852)**
Trading revenue and share of net profits of associates	236,026	314,378	737,363	41,536	-	**1,329,303**
Segment EBITDA before restructuring costs	**140,892**	**54,842**	**145,220**	**16,818**	**(9,708)**	**348,064**
Depreciation	(13,629)	(22,793)	(14,045)	(616)	(1,767)	**(52,850)**
Amortisation of intangibles	(2,502)	(3,235)	(2,101)	(5,541)	(1,548)	**(14,927)**
Segment result before restructuring costs and impairment losses	**124,761**	**28,814**	**129,074**	**10,661**	**(13,023)**	**280,287**
Direct restructuring expenses	-	-	(5,500)	-	(2,000)	**(7,500)**
Segment result	**124,761**	**28,814**	**123,574**	**10,661**	**(15,023)**	**272,787**
Other revenue						**34,724**
Finance costs						**(157,870)**
Profit for the year before income tax from continuing operations						**149,641**
Segment assets excl. goodwill	236,436	150,341	199,699	18,707	208,157	**813,340**
Goodwill	982,463	324,993	1,520,154	65,091	-	**2,892,701**
Investments accounted for using the equity method	-	2,073	-	-	-	**2,073**
Other investments	-	-	-	-	7,981	**7,981**
Tax balances	-	-	-	-	62,432	**62,432**
Consolidated assets	1,218,899	477,407	1,719,853	83,798	278,570	**3,778,527**
Segment liabilities	19,350	52,522	107,624	14,459	27,971	**221,926**
Accrued interest	-	-	-	-	3,699	**3,699**
Interest bearing liabilities	-	-	-	-	1,434,575	**1,434,575**
Tax balances	-	-	-	-	1,624	**1,624**
Consolidated liabilities	19,350	52,522	107,624	14,459	1,467,869	**1,661,823**
Capital expenditure	35,142	15,870	14,523	650	-	**66,185**

2. Segment information (Consolidated) (continued)

2008	Medical Centres $000	Imaging $000	Pathology $000	Health Technology $000	Corporate $000	**Total $000**
Segment revenue	**189,144**	**129,179**	**310,278**	**38,611**	**-**	**667,212**
Intersegment sales	(12,234)	-	-	(4,984)	-	(17,218)
Trading revenue and share of net profits of associates	176,910	129,179	310,278	33,627	-	649,994
Segment EBITDA before restructuring costs and impairment losses	**105,512**	**19,524**	**53,215**	**11,362**	**(14,509)**	**175,104**
Depreciation	(11,341)	(11,303)	(5,851)	(536)	(1,002)	(30,033)
Amortisation of intangibles	(1,365)	(1,058)	(645)	(4,635)	(684)	(8,387)
Segment result before restructuring costs and impairment losses	**92,806**	**7,163**	**46,719**	**6,191**	**(16,195)**	**136,684**
Direct restructuring expenses	(7,403)	(8,939)	(4,213)	-	(7,134)	(27,689)
Impairment of plant and equipment	(1,125)	(4,205)	(1,170)	-	-	(6,500)
Impairment of other financial assets	-	-	-	-	(3,915)	(3,915)
Segment result	84,278	(5,981)	41,336	6,191	(27,244)	98,580
Other revenue						12,369
Finance costs						(102,254)
Profit for the year before income tax from continuing operations						8,695
Segment assets excl. goodwill	229,390	185,644	145,803	12,927	1,686	575,450
Goodwill	932,898	323,993	1,512,264	64,380	-	2,833,535
Investments accounted for using the equity method	-	2,850	-	-	-	2,850
Other investments	-	-	-	-	1,648	1,648
Tax balances	-	-	-	-	98,415	98,415
Assets classified as held for sale	-	-	-	-	1,286,412	1,286,412
Consolidated assets	1,162,288	512,487	1,658,067	77,307	1,388,161	4,798,310
Segment liabilities	32,783	64,863	92,406	15,682	71,138	276,872
Accrued interest	-	-	-	-	3,630	3,630
Interest bearing liabilities	-	-	-	-	2,199,730	2,199,730
Tax balances	-	-	-	-	21,171	21,171
Liabilities associated with assets classified as held for sale	-	-	-	-	535,762	535,762
Consolidated liabilities	32,783	64,863	92,406	15,682	2,831,431	3,037,165
Capital expenditure	50,597	7,519	6,704	749	10	65,579

3. Trading revenue

Consolidated trading revenue includes $615,000 (2008: $309,000) of Government Grants. Government Grants received by the Group are part of the Commonwealth Government's 'Investing in After Hours GP Services Program' which provides funding to assist medical practices to remain open outside of normal hours. There are no unfulfilled conditions in relation to these grants. These grants are shown gross, before related expenses.

	Consolidated		Company	
	2009	2008	**2009**	2008
4. Other revenue	**$000**	$000	**$000**	$000
Dividends:				
Controlled entities	**-**	-	**95,000**	40,000
Other entities	**55**	6,471	**55**	-
	55	6,471	**95,055**	40,000
Interest:				
Controlled entities	**-**	-	**-**	2,569
Other entities	**2,159**	5,583	**68**	1,486
	2,159	5,583	**68**	4,055
Distributions from wholly-owned unit trusts	**-**	-	**87,274**	56,180
Write back of provision for third party break fees	**27,460**	-	**-**	-
Liquidation distribution received	**5,050**	-	**-**	-
Other	**-**	315	**-**	-
	34,724	12,369	**182,397**	100,235

	Consolidated		Company	
	2009	2008	**2009**	2008
5. Finance costs	**$000**	$000	**$000**	$000
Interest – finance leases	**395**	548	**-**	-
Interest – other borrowings	**148,691**	106,407	**139,576**	59,385
Unwinding present value of payables and provisions	**275**	264	**-**	-
Interest rate swap payments	**790**	599	**790**	599
Borrowing costs	**44,030**	33,144	**44,030**	27,959
Total finance costs expensed	**194,181**	140,962	**184,396**	87,943
Attributable to:				
Continuing operations	**157,870**	102,254	**184,396**	87,943
Discontinued operations	**36,311**	38,708	**-**	-
Finance cost expensed	**194,181**	140,962	**184,396**	87,943

6. Share-based payments

(a) Overview

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

During FY 2003, the Company introduced an Employee Option Plan to formalise the issue of options to employees. Under this Plan, at the discretion of the Directors, the Company may grant (without payment) share options to long term key employees, including executives, allowing them to participate in the future growth of the Company. Each option is convertible into one ordinary share of the Company on payment of the exercise price during the 2 years following the vesting date, which is generally 3 years after the option is granted. The exercise price is the weighted average market price for the 5 days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. The Company does not provide any loans or guarantees to enable employees to finance the exercise of their options. Options lapse if the employee ceases to be employed by the Group.

The Company has also issued options to some of its key independent contractors. These options are not issued under a Plan. They are made from time to time at the discretion of the Board. Options issued to independent contractors to date have been issued without payment. They have vesting periods of between one and 8 years. Once vested, they are convertible into one ordinary share of the Company on payment of the exercise price. The exercise price is generally the weighted average market price for the 5 days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. The Company does not provide any loans or guarantees to enable independent contractors to finance the exercise of their options. Options lapse if the independent contractor ceases to have a contractual relationship with the Group or if they are not exercised before their expiry date which is generally 2 years after their vesting date.

A summary of options issued is set out on the following pages. Issues 1 to 14 have been issued to employees and issues 100 to 112 have been issued to independent contractors.

(b) Expenses arising from share-based payment transactions

No options were issued during the current financial year (30 June 2008: 1,650,000).

Exercise prices and expiry dates of options on issue in the year are contained in the tables on the following pages. Expected volatility is based on the historical share price volatility. The total fair value of options at grant date is allocated evenly over each of the reporting periods between grant date and vesting date. That portion of the fair value of options granted in any financial year which has been allocated to the current and previous financial year is shown in the table below.

	Consolidated		**Company**	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Options issued to independent contractors	**1,095**	1,306	**-**	-
Options issued to employees	**365**	435	**-**	-
	1,460	1,741	**-**	-

6. Share-based payments (continued)

(c) Details of option issues

	Grant date	Value per option at grant date	Expiry date	Exercise price	Earliest date exercisable
Issue 5	28 Feb 2003	0.65	28 Feb 2008	$0.43	One third after 27 Jul 2004
Issue 6	1 Mar 2004	0.70	28 Feb 2009	$2.10	1 Mar 2007
Issue 7	16 Feb 2005	1.31	7 Mar 2010	$5.35	7 Mar 2008
Issue 7a	16 Feb 2005	1.51	7 Mar 2012	$5.35	7 Mar 2010
Issue 8	1 Apr 2005	1.11	1 Apr 2010	$5.15	1 Apr 2008
Issue 9	1 Jun 2005	1.12	1 Jun 2010	$5.18	1 Jun 2008
Issue 10	13 Feb 2006	1.37	13 Feb 2010	$8.28	13 Feb 2008
Issue 10a	13 Feb 2006	1.59	13 Feb 2011	$8.28	13 Feb 2009
Issue 12	31 Oct 2006	1.06	29 Sep 2011	$9.02	29 Sep 2009
Issue 13	1 Jun 2007	1.24	1 Jul 2012	$9.35	1 July 2010
Issue 14	2 Nov 2007	1.40	1 Nov 2012	$9.15	1 Nov 2010
Issue 101	28 Feb 2003	0.65 – 1.04	30 Dec 2013	$0.43	23 Feb 2006
Issue 102	25 Jul 2003	0.60 – 1.20	30 Dec 2011	$1.15	6 Jan 2005
Issue 103	27 Feb 2004	0.58 – 0.92	24 Sep 2012	$2.10	1 Jul 2005
Issue 104	29 Oct 2004	0.72 – 0.94	2 Dec 2011	$3.14	1 Oct 2006
Issue 105	11 Apr 2005	1.21 – 1.39	24 Mar 2012	$5.45	11 Apr 2008
Issue 106	1 Jun 2005	0.97 – 1.36	1 Jun 2014	$5.18	1 Jun 2007
Issue 107	5 Oct 2005	1.56 – 1.94	1 Nov 2013	$7.51	2 Oct 2008
Issue 108	13 Feb 2006	1.74	13 Feb 2012	$8.30	13 Feb 2010
Issue 109	2 May 2006	1.17 – 1.97	2 Jun 2013	$8.99	6 Jul 2007
Issue 110	31 Oct 2006	1.04 – 1.25	13 Dec 2013	$9.02	1 Aug 2009
Issue 111	1 Jun 2007	1.10 – 1.39	19 Dec 2012	$9.35	1 Oct 2009
Issue 112	2 Nov 2007	1.15 – 1.75	6 Dec 2014	$9.15	1 Nov 2009

6. Share-based payments (continued)

(d) Movement in number of options outstanding

2009	Opening balance	Granted during year	Exercised during year	Lapsed during year	**Closing balance**	Vested and exercisable at end of year
Issue 7	250,000	-	-	-	**250,000**	250,000
Issue 7a	200,000	-	-	-	**200,000**	-
Issue 8	465,000	-	(100,000)	-	**365,000**	365,000
Issue 9	458,000	-	-	(98,000)	**360,000**	360,000
Issue 10	100,000	-	-	-	**100,000**	100,000
Issue 10a	100,000	-	-	-	**100,000**	100,000
Issue 12	130,000	-	-	(20,000)	**110,000**	-
Issue 13	30,000	-	-	-	**30,000**	-
Issue 14	100,000	-	-	(100,000)	**-**	-
Issue 101	1,435,000	-	(485,000)	(25,000)	**925,000**	200,000
Issue 102	236,000	-	(123,500)	(31,500)	**81,000**	81,000
Issue 103	1,053,000	-	(358,000)	(125.000)	**570,000**	535,000
Issue 104	1,115,000	-	(35,000)	(135,000)	**945,000**	220,000
Issue 105	100,000	-	-	-	**100,000**	50,000
Issue 106	500,000	-	-	(100,000)	**400,000**	210,000
Issue 107	1,025,000	-	-	(40,000)	**985,000**	12,500
Issue 108	30,000	-	-	-	**30,000**	-
Issue 109	810,000	-	-	-	**810,000**	120,000
Issue 110	972,500	-	-	(45,000)	**927,500**	-
Issue 111	425,000	-	-	(40,000)	**385,000**	-
Issue 112	1,550,000	-	-	-	**1,550,000**	-
	11,084,500	**-**	**(1,101,500)**	**(759,500)**	**9,223,500**	2,603,500
Weighted average exercise price	$5.69	N/A	$1.55	$5.04	**$6.23**	$4.33

Options were exercised regularly during the year ended 30 June 2009 at the weighted average share price of $4.90.

6. Shared-based payments (continued)

(d) Movement in number of options outstanding (continued)

2008	Opening balance	Granted during year	Exercised during year	Lapsed during year	**Closing balance**	Vested and exercisable at end of year
Issue 5	20,000	-	(20,000)	-	**-**	-
Issue 6	20,000	-	(20,000)	-	**-**	-
Issue 7	250,000	-	-	-	**250,000**	250,000
Issue 7a	200,000	-	-	-	**200,000**	-
Issue 8	485,000	-	-	(20,000)	**465,000**	465,000
Issue 9	460,000	-	(2,000)	-	**458,000**	458,000
Issue 10	100,000	-	-	-	**100,000**	100,000
Issue 10a	100,000	-	-	-	**100,000**	-
Issue 12	130,000	-	-	-	**130,000**	-
Issue 13	30,000	-	-	-	**30,000**	-
Issue 14	-	100,000	-	-	**100,000**	-
Issue 101	2,131,000	-	(676,000)	(20,000)	**1,435,000**	335,000
Issue 102	365,000	-	(129,000)	-	**236,000**	86,000
Issue 103	1,137,000	-	(26,000)	(58,000)	**1,053,000**	175,000
Issue 104	1,235,000	-	(30,000)	(90,000)	**1,115,000**	35,000
Issue 105	150,000	-	-	(50,000)	**100,000**	50,000
Issue 106	540,000	-	-	(40,000)	**500,000**	350,000
Issue 107	1,232,500	-	-	(207,500)	**1,025,000**	-
Issue 108	30,000	-	-	-	**30,000**	-
Issue 109	810,000	-	-	-	**810,000**	90,000
Issue 110	972,500	-	-	-	**972,500**	-
Issue 111	425,000	-	-	-	**425,000**	-
Issue 112	-	1,550,000	-	-	**1,550,000**	-
	10,823,000	1,650,000	(903,000)	(485,500)	**11,084,500**	2,394,000
Weighted average exercise price	$7.68	$12.10	$3.67	$8.21	**$5.69**	$7.36

Options were exercised regularly during the year ended 30 June 2008 at the weighted average share price of $11.19.

	Consolidated		Company	
	2009	2008	**2009**	2008
7. Tax balances	**$000**	$000	**$000**	$000
(a) Income tax expense				
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Continuing operations	**149,641**	8,695	**(2,234)**	8,377
Discontinued operations	**(9,767)**	(2,650)	**-**	-
Profit before income tax expense	**139,874**	6,045	**(2,234)**	8,377
Income tax calculated at 30% (2008 – 30%)	**41,962**	1,814	**(670)**	2,513
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Investment allowance	**(2,094)**	-	**(2,094)**	-
Research and development allowance	**(450)**	(225)	**-**	-
Share-based payments expense	**438**	522	**438**	462
Amortisation	**1,148**	-	**(1,468)**	(1,297)
Fully franked dividend income	**(17)**	(1,942)	**(28,517)**	(13,942)
Operating loss on sale of business	**(7,831)**	-	**-**	-
Loss on disposal of wholly-owned unit trust	**-**	-	**70**	-
Costs relating to acquisition of subsidiary	**-**	(2,800)	**-**	(2,800)
Minority share of trust income	**(584)**	-	**-**	-
Other	**(433)**	171	**-**	-
	32,139	(2,460)	**(32,241)**	(15,064)
Over provision in prior years	**(2,970)**	(169)	**(659)**	(7)
	29,169	(2,629)	**(32,900)**	(15,071)
Comprising:				
Current tax	**1,462**	(613)	**(36,079)**	(16,755)
Deferred tax	**30,677**	(1,847)	**3,838**	1,691
Under (over) provision in prior years	**(2,970)**	(169)	**(659)**	(7)
	29,169	(2,629)	**(32,900)**	(15,071)
Attributable to:				
Continuing operations	**31,333**	(1,789)	**(32,900)**	(15,071)
Discontinued operations	**(2,164)**	(840)	**-**	-
	29,169	(2,629)	**(32,900)**	(15,071)

7. Tax balances (continued)

(b) Reconciliation of deferred tax balances

2009	1 July 2008 Opening balance	Acquired / (Disposed)	Charged to income	Charged to equity	**30 June 2009 Closing balance**
Consolidated					
Receivables	(8,029)	-	1,425	-	**(6,604)**
Consumables	(2,583)	-	(675)	-	**(3,258)**
Cash flow hedges	(34)	-	-	(457)	**(491)**
Available-for-sale investments	1,175	-	-	(88)	**1,087**
Provisions	45,731	118	(18,475)	-	**27,374**
Payables	7,890	-	(6,277)	-	**1,613**
Property, plant and equipment	5,872	-	(731)	-	**5,141**
Intangibles	1,615	-	(1,738)	-	**(123)**
Amortisation of share issue expenses	11,017	-	(3,254)	2,033	**9,796**
Amortisation of takeover costs	10,690	-	(2,736)	-	**7,954**
Other	(1,784)	-	1,784	-	**-**
Net temporary differences	71,560	118	(30,677)	1,488	**42,489**
Tax losses – revenue	15,794	-	1,184	-	**16,978**
Deferred tax asset	87,354	118	(29,493)	1,488	**59,467**
Company					
Cash flow hedges	(34)	-	-	(457)	**(491)**
Available-for-sale investments	1,175	-	-	(88)	**1,087**
Amortisation of share issue expenses	11,017	-	(3,254)	2,033	**9,796**
Other	1,736	226	(584)	-	**1,378**
Net temporary differences	13,894	226	(3,838)	1,488	**11,770**
Tax losses – revenue	15,794	-	1,184	-	**16,978**
Deferred tax asset	29,688	226	(2,654)	1,488	**28,748**

7. Tax balances (continued)

(b) Reconciliation of deferred tax balances (continued)

2008	1 July 2007 Opening balance	Acquired	Charged to income	Charged to equity	**30 June 2008 Closing balance**
Consolidated					
Receivables	(835)	(7,967)	773	-	**(8,029)**
Consumables	(1,513)	1,741	(2,811)	-	**(2,583)**
Cash flow hedges	-	(2,067)	2,067	(34)	**(34)**
Available-for-sale investments	643	-	1,175	(643)	**1,175**
Provisions	1,307	40,375	4,049	-	**45,731**
Payables	633	7,477	(220)	-	**7,890**
Property, plant and equipment	-	6,337	(465)	-	**5,872**
Intangibles	1,849	1,450	(1,684)	-	**1,615**
Amortisation of share issue expenses	247	-	(2,847)	13,617	**11,017**
Amortisation of takeover costs	288	5,154	5,248	-	**10,690**
Other	203	1,451	(3,438)	-	**(1,784)**
Net temporary differences	2,822	53,951	1,847	12,940	**71,560**
Tax losses – revenue	916	-	14,878	-	**15,794**
Deferred tax asset	3,738	53,951	16,725	12,940	**87,354**
Company					
Cash flow hedges	-	-	-	(34)	**(34)**
Available-for-sale investments	643	-	1,175	(643)	**1,175**
Amortisation of share issue expenses	247	-	(2,847)	13,617	**11,017**
Other	1,755	-	(19)	-	**1,736**
Net temporary differences	2,645	-	(1,691)	12,940	**13,894**
Tax losses – revenue	916	-	14,878	-	**15,794**
Deferred tax asset	3,561	-	13,187	12,940	**29,688**

	Consolidated		Company	
	2009	2008	**2009**	2008
7. Tax balances (continued)	**$000**	$000	**$000**	$000
(c) Current tax liabilities				
Income tax payable is attributable to:				
Entities in the tax consolidated group	**-**	211	**-**	**211**
Other	**1,624**	20,960	**-**	**-**
	1,624	21,171	**-**	**211**

(d) Tax consolidation legislation

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

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

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

	Consolidated		Company	
	2009	2008	**2009**	2008
8. Remuneration of auditor	**$**	$	**$**	$
Auditing the financial report	**800,000**	**860,000**	**-**	-
Other services:				
Tax consulting	**544,250**	**119,500**	**-**	-
Advisory services	**281,259**	**1,750,256**	**-**	-
Other audit services	**10,588**	**15,000**	**-**	-
	1,636,097	**2,744,756**	**-**	-

	Consolidated		Company	
	2009	2008	**2009**	2008
9. Receivables	**$000**	$000	**$000**	$000
Measured at Amortised Cost				
(a) Current				
Trade receivables	**99,492**	103,346	**-**	-
Allowance for doubtful debts	**(5,823)**	(7,321)	**-**	-
	93,669	96,025	**-**	-
Unrealised interest rate swap	**1,639**	115	**1,639**	115
Other receivables and prepayments	**61,490**	44,864	**-**	-
	156,798	141,004	**1,639**	115
(b) Non-current				
Amounts receivable from controlled entities	**-**	-	**658,574**	1,096,637
Other	**2,224**	2,014	**-**	-
	2,224	2,014	**658,574**	1,096,637
(c) Ageing of trade receivables				
Current	**65,815**	68,840	**-**	**-**
30-60 days	**10,142**	15,503	**-**	**-**
60-90 days	**6,333**	5,121	**-**	**-**
90 days +	**17,202**	13,882	**-**	**-**
	99,492	103,346	**-**	**-**
(d) Movement in allowance for doubtful debts				
Balance at beginning of year	7,321	441	**-**	**-**
Balance acquired during year	**-**	5,409	**-**	**-**
Provision for the period	**4,956**	1,768	**-**	**-**
Doubtful debts recovered/written off during the period	**(6,454)**	(297)	**-**	**-**
	5,823	7,321	**-**	**-**

No interest is charged on trade receivables. The Group's policy requires customers to pay the Group in accordance with agreed payment terms. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet. Trade receivables have been aged according to their original due date in the above ageing analysis.

The Group has used the following basis to assess the allowance loss for trade receivables:
• 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 29.

10. Property, plant and equipment (Consolidated)

2009	Freehold land and buildings $000	Construction in progress $000	Leasehold improvements $000	Plant and equipment $000	**Total $000**
Net book value					
Opening balance	6,152	23,824	124,647	174,622	**329,245**
Additions	-	28,643	8,297	29,369	**66,309**
Transfers	18	(17,977)	10,541	6,879	**(539)**
Impairment provision utilised	-	-	1,664	1,145	**2,809**
Disposals	-	(6,298)	(1,975)	(2,719)	**(10,992)**
Depreciation expense	(100)	-	(10,653)	(42,097)	**(52,850)**
Foreign exchange differences	-	-	(5)	(78)	**(83)**
Closing balance	6,070	28,192	132,516	167,121	**333,899**
Cost	6,570	28,192	177,975	387,381	**600,118**
Accumulated depreciation	(500)	-	(44,773)	(217,255)	**(262,528)**
Impairment provision	-	-	(686)	(3,005)	**(3,691)**
Closing balance	6,070	28,192	132,516	167,121	**333,899**

2008	Freehold land and buildings $000	Construction in progress $000	Leasehold improvements $000	Plant and equipment $000	**Total $000**
Net book value					
Opening balance	-	-	89,912	61,454	**151,366**
Acquisition of controlled entity	6,266	18,362	11,308	113,194	**149,130**
Additions	-	6,527	33,130	25,971	**65,628**
Transfers	(81)	(1,028)	515	401	**(193)**
(Increase)/decrease in Impairment provision	-	-	(2,350)	(4,150)	**(6,500)**
Disposals	-	-	-	(104)	**(104)**
Depreciation expense	(33)	-	(7,867)	(22,133)	**(30,033)**
Foreign exchange differences	-	(37)	(1)	(11)	**(49)**
Closing balance	6,152	23,824	124,647	174,622	**329,245**
Cost	6,552	23,824	161,117	353,930	**545,423**
Accumulated depreciation	(400)	-	(34,120)	(175,158)	**(209,678)**
Impairment provision	-	-	(2,350)	(4,150)	**(6,500)**
Closing balance	6,152	23,824	124,647	174,622	**329,245**

The Company has no property, plant and equipment at 30 June 2009 (30 June 2008: $nil).

11. Goodwill (Consolidated)	2009 $000	2008 $000

(a) Carrying value

	2009 $000	2008 $000
Opening balance	**2,833,535**	372,255
Acquisition of subsidiaries	**506**	2,399,828
Acquisition of businesses	**58,660**	61,452
Closing balance	**2,892,701**	2,833,535

(b) Impairment tests

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The following is a segment-level summary of the goodwill allocation:

	2009 $000	2008 $000
Medical Centres	**982,463**	932,898
Imaging	**324,993**	323,993
Pathology	**1,520,154**	1,512,264
Health Technology	**65,091**	64,380
	2,892,701	2,833,535

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. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the FY2010 budget. Key assumptions used for impairment testing for 30 June 2009 include a discount rate of 15.3% (2008: 14.1%), expected future profits and a future annual growth rate of revenues and costs of 3% (2008: 1%) for Medical Centres segment, 3.0% (2008: 2.0%) for Imaging segment, 4.0% (2008: 4.0%) for Pathology segment and 5.0% (2008: 5.0%) for Health Technology segment for a period of 5 years. The growth rates for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates. Sensitivity analysis is used to determine whether the carrying value is supported by different assumptions. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of those CGUs at 30 June 2009.

12. Other intangibles (Consolidated)

The following estimated useful lives used in the calculation of amortisation:

Copyright in computer software programs	9.5 years
Capitalised development costs	9 years
Operating rights and licences	3-15 years
Computer software	3-10 years

Details of the Group's other intangible assets are shown in the tables below.

2009	Copyright in computer software programs $000	Capitalised development cost $000	Operating rights and licences $000	Computer software $000	**Total $000**
Net book value					
Opening balance	31,082	3,803	37,739	7,262	**79,886**
Disposals and write offs	-	-	-	(190)	**(190)**
Additions	-	3,192	1,590	5,216	**9,998**
Transfer from construction in progress (note 10)	-	-	-	539	**539**
Amortisation expense	(4,897)	(645)	(6,231)	(3,154)	**(14,927)**
Closing balance	26,185	6,350	33,098	9,673	**75,306**
Cost	46,500	7,369	44,218	32,453	**130,540**
Accumulated amortisation	(20,315)	(1,019)	(11,120)	(22,780)	**(55,234)**
Closing Balance	26,185	6,350	33,098	9,673	**75,306**

2008	Copyright in computer software programs $000	Capitalised development cost $000	Operating rights and licences $000	Computer software $000	**Total $000**
Net book value					
Opening balance	35,406	1,437	3,076	-	**39,919**
Acquisition of controlled entity	-	-	34,960	7,865	**42,825**
Disposals and write offs	-	-	(502)	(3)	**(505)**
Additions	-	2,677	2,891	273	**5,841**
Transfer from construction in progress (note 10)	-	-	-	193	**193**
Amortisation expense	(4,324)	(311)	(2,686)	(1,066)	**(8,387)**
Closing balance	31,082	3,803	37,739	7,262	**79,886**
Cost	46,500	4,177	42,628	26,888	**120,193**
Accumulated amortisation	(15,418)	(374)	(4,889)	(19,626)	**(40,307)**
Closing Balance	31,082	3,803	37,739	7,262	**79,886**

13. Other financial assets	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
(a) Current – measured at fair value				
Available-for-sale				
Quoted shares	**6,933**	870	**6,933**	870
(b) Non-current – measured at cost				
Interest in partnerships	**748**	748	**-**	-
Shares in unlisted entities	**300**	-	**-**	-
Unquoted notes	**-**	30	**-**	-
Shares in controlled entities	**-**	-	**2,781,609**	2,779,809
Units in wholly-owned unit trusts	**-**	-	**24,439**	54,464
	1,048	778	**2,806,048**	2,834,273

14. Payables	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
(a) Current				
Trade payables and accruals	**106,517**	96,553	**2,362**	-
Payables and accruals relating to acquisitions	**353**	8,228	**-**	-
Accrued interest	**3,699**	3,630	**3,699**	3,630
	110,569	108,411	**6,061**	3,630
(b) Non-current				
Trade payables and accruals	**67**	-	**-**	-
Payables and accruals relating to acquisitions	**1,308**	1,504	**-**	-
	1,375	1,504	**-**	-

15. Provisions	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
(a) Current				
Provision for employee benefits (note 16(a))	**38,244**	38,977	**-**	-
Provision for third party break fees	**-**	27,460	**-**	-
Self-insurance provision	**9,733**	13,006	**-**	-
Restructuring and onerous contract provision	**13,203**	24,855	**-**	-
	61,180	104,298	**-**	-
(b) Non-current				
Provision for employee benefits (note 16(a))	**36,274**	46,376	**-**	-
Self-insurance provision	**2,852**	6,370	**-**	-
Onerous contract provision	**3,119**	6,218	**-**	-
	42,245	58,964	**-**	-

	Consolidated		Company	
	2009	2008	**2009**	2008
15. Provision (continued)	**$000**	$000	**$000**	$000
(c) Movements in provisions				
Provision for third party break fees				
Opening balance	**27,460**	-	**-**	-
Increase through acquisitions	**-**	27,460	**-**	-
Reduction resulting from settlement	**(27,460)**	-	**-**	-
Closing balance	**-**	27,460	**-**	-
Self-insurance provision				
Opening balance	**19,376**	-	**-**	-
Increase through acquisitions	**-**	19,279	**-**	-
Provisions (written back)/raised during the period	**(1,943)**	2,735	**-**	-
Payments and other sacrifices of economic benefits	**(4,848)**	(2,638)	**-**	-
Closing balance	**12,585**	19,376	**-**	-
Restructuring and onerous contract provision				
Opening balance	**31,073**	-	**-**	
Increase through acquisitions	**-**	8,875	**-**	-
Unwinding present value interest cost	**275**	217	**-**	-
Provisions raised during the period	**7,500**	27,689	**-**	-
Payments and other sacrifices of economic benefits	**(22,526)**	(5,708)	**-**	-
Closing balance	**16,322**	31,073	**-**	**-**

(d) Nature and purpose of provisions

Provision for third party break fees
The Group had previously recognised total provision of $27.46m in the year ended 30 June 2008 as part of the acquisition of Symbion Health Limited relating to unresolved break fee legal claims. Subsequent to year end (on 10 July 2009), these claims were resolved by the Court in favour of the Group, and the provision has been written back to the income statement as an adjusting event under AASB 110 *Events after the Balance Sheet Date*. Refer note 4.

Self-insurance provision
The provision relates primarily to self-insured workers compensation liabilities under the licensing conditions of the respective state authorities of Victoria, New South Wales, South Australia and Western Australia. The provision for workers compensation is based upon an independent actuarial assessment of claims liabilities and IBNR factors, updated to reflect claims experience of the current period.

Restructuring and onerous contract provision
The provision relates to expenditure connected to restructuring the entity's operations. The estimated costs are based on detailed plans agreed between management and employee representatives. Restructuring provisions 'acquired' relate to restructuring plans put in place by the previous management of Symbion Health Limited. The additional provisions recognised during the year relate to the plans of management to integrate Symbion Health Limited with the existing Primary Health Care business.

16. Employee benefits	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000

(a) Provisions

The aggregate employee benefit and related on-cost liability recognised and included in the financial statements is as follows:

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Provision for employee benefits – current (note 15(a))	**38,244**	38,977	**-**	-
Provision for employee benefits – non-current (note 15(b))	**36,274**	46,376	**-**	-
	74,518	85,353	**-**	-

(b) Employee numbers

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
No. of employees at end of financial year	**10,383**	11,288	**-**	-

(c) Superannuation commitments

The Company does not maintain a superannuation fund.

The Company and its related entities meet their obligations under the Superannuation Guarantee Charge Act 1992 by making superannuation contributions, at the statutory rate, to complying superannuation funds on behalf of their employees.

17. Interest bearing liabilities	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000

(a) Current

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Gross bank loan	**1,438,000**	2,218,000	**1,438,000**	2,218,000
Unamortised borrowing costs	**(7,170)**	(39,665)	**(7,170)**	(39,665)
Bank Loan at amortised cost	**1,430,830**	2,178,335	**1,430,830**	2,178,335
Bank overdraft	**-**	14,688	**33**	120
Finance lease liabilities (note 18(a))	**1,431**	3,396	**-**	-
	1,432,261	2,196,419	**1,430,863**	2,178,455

(b) Non-current

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Finance lease liabilities (note 18(a))	**2,314**	3,311	**-**	-
	2,314	3,311	**-**	-

All interest bearing liabilities are secured by mortgages over the Group's freehold land and buildings, mortgages of lease and consent to charge over the Group's leasehold properties and registered debenture charges over the Group's assets (none of which meet the definition of 'financial assets' under accounting standards). A Deed of Cross Guarantee is in place (refer note 28).

	Consolidated		Company	
	2009	2008	**2009**	2008
18. Commitments for expenditure	**$000**	$000	**$000**	$000

(a) Finance lease commitments

Commitments in relation to finance leases are payable as follows:				
Within one year	**1,907**	3,719	**-**	-
Later than 1 year but not later than 5 years	**2,162**	3,707	**-**	-
Minimum future lease payments	**4,069**	7,426	**-**	-
Less future finance charges	**(324)**	(719)	**-**	-
Present value of minimum lease payments	**3,745**	6,707	**-**	-
Included in the financial statements as:				
Current (note 17(a))	**1,431**	3,396	**-**	-
Non-current (note 17(b))	**2,314**	3,311	**-**	-
	3,745	6,707	**-**	-

(b) Non-cancellable operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases not recognised as liabilities, payable:				
Within one year	**52,642**	74,022	**-**	-
Later than 1 year but not later than 5 years	**88,729**	150,183	**-**	-
Later than 5 years	**7,534**	20,436	**-**	-
	148,905	244,641	**-**	-

(c) Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**8,096**	4,008	**-**	-

(d) Operating and finance lease terms

Operating leases relate to medical centres and pathology sites with lease terms of between one and 20 years. Most of these leases have options to extend. The Group does not have an option to purchase the property at the expiry of the lease term.

Finance leases are secured by the assets leased and relate to medical and pathology equipment with lease terms of between 5 and 7 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease.

(e) Investments

At balance date no capital commitments exist in respect of interests in partnerships, investments or joint ventures contracted that are not provided for the financial report.

19. Issued capital (Company & Consolidated)	2009 No. of shares 000's	2008 No. of shares 000's	2009 $000	2008 $000
Opening balance	**371,095**	125,376	**1,725,216**	330,699
Exercise of share options	**1,101**	903	**1,727**	3,307
Transfer from share-based payments reserve	**-**	-	**934**	719
Shares issued via Dividend Reinvestment Plan	**3,537**	750	**16,556**	6,055
Shares issued via Bonus Share Plan	**21**	466	**-**	-
Share placement	**53,000**	15,500	**265,000**	184,450
Pro-rata entitlement offer	**-**	228,029	**-**	1,231,358
Other share issues	**1,994**	71	**10,440**	400
Capital raising/share issue costs, net of tax	**-**	-	**(4,744)**	(31,772)
Closing balance – Company	**430,748**	371,095	**2,015,129**	1,725,216
Reverse acquisition adjustment (1994)			**(19,865)**	(19,865)
Closing balance - Consolidated			**1,995,264**	1,705,351

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

20. Earnings per share

Earnings	Consolidated 2009 $000	2008 $000
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the profit and loss statement as follows:		
Profit attributable to equity holders of Primary Health Care Limited	**108,502**	7,862
Loss for the year from discontinued operations	**7,603**	1,810
Earnings from continuing operations	**116,105**	9,672

Weighted average number of shares	2009 '000s	2008 '000s
The weighted average number of shares used in the calculation of basic earnings per share (continuing and discontinued)	**378,707**	274,046
Potential ordinary shares [1]	**490**	2,134
The weighted average number of shares used in the calculation of diluted earnings per share (continuing and discontinued)	**379,197**	276,180

[1] Potential ordinary shares represent share options, but only to the extent that they are considered dilutive.

21. Reserves	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Foreign currency translation reserve	21(a)	**(388)**	222	**-**	-
Available-for-sale investments revaluation reserve	21(b)	**204**	-	**204**	-
Cash flow hedges reserve	21(c)	**1,148**	81	**1,148**	81
Share-based payments reserve	21(d)	**7,797**	7,271	**7,797**	7,271
		8,761	7,574	**9,149**	7,352

21. Reserves (continued)

(a) Foreign currency translation reserve

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

(b) Available-for-sale investments revaluation reserve

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

(c) Cash flow hedges reserve

The cash flow hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

(d) Share-based payments reserve

The share-based payments reserve arises on the grant of share options to senior employees under the employee share option plan and doctors. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 6 to the financial statements.

	Consolidated		**Company**	
	2009	2008	**2009**	2008
22. Retained profits	**$000**	$000	**$000**	$000
Opening balance	**45,326**	93,402	**57,780**	90,270
Profit attributable to equity holders	**108,502**	6,777	**30,666**	23,448
Dividends provided or paid	**(44,741)**	(55,938)	**(44,741)**	(55,938)
Fair value adjustments, net of tax, relating to Symbion acquisition	**-**	1,085	**-**	-
Closing balance	**109,087**	45,326	**43,705**	57,780

	Consolidated		**Company**	
	2009	2008	**2009**	2008
23. Franking account	**$000**	$000	**$000**	$000
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)	**25,119**	31,068	**25,119**	31,068

The above amounts represent the balance of the franking account as at the end of the financial year. The amounts have not been adjusted for franking credits that will arise from the payment of the current tax liability.

24. Related party disclosures

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

(b) Equity interests in related entities

Details of interests in associates are shown in note 26. Details of interests in controlled entities are shown note 27.

(c) Transactions with associates

Transactions with associates are disclosed in note 26.

(d) Transactions within the wholly-owned group

Details of dividends and interest received by the parent entity from controlled entities are disclosed in note 4.

Details of amounts due and receivable from controlled entities within the wholly-owned group are disclosed in note 9. Loans between entities in the wholly-owned group are repayable at call. If both parties to the loan are within the same tax consolidated group, no interest is charged on the loan. If this is not the case, interest is charged on the loan at normal commercial rates.

During the financial year rental of premises and the rendering of IT services occurred between entities within the wholly-owned group at commercial rates.

25. Key management personnel disclosures

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

Equity holdings and transactions

(a) Shareholdings

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

2009	Opening balance	Received during the year on the exercise of options	Other changes during the year	**Closing balance**
B Ball	62,000	-	25,000	**87,000**
EG Bateman	50,740,762	-	(3,817,568)	**46,923,194**
MJ Christie	3,592,488	-	-	**3,592,488**
JD Crawford	61,722	-	8,699	**70,421**
GJ Gardiner[1]	-	-	-	**-**
S Higgs	811,777	-	687	**812,464**
T Smith	-	-	-	**-**
H Bateman	301,133	-	(103,000)	**198,133**
J Bateman	1,003,186	-	(689,000)	**314,186**
A Duff	88,000	100,000	(83,380)	**104,620**
J Frost	10,000	-	261	**10,261**
S James	1,000	-	69,540	**70,540**
M Bardsley	7,886	-	-	**7,886**

[1]Mr Gardiner resigned 12 May 2009.

25. Key management personnel disclosures (continued)

Equity holdings and transactions (continued)

(a) Shareholdings (continued)

2008	Opening balance	Received during the year on the exercise of options	Other changes during the year	**Closing balance**
B Ball	20,000	-	42,000	**62,000**
EG Bateman	22,722,907	-	28,017,855	**50,740,762**
MJ Christie	3,235,488	-	357,000	**3,592,488**
JD Crawford	22,924	-	38,798	**61,722**
GJ Gardiner	-	-	-	**-**
S Higgs	514,777	-	297,000	**811,777**
T Smith	-	-	-	**-**
H Bateman	229,708	-	71,425	**301,133**
J Bateman	1,003,186	-	-	**1,003,186**
A Duff	98,050	-	(10,050)	**88,000**
J Frost	-	-	10,000	**10,000**
S James	-	-	1,000	**1,000**
A Lieutenant	255,263	-	361,000	**616,263**

(b) Key management personnel compensation

The key management personnel compensation included in Employee Benefits expense (refer to income statement) is as follows:

	Consolidated		**Company**	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Short term employee benefits	**2,515**	9,263	**-**	-
Post-employment benefits	**172**	129	**-**	-
Share-based payments	**118**	327	**-**	-
	2,805	9,719	**-**	-

(c) Loans to key management personnel

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

25. Key management personnel disclosures (continued)

(c) Other transactions with key management personnel

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

- occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the Director or their personally-related entity at arm's length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report, or the discharge of accountability by the Director or executive; and
- are trivial or domestic in nature.

26. Investments in associates (Consolidated)

			Ownership Interest	
Name of associated Entity	Country of Incorporation	Principal Activity	2009 %	2008 %
Campsie Nuclear Medicine Pty Ltd	Australia	Imaging services	50%	50%
Bondi Nuclear Medicine Pty Ltd	Australia	Imaging services	50%	50%
North Coast Nuclear Medicine (Qld) Pty Ltd	Australia	Imaging services	40%	40%
Southport Diagnostic Imaging Pty Ltd	Australia	Imaging services	50%	50%
Eastern Radiology Services Pty Ltd	Australia	Imaging services	-	33%

Reconciliation of movements in investments in associates during the financial year is as follows:

	Note	**2009 $000**	**2008[1] $000**
Opening balance		**2,850**	-
Share of profit/(loss) of associates		**699**	353
		3,549	353
Dividends		**(714)**	-
Disposals		**(337)**	-
Write-down during the year		**(425)**	-
Acquisitions		**-**	2,497
		2,073	2,850

[1] Equity accounted from 1 March 2008 (date of acquisition of Symbion Health Limited).

26. Investments in associates (Consolidated) (continued)

The Group's share of profits and losses, assets and liabilities of associates is:

	2009 $000	2008 $000
Income statement		
Revenues of associates	**5,611**	2,954
Profit of associates	**1,601**	828
Share of profit as disclosed by associates	**699**	353
Balance sheet		
Assets	**4,427**	4,945
Liabilities	**(348)**	(1,170)
Net assets	**4,079**	3,775
Investments in associates accounted for using the equity method	**2,073**	2,850

Related party transactions between associates and the wholly-owned group in the 12 months ended 30 June 2009 are detailed below:

Campsie Nuclear Medicine Pty Ltd
An entity within the consolidated entity charged rent and outgoings and provided accounting services for Campsie Nuclear Medicine Pty Ltd. In the 12 months to 30 June 2009, these charges totalled $107,414 (30 June 2008: $36,000) of which $8,733 (30 June 2008: $9,000) was outstanding at period end.

Bondi Nuclear Medicine Pty Ltd
An entity within the consolidated entity charged rent and outgoings and salary and wage expenses, and provided accounting services for Bondi Nuclear Medicine Pty Ltd. In the 12 months to 30 June 2009, these charges totalled $51,575 (30 June 2008: $25,000) of which $nil (30 June 2008: $5,000) was outstanding at period end.

North Coast Nuclear Medicine (Qld) Pty Ltd
An entity within the consolidated entity charged rent and outgoings and imaging services expenses for North Coast Nuclear Medicine (Qld) Pty Ltd. In the 12 months to 30 June 2009, these charges totaled $94,850 (30 June 2008: $43,000). The total amount outstanding from North Coast Nuclear Medicine (Qld) Pty Ltd at period end was $31,550 (30 June 2008: $84,000).

Eastern Radiology Services Pty Ltd
Eastern Radiology Services Pty Ltd was disposed of on 30 April 2009. Prior to disposal, an entity within the consolidated entity charged salary and wage expenses, and provided accounting services for Eastern Radiology Services Pty Ltd. In the 10 months to 30 April 2009, these charges totalled $2,042,185 (30 June 2008: $272,000) of which $nil (30 June 2008: $208,000) was outstanding at period end.

27. Controlled entities

		Equity Holding %	
	Country of Incorporation	**2009**	2008
Primary Health Care Limited	Australia		
Idameneo (No. 123) Pty Ltd	Australia	**100%**	100%
Artlu Unit Trust	Australia	**100%**	100%
Digital Diagnostic Imaging Pty Ltd	Australia	**72%**	72%
John R Elder Pty Ltd	Australia	**100%**	100%
Idameneo (No. 124) Pty Ltd	Australia	**100%**	100%
PHC (No. 01) Pty Limited	Australia	**100%**	100%
PHC Nominees Pty Ltd	Australia	**100%**	100%
Former SDS Pty Limited (2008: Specialist Diagnostic Services Pty Ltd)	Australia	**100%**	100%
Sydney Diagnostic Services Unit Trust	Australia	**100%**	100%
Abbott Pathology Pty Ltd	Australia	**100%**	100%

27. Controlled entities (continued)	Country of Incorporation	Equity Holding % 2009	2008
Health Communication Network Limited	Australia	**100%**	100%
Amokka Java Pty Limited	Australia	**100%**	100%
Phoenix Medical Publishing Pty Ltd	Australia	**100%**	-
Health Communication Network (UK) Holdings Limited	UK	**100%**	100%
Symbion Health Limited	Australia	**100%**	100%
Saftsal Pty Ltd	Australia	**100%**	100%
Aksertel Pty Ltd	Australia	**100%**	100%
Onosas Pty Ltd	Australia	**100%**	100%
MGSF Pty Ltd	Australia	**100%**	100%
PSCP Holdings Pty Ltd	Australia	**100%**	100%
Wellness Holdings Pty Ltd	Australia	**100%**	100%
Symbion CP Holdings Pty Ltd	Australia	**-**	100%
PSPA Pty Ltd	Australia	**-**	100%
Faulding Distributors (SEA) Pte Limited	Singapore	**-**	100%
MCP Direct Pty Ltd	Australia	**-**	100%
Medicine Man Labs Pty Ltd	Australia	**-**	100%
Carlson Health Pty Ltd	Australia	**-**	100%
Crimson Court (M) Sdn Bhd	Malaysia	**-**	100%
Optimum Healthcare Pty Ltd	Australia	**-**	100%
MCP Operations Pty Ltd	Australia	**-**	100%
BML Pharmaceuticals Pty Ltd	Australia	**-**	100%
Bullivant's Natural Health Products Pty Ltd	Australia	**-**	100%
Queensland Biochemics Pty Ltd	Australia	**-**	100%
Cenovis Health Co. Pty Ltd	Australia	**-**	100%
Cenovis Pty Ltd	Australia	**-**	100%
Faulding Healthcare Europe Holdings Ltd	United Kingdom	**-**	100%
Cenovis Health Co Sdn Bhd	Malaysia	**-**	100%
Faulding Consumer UK Limited	United Kingdom	**-**	100%
Bullivant's Natural Health Products (HK) Limited	Hong Kong	**-**	100%
Bullivant's Natural Health Products (International) Pty Ltd	Australia	**-**	100%
Symbion Consumer Products (NZ) Limited	New Zealand	**-**	100%
Symbion Healthcare Holdings Pty Ltd	Australia	**100%**	100%
Symbion Medical Centre Holdings Pty Ltd	Australia	**100%**	100%
Symbion Medical Centre Operations Pty Ltd	Australia	**100%**	100%
Larches Pty Ltd	Australia	**100%**	100%
Pacific Medical Centres Pty Ltd	Australia	**100%**	100%
Kelldale Pty Ltd	Australia	**100%**	100%
Symbion Pathology Holdings Pty Ltd	Australia	**100%**	100%
Symbion Pathology (India) Private Limited	India	**100%**	100%
AME Medical Services Pty Ltd	Australia	**100%**	100%
Gippsland Pathology Service Pty Ltd	Australia	**100%**	100%
Jandale Pty Ltd	Australia	**100%**	100%
Integrated Health Care Pty Ltd	Australia	**100%**	100%
Queensland Specialist Services Pty Ltd	Australia	**100%**	100%
Symbion Pathology Holdings Asia Pty Ltd	Australia	**100%**	100%
Specialist Diagnostic Services Pty Limited (2008: Symbion Pathology Pty Ltd)	Australia	**100%**	100%
Queensland Medical Services Pty Ltd	Australia	**100%**	100%
Symbion Diagnostic Imaging Holdings Pty Ltd	Australia	**100%**	100%
Norcoray Pty Ltd	Australia	**50%**	50%
Norcoray Unit Trust (b)	Australia	**50%**	50%
Orana Services Pty Ltd	Australia	**50%**	50%

27. Controlled entities (continued)	Country of Incorporation	Equity Holding % 2009	2008
Orana Services Trust (b)	Australia	**50%**	50%
Brystow Pty Ltd	Australia	**100%**	100%
Healthcare Imaging Services (WA) Pty Ltd (c)	Australia	**100%**	-
Healthcare Imaging Services (SA) Pty Ltd (c)	Australia	**100%**	-
Healthcare Imaging Services (Victoria) Pty Ltd	Australia	**100%**	100%
Healthcare Imaging Services Pty Ltd	Australia	**100%**	100%
Queensland Diagnostic Imaging Pty Ltd	Australia	**100%**	100%
Western Suburbs Ultra-sound & radiology Services Trust	Australia	**100%**	100%
Cabramatta Imaging Pty Ltd	Australia	**50%**	50%
Cabramatta Imaging Unit Trust	Australia	**50%**	50%
Symbion Pharmacy Services Pty Ltd	Australia	**-**	100%
ACN 086 061 207 Pty Ltd	Australia	**-**	100%
ACN 091 753 043 Pty Ltd	Australia	**-**	100%
Chem Mart Pharmaceuticals (New Zealand) Ltd	New Zealand	**-**	100%
Chem Mart Pty Ltd	Australia	**-**	100%
Pharmaceutical Care Information Services Pty Ltd	Australia	**-**	50%
Therapeutic Information Resources Australia Pty Ltd	Australia	**-**	100%
Faulding Healthcare Retail Pty Ltd	Australia	**-**	100%
Healthsense Pty Ltd	Australia	**-**	100%
Minfos Systems Pty Ltd	Australia	**-**	100%
Terry White Management Pty Ltd	Australia	**-**	100%
The Medicine Shoppe Australia Pty Ltd	Australia	**-**	100%
SYB (NZ) Limited	New Zealand	**100%**	100%
The Ward Corporation Pty Ltd	Australia	**100%**	100%
Symbion International BV	Netherlands	**100%**	100%
Mayne Nickless Inc.	United States	**100%**	100%
Symbion Holdings (NZ) Ltd	New Zealand	**100%**	100%
Symbion Holdings (UK) Ltd	United Kingdom	**100%**	100%
Mayne Nickless Italia SRL (e)	Italy	**-**	100%
Bergaglio Transporti SRL (e)	Italy	**-**	100%
Mayne European Holdings Ltd (e)	United Kingdom	**-**	100%
Security Express Ltd	United Kingdom	**100%**	100%
Mayne SNC Van Der Heijden Logistics Services (e)	Belgium	**-**	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%
Symbion Employee Share Acquisition Plan Pty Ltd	Australia	**100%**	100%
Symbion Employee Share Acquisition Plan Trust	Australia	**100%**	100%
Senior Executive Short Term Incentive Plan Trust	Australia	**100%**	100%
Symbion Finance (Australia) Pty Ltd	Australia	**100%**	100%
Transport Security Insurance (Pte) Limited	Singapore	**100%**	100%

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

(b) The Australian controlled entities marked with a (b) in the table above are required to prepare audited financial reports.

(c) Incorporated during the financial year.

(d) None of the Australian controlled entities, other than those noted in (b) above, are required to prepare financial reports or to be audited for statutory purposes. These entities have obtained relief from these requirements because;

- they have entered into a Deed of Cross Guarantee (refer note 28); or
- they are small proprietary companies; or
- their trust deeds do not specify these requirements.

(e) Liquidated or in liquidation at 30 June 2009.

28. 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 6 months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that each holding entity is wound up.

Primary Health Care Group - Deed of Cross Guarantee dated 23 June 2008
Primary Health Care Limited entered into a Deed of Cross Guarantee with certain of its wholly-owned subsidiaries on 23 June 2008. The holding entity and subsidiaries subject to the Deed of Cross Guarantee as at 30 June 2009 are:

Primary Health Care Limited (holding entity)
Symbion Health Limited
Health Communication Network Limited
Healthcare Imaging Services (Victoria) Pty Limited
Healthcare Imaging Services Pty Limited
Idameneo (No 123) Pty Ltd
Queensland Diagnostic Imaging Pty Ltd
Queensland Medical Services Pty Ltd
Specialist Diagnostic Services Pty Ltd
Symbion Diagnostic Imaging Holdings Pty Limited
Symbion Healthcare Holdings Pty Ltd
Symbion Medical Centre Holdings Pty Ltd
Symbion Medical Centre Operations Pty Ltd
Symbion Pathology Holdings Pty Ltd

Consolidated income statements and consolidated balance sheets, comprising holding entities and subsidiaries which are parties to the above Deed, after eliminating all transactions between parties to the Deed, at 30 June 2009 are set out below.

	Primary Health Care Deed of Cross Guarantee Group	
	30 June 2009	30 June 2008
Income statements	**$000**	$000
Profit (loss) for the year before income tax	**146,488**	(3,957)
Income tax expense (benefit)	**32,671**	(38,238)
Profit for the year	**113,817**	34,281
Accumulated profits at the beginning of the period	**69,403**	91,060
Dividends recognised during the period	**(44,741)**	(55,938)
Accumulated profits at the end of the period	**138,479**	69,403

28. Deed of Cross Guarantee (continued)

	Primary Health Care Deed of Cross Guarantee Group	
	30 June 2009	30 June 2008
Balance sheet	**$000**	$000
Current assets		
Cash	**222,341**	56,851
Tax receivable	**-**	5,009
Receivables	**149,773**	691,234
Consumables	**21,716**	19,892
Total current assets	**393,830**	772,986
Non-current assets		
Receivables	**2,184**	716
Property, plant and equipment	**333,030**	339,354
Goodwill	**2,892,496**	2,860,286
Other intangible assets	**75,274**	77,468
Investments in associates accounted for using the equity method	**2,073**	-
Other investments	**7,981**	146,919
Deferred tax asset	**59,065**	49,136
Total non-current assets	**3,372,103**	3,473,879
Total assets	**3,765,933**	4,246,865
Current liabilities		
Payables	**130,242**	135,668
Provisions	**60,036**	106,798
Interest bearing liabilities	**1,430,794**	2,178,527
Total current liabilities	**1,621,072**	2,420,993
Non-current liabilities		
Payables	**1,375**	116
Provisions	**42,126**	41,539
Interest bearing liabilities	**2,314**	2,111
Total non-current liabilities	**45,815**	43,766
Total liabilities	**1,666,887**	2,464,759
Net assets	**2,099,046**	1,782,106
Equity		
Issued Capital	**1,992,826**	1,705,351
Reserves	**7,867**	7,352
Retained profits	**98,353**	69,403
Total equity	**2,099,046**	1,782,106

29. Financial risk management

(a) Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

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

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

Risk management policies are established to identify and analyse the risks faced by the Company and 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 Company's and Group's activities.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure.

The Group's exposure to credit risk arises principally from its receivables due from external customers. The Group's external customer base varies by segment. The Group's maximum exposure to credit risk for trade receivables at the reporting date by segment was:

	Consolidated	
	2009	2008
Segment	**$000**	$000
Pathology	**53,457**	67,622
Imaging	**25,362**	21,479
Medical Centres	**14,433**	11,438
Health Technology	**5,471**	2,487
Corporate	**769**	320
	99,492	103,346

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 pathology receivables are due from Medicare Australia (bulk-billed services) and health funds. The remaining trade receivables are due from individuals. The concentration of credit risk relating to this remaining debt is limited due to the customer base being large and unrelated. Geographically there is no concentration of credit risk.

The ageing of the Group's trade receivables and an analysis of the Group's provision for doubtful debts is provided in note 9. This note also discusses the Group's process for identifying impaired trade receivables.

The Company's exposure to credit risk arises principally from its receivables due from subsidiaries.

29. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

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

2009	Carrying Amount $000	Contractual cash flows Total $000	Less than 1 Year $000	1 to 5 Years $000	> 5 Years $000
Consolidated					
Bank loans	1,430,830	(1,474,870)	(1,474,870)	-	-
Bank overdraft	-	-	-	-	-
Accrued interest	3,699	(3,699)	(3,699)	-	-
Finance lease liabilities	3,745	(4,069)	(1,907)	(2,162)	-
Trade payables and accruals	106,584	(106,584)	(106,517)	(67)	-
Payables relating to acquisitions	1,661	(1,661)	(353)	(1,308)	-
	1,546,519	(1,590,883)	(1,587,346)	(3,537)	-
Company					
Bank loans	1,430,830	(1,474,870)	(1,474.870)	-	-
Trade payables and accruals	2,362	(2,362)	(2,362)	-	-
Accrued interest	3,699	(3,699)	(3,699)	-	-
	1,436,891	(1,480,931)	(1,480,931)	-	-

2008	Carrying Amount $000	Contractual cash flows Total $000	Less than 1 Year $000	1 to 5 Years $000	> 5 Years $000
Consolidated					
Bank loans	2,178,335	(2,334,357)	(2,334,357)	-	-
Bank overdraft	14,688	(14,688)	(14,688)	-	-
Accrued interest	3,630	(3,630)	(3,630)	-	-
Finance lease liabilities	6,707	(7,426)	(3,719)	(3,707)	-
Trade payables and accruals	93,727	(93,727)	(93,727)	-	-
Payables relating to acquisitions	7,932	(7,932)	(7,932)	-	-
	2,305,019	(2,461,760)	(2,458,053)	(3,707)	-
Company					
Bank loans	2,178,335	(2,334,357)	(2,334,357)	-	-
Bank overdraft	120	(120)	(120)	-	-
Accrued interest	3,630	(3,630)	(3,630)	-	-
	2,182,085	(2,338,107)	(2,338,107)	-	-

29. Financial risk management (continued)

(d) Interest rate risk

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

The following table details the Company and the Group's exposure to interest rate risk as at 30 June 2009.

			Fixed Interest Rate			
2009	Average Interest Rate %	Variable Interest Rate $000	Less than 1 Year $000	1 To 5 Years $000	Non-Interest Bearing $000	**Total $000**
Consolidated						
Financial assets						
Cash	3.39	19,083	204,314	-	-	**223,397**
Receivables	-	-	-	-	159,022	**159,022**
Investments	-	-	-	-	7,981	**7,981**
Financial liabilities						
Payables	-	-	-	-	(107,924)	**(107,924)**
Overdraft	-	-	-	-	-	**-**
Finance leases	7.49	-	(1,431)	(2,314)	-	**(3,745)**
Bank loans	4.85	(488,000)	(950,000)	-	-	**(1,438,000)**
		(468,917)	(747,117)	(2,314)	59,079	**(1,159,269)**
Company						
Financial assets						
Receivables	-	-	-	-	1,639	**1,639**
Investments	-	-	-	-	-	**-**
Financial liabilities						
Payables	-	-	-	-	(3,599)	**(3,599)**
Overdraft	-	-	-	-	-	**-**
Bank loans	4.85	(488,000)	(950,000)	-	-	**(1,438,000)**
		(488,000)	(950,000)	-	(1,960)	**(1,439,960)**

29. Financial risk management (continued)

(d) Interest rate risk (continued)

The following table details the Company and the Group's exposure to interest rate risk as at 30 June 2008.

2008	Average Interest Rate %	Variable Interest Rate $000	Fixed Interest Rate Less than 1 Year $000	Fixed Interest Rate 1 To 5 Years $000	Non-Interest Bearing $000	**Total $000**
Consolidated						
Financial assets						
Cash	4.0	7,784	-	-	-	**7,784**
Receivables	-	-	-	-	143,018	**143,018**
Investments	-	-	-	-	1,648	**1,648**
Financial liabilities						
Payables	-	-	-	-	(105,289)	**(105,289)**
Overdraft	9.07	(14,688)	-	-	-	**(14,688)**
Finance leases	7.49	-	(3,396)	(3,311)	-	**(6,707)**
Bank loans	10.1	(1,109,000)	(1,109,000)	-	-	**(2,218,000)**
		(1,115,904)	(1,112,396)	(3,311)	39,377	**(2,192,234)**
Company						
Financial assets						
Receivables	-	-	-	-	115	**115**
Investments	-	-	-	-	2,835,143	**2,835,143**
Financial liabilities						
Payables	-	-	-	-	(3,630)	**(3,630)**
Overdraft	9.07	(120)	-	-	-	**(120)**
Bank loans	10.1	(1,109,000)	(1,109,000)	-	-	**(2,218,000)**
		(1,109,120)	(1,109,000)	-	2,831,628	**613,508**

Interest rate swap contracts – cash flow hedge

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at reporting date and the credit risk inherent in the contract, and are disclosed below.

29. Financial risk management (continued)

(d) Interest rate risk (continued)

Interest rate swap contracts – cash flow hedge **(continued)**

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date for both the Company and the Group.

	Contracted fixed interest rate		Notional principal amount		Fair value	
	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Less than 1 year	3.05	7.91	950,000	1,109,000	1,639	115

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Group will settle the difference between the fixed and floating interest rates on a net basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting dates and the stipulated change taking place at the beginning of the financial year, held constant throughout the reporting period and applied to interest payments made throughout the reporting period. A 50 basis point increase represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on profit and loss would have been as follows:

	Profit (Loss)	
	50bp increase	50bp decrease
	$000	$000
Consolidated		
30 June 2009 – variable rate instruments	**(3,995)**	3,995
30 June 2008 – variable rate instruments	**(4,001)**	4,001
Company		
30 June 2009 – variable rate instruments	**(3,995)**	3,995
30 June 2008 – variable rate instruments	**(4,035)**	4,035

Variation in interest rates will also impact on equity, arising from the Group's interest rate swap contracts, but the impact is not considered material.

29. Financial risk management (continued)

(e) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

(f) Other

Currency risk
The Group transacts predominately in Australian dollars and has a relatively small exposure to offshore assets or liabilities. The Group predominately uses the spot foreign currency market to service any foreign currency transactions.

A sensitivity analysis has not been performed on the currency risk as this is not considered material.

Price risk
The Company and the Group are exposed to equity securities price risk. This arises from investments held by the Company.

A sensitivity analysis has not been performed on the price risk as this is not considered material.

(g) Capital management

The Group manages its capital to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19, 21 and 22. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

	Consolidated		Company	
	2009	2008	**2009**	2008
30. Notes to the cash flow statement	**$000**	$000	**$000**	$000

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Cash	**223,397**	7,784	**-**	-
Bank overdraft	**-**	(14,688)	**(33)**	(120)
	223,397	(6,904)	**(33)**	(120)

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Profit attributable to equity holders	**108,502**	6,777	**30,666**	23,448
Depreciation of plant and equipment	**52,850**	31,583	**-**	-
Amortisation of intangibles	**14,927**	8,387	**-**	-
Net loss (profit) on sale of property plant and equipment	**16**	(32)	**-**	-
Loss on sale of intangibles	**127**	-	**-**	-
Loss on sale of discontinued operations	**2,555**		**-**	-
Investments in associates	**15**	-	**-**	-
Discount on acquisition	**-**	(86)	**-**	-
Impairment losses	**-**	10,415	**-**	3,915
Profit on sale of investments	**(663)**	-	**-**	-
Investments written off	**455**	-	**235**	-
Minority Interest	**2,203**	812	**-**	-
Increase (decrease) in:				
Trade payables and accruals	**4,322**	13,668	**69**	3,630
Provisions	**(59,832)**	24,884	**-**	-
Deferred revenue	**(1,696)**	6,424	**-**	-
Tax balances	**17,924**	(23,727)	**2,217**	(28,833)
Share option reserve	**1,460**	1,741	**1,460**	1,741
Hedging reserve	**-**	81	**-**	81
Decrease (increase) in:				
Consumables	**(496)**	(2,053)	**-**	-
Receivables and prepayments	**(7,518)**	12,760	**(210,808)**	(104,200)
Deferred borrowing costs	**44,030**	(39,635)	**44,030**	(39,665)
Net cash provided by operating activities	**179,181**	51,999	**(132,131)**	(139,883)

(c) Non cash investing and financing

During the financial year 5,531,230 (2008: 749,915) and 20,470 (2008: 466,124) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively. These transactions are not reflected in the statement of cash flows.

30. Notes to the cash flow statement (continued)

(d) Financing facilities (Consolidated)	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Syndicated debt facilities – Tranche A				
Amount used	**1,438,000**	1,438,000	**-**	-
Amount unused	**-**	-	**-**	-
Syndicated debt facilities – Tranche B				
Amount used	**-**	780,000	**-**	-
Amount unused	**-**	-	**-**	-
Secured multi-option facility				
Amount used	**-**	-	**-**	-
Amount unused	**100,000**	100,000	**-**	-
	1,538,000	2,318,000	**-**	-

The Group has a current secured term financing facility (Tranche A), as a result of acquiring Symbion Health Limited in the prior financial year. The secured multi-option facility was utilised by the Group during the current financial year and has been fully repaid as at 30 June 2009, using proceeds received from the Institutional Equity Placement in May 2009.

The current secured term financing facility has a maturity date of 13 February 2010.

Interest is charged on the facilities at the Australian BBSY plus a margin of 1.75%.

(e) Businesses and subsidiaries acquired

(i) Health-related practices

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

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

(ii) Controlled entities

The Group acquired 100% of the share capital of Phoenix Medical Publishing Pty Limited on 1 December 2008.

30. Notes to the cash flow statement (continued)

(e) Businesses and subsidiaries acquired (continued)

(iii) Summary

	Consolidated		Company	
The net outflow of cash to acquire businesses is reconciled as follows:	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Fair value of identifiable net assets acquired				
Health-related practices	**-**	-		
Phoenix Medical Publishing Pty Limited	**-**	-		
Digital Diagnostic Imaging Pty Ltd	**-**	179		
Symbion Health Limited (note 31)	**-**	256,734		
	-	256,913		
Goodwill (discount on acquisition)				
Health-related practices	**58,660**	61,452		
Phoenix Medical Publishing Pty Limited	**506**	-		
Digital Diagnostic Imaging Pty Ltd	**-**	(86)		
Symbion Health Limited	**-**	2,399,828		
	59,166	2,461,194		
Consideration				
Health-related practices	**58,660**	61,452	**-**	-
Phoenix Medical Publishing Pty Limited	**506**	-	**-**	-
Digital Diagnostic Imaging Pty Ltd	**-**	93	**-**	93
Symbion Health Limited	**-**	2,656,562	**-**	2,656,562
	59,166	2,718,107	**-**	2,656,655
Payables and accruals relating to acquisitions				
Opening balance	**(7,932)**	559	**(4,340)**	-
(Increase)/decrease during the period	**17,664**	4,358	**4,340**	-
Unwinding present value interest cost	**-**	47	**-**	-
Closing balance [1]	**(1,661)**	(7,932)	**-**	(4,340)
	8,071	(2,968)	**-**	(4,340)
Cash paid for acquisitions	**67,237**	2,715,139	**-**	2,652,315
Less cash acquired	**-**	6,997	**-**	-
Net payments for the purchase of businesses	**67,237**	2,708,142	**-**	2,652,315

[1] For the Company, amounts payable in relation to acquisitions will be paid by a controlled entity and recharged to the Company.

30. Notes to the cash flow statement (continued)

(f) Businesses disposed

During the financial year, the Group disposed of its interest in Eastern Radiology Services Pty Limited. Details of the disposal are as follows:

	Consolidated		Company	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Consideration				
Cash received	**1,000**	-	**-**	-
Book value of non-current asset sold				
Investment in associate	**337**	**-**	**-**	-
Gain on disposal	**663**	**-**	**-**	-
	1,000	**-**	**-**	-
Net cash inflow on disposal	**1,000**	**-**	-	-

31. Acquisition and disposal of significant subsidiaries

(a) Update on acquisition of Symbion Health Limited

(i) Provisionally determined fair values

The fair value of the assets, liabilities and consideration paid for Symbion Health Limited (“Symbion”) acquired on 1 March 2008 were provisionally determined in the 30 June 2008 financial statements.

During the current period, the following adjustments to provisional fair values relating to the Symbion acquisition have been recognised:

(1) The fair value of property, plant and equipment and other intangible assets have been finalised based on an external valuation prepared by an independent expert.
(2) A deferred tax liability from 2004 relating to a Symbion subsidiary has been derecognised as a fair value adjustment in the current period.
(3) An adjustment relating to the Consumer and Pharmacy divisions has been recognised as a benefit to the Group under the Tax Consolidation legislation.
(4) Stamp duty payable relating to the acquisition of Symbion has been brought to account.
(5) Pre-acquisition liquidation claims that do not relate to the Group have been recognised as an adjustment to the fair value of net assets acquired.

31. Acquisition and disposal of significant subsidiaries (continued)

(a) Update on acquisition of Symbion Health Limited (continued)

(i) Provisionally determined fair values (continued)

During the current period, the Company recognised the following increases/(decreases) to provisional Symbion asset and liability values disclosed in the 30 June 2008 financial statements:

	Provisional fair value of Symbion at acquisition date $000	Adjustments to provisional fair values recognised $000	Restated fair value of Symbion at acquisition date $000
Assets			
Cash	6,997		6,997
Receivables	124,726		124,726
Consumables	14,131		14,131
Property, plant and equipment	170,441	(21,311)	149,130
Other intangible assets	42,105	720	42,825
Investments in associates accounted for using the equity method	2,942		2,942
Other investments	778		778
Deferred tax asset	25,541	28,410	53,951
Total assets	387,661	7,819	395,480
Liabilities			
Payables	77,931	2,826	80,757
Tax liabilities	8,829		8,829
Provision for employee entitlements	78,086		78,086
Provision for dividend	32,353		32,353
Other provisions	55,614		55,614
Finance lease liabilities	3,416		3,416
Borrowings	625,000		625,000
Total liabilities	881,229	2,826	884,055
Net assets available-for-sale	750,650		750,650
Minority Interest in net assets	(3,541)		(3,541)
Fair value of identifiable net assets acquired	**253,541**	**4,993**	**258,534**
Goodwill	2,403,021	(3,193)	2,399,828
Consideration	**2,656,562**	**1,800**	**2,658,362**

31. Acquisition and disposal of significant subsidiaries (continued)

(a) Update on acquisition of Symbion Health Limited (continued)

(ii) Restated 30 June 2008 Balance Sheet comparatives

As a result of the adjustments to provisional fair values recognised during the current period, the 30 June 2008 comparative balance sheet amounts have been restated as follows:

	Closing balance as per 30 June 2008 Financial Report $000	Restatement required relating to provisional fair value adjustments $000	Restated 30 June 2008 Balance Sheet $000
Assets			
Property, plant and equipment[1]	349,006	(19,761)	329,245
Goodwill	2,836,728	(3,193)	2,833,535
Other intangible assets[1]	79,166	720	79,886
Deferred tax asset[1]	59,409	27,946	87,354
Liabilities			
Payables	103,785	4,626	108,411
Equity			
Retained profits[1]	44,241	1,085	45,326

[1] The restatement required is net of any prior period depreciation (property, plant and equipment) and amortisation (other intangible assets), tax effected, that has been recalculated from the date of acquisition of Symbion in accordance with AASB 3 *Business Combinations*.

(b) Loss for the period from discontinued operations

The results of the operations of the former Symbion Consumer and Pharmacy businesses from 1 July 2008 to the date of disposal are shown in the following table and have been disclosed on the face of the profit and loss statement as Loss from discontinued operations.

$000	Note	**Consolidated** **2009** **$000**	2008 $000
Operating EBIT		**29,099**	36,058
Finance costs		**(36,311)**	(38,708)
Disposal loss on sale of discontinued operations – remeasurement of fair value less costs to sell	31(c)	**(2,555)**	-
Loss for the year before income tax		**(9,767)**	(2,650)
Income tax benefit		**2,164**	840
Loss for the year from discontinued operations		**(7,603)**	(1,810)

31. Acquisition and disposal of significant subsidiaries (continued)

(c) Discontinued operations disposed

During the financial year the Group disposed of the former Symbion Consumer and Pharmacy divisions. Details of the disposal are as follows:

	Consolidated	
	2009	2008
$000	**$000**	$000
Consideration		
Cash and cash equivalents received	**748,095**	-
Book value of net assets sold		
Net assets classified as held for sale	**750,650**	-
Disposal loss on sale of discontinued operations – remeasurement of fair value less costs to sell	**(2,555)**	-

32. Subsequent events

On 29 May 2009 the Company announced it had successfully raised $315.0m, including a $50.0m conditional component, via an institutional placement. At a General Meeting of the Company held on 15 July 2009 approval was obtained for the issue of the conditional 10,000,000 ordinary shares at $5.00 a share to institutional investors. These shares were issued on 20 July 2009. The gross funds of $50.0m will be used to repay debt.

On 2 July 2009 the Company also successfully completed a Share Purchase Plan to eligible retail shareholders. The Company subsequently allotted 5,498,000 ordinary shares at $5.00 each and the proceeds of $27.5m will be used to repay debt.

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 of the Group in future financial years.

33. Contingent assets

Tax depreciation deductions – copyright

Primary Health Care Limited ("the Company") has claimed appropriate deductions for expenditure on the purchase of intellectual property with the Group's medical practice acquisitions in the years 30 June 1999 to 30 June 2004 inclusive. To access these deductions, the Company lodged objections with the Australian Taxation Office ("the ATO") against the Income Tax Assessments of the Company and its controlled entities for the years ending 30 June 1999 to 30 June 2004 inclusive.

The Company received Notice of Decisions on Objection ("the Objection Decisions") from the ATO that it had not allowed the Objections for the years ended 30 June 1999 to 30 June 2004 inclusive and that the refunds of Income Tax, overpaid by the Company, could not be processed.

Part of the Company's appeal against the Objection Decisions was heard in the Federal Court of Australia in June 2009, and judgment on that part is awaited. That part of the appeal is concerned with whether intellectual property was acquired for tax purposes. Depending on the outcome of that part of the appeal, there will be a further hearing on the value of the deductions.

The intellectual property asset will continue to be included in goodwill in the balance sheet of the Group.

Pan liquidation claim

Prior to April 2003, a former subsidiary of Symbion Health Limited ("Symbion"), FH Faulding & Co Limited ("Faulding") was a party to a supply agreement with Pan Pharmaceuticals Ltd ("Pan") pursuant to which it sourced approximately 30% of Symbion's Consumer Division's nutriceutical products. On 28 April 2003, the Australian Therapeutic Goods Administration ("TGA") required a recall of all products manufactured by Pan since 1 May 2002 ("the Pan recall"). Pan was subsequently placed in liquidation, and Faulding lodged a proof of debt in the liquidation.

33. Contingent assets (continued)

Pan liquidation claim (continued)

Pursuant to arrangements entered into upon the demerger of Mayne Pharma Limited from Symbion in November 2005, any amount recovered by Faulding in connection with the Pan recall and Pan's alleged contractual breaches, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion. Symbion settled its proof of debt claim with Pan's liquidators in May 2007. The liquidators admitted the debt in an agreed amount.

Pan's liquidators have subsequently issued in FY 2007 and FY 2009 interim dividends to Symbion totalling approximately $10.1m. A further small dividend is expected to be received by Symbion in FY 2010, but the exact amount depends primarily upon the liquidators settling the amount of other claims (unrelated to Symbion) that the liquidators are prepared to admit.

Class action against TGA

In 2004 Jim Selim, the Chief Executive Officer of and major shareholder in Pan, sued the TGA in the Federal Court of Australia in relation to the TGA's conduct concerning the Pan recall. After the Court had part-heard the matter for 19 days in July 2008, the TGA settled in August 2008 on the basis of payment to Jim Selim of $50.0m (plus $5.0m for his costs).

In December 2008 litigation-funder IMF (Australia) Ltd ("IMF") initiated a class action in the Federal Court of Australia against the TGA (and 5 TGA officers) in relation to the TGA's and its officers' conduct concerning the Pan recall. The claimants in the class comprise well over 100 "sponsors" (entities that sell products registered with the TGA) and other customers of Pan, and retailers of products of Pan.

Pursuant to arrangements entered into in connection with the demerger from Symbion of each of Mayne Pharma Ltd in 2005, Symbion Consumer in August 2008, and Symbion Pharmacy in October 2008, any amount recovered by former subsidiaries of Symbion in connection with the Pan recall, as well as the costs incurred in pursuing such recovery, will be to the account of Symbion.

Symbion, through its relevant former subsidiaries, is part of the IMF-funded class action. IMF, as funder, takes responsibility for all legal fees (including any adverse order for costs). If as a result of the class action, there is a recovery of money from the TGA, then IMF is reimbursed its legal expenditure and IMF also receives an agreed percentage of the gross sum recovered from the TGA in respect of the former subsidiaries of Symbion.

Other

There were no other contingent assets as at 30 June 2009.

	Consolidated		Company	
	2009	2008	**2009**	2008
34. Contingent liabilities	**$000**	$000	**$000**	$000
Continuing businesses:				
Treasury bank guarantees	**32,710**	**41,331**	**-**	-
Discontinuing businesses: Symbion Pharmacy services – pharmacy guarantee scheme	**-**	**17,990**	**-**	-
	32,710	**59,321**	**-**	-

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 Stock Exchange and traded under the code “PRY“.

2. Voting rights

Votes of members are governed by the Company’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 the Company 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
225 George Street
SYDNEY NSW 2000

Company’s registered office

Level 1/30-38 Short St
LEICHHARDT NSW 2040
02 9561 3300

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington St
SYDNEY NSW 2000
GPO Box 7045
SYDNEY NSW 1115

4. Number of holders of equity instruments as at 31 July 2009

Ordinary Share Capital

446,331,277 fully paid ordinary shares are held by 6,758 individual shareholders.
All issued ordinary shares carry one vote per share
8,768,500 share options have been granted to 244 persons.
Share options do not carry any voting rights.

5. Distribution of shareholders as at 31 July 2009

Number of shares held	Individual shareholders
1 - 1,000	2,152
1,001 - 5,000	2,963
5,001 - 10,000	890
10,001 - 50,000	570
50,001 - 100,000	64
100,001 and over	119
	6,758

237 shareholders hold less than a marketable parcel of shares.

6. Top 20 shareholders as at 31 July 2009

Name	Number of fully paid ordinary shares	% of Total
National Nominees Limited	92,083,777	20.63
J P Morgan Nominees Australia Limited	63,096,033	14.14
HSBC Custody Nominees (Australia) Limited	34,849,615	7.81
UBS Nominees Pty Ltd (PB SEG Account)	33,081,840	7.41
ANZ Nominees Ltd (Cash Income Account)	21,446,170	4.80
Dr. Edmund Bateman & Mrs. Belinda Bateman	21,053,014	4.72
Idameneo (No. 122) Pty Ltd	21,003,000	4.71
Cogent Nominees Pty Limited	17,625,988	3.95
Citicorp Nominees Pty Ltd	14,605,172	3.27
UBS Wealth Management Australia Nominees Pty Ltd	8,525,291	1.91
Queensland Investment Corporation	7,341,403	1.64
AMP Life Limited	5,987,461	1.34
Citicorp Nominees Pty Ltd (CFS WSLE Imputation Fund Account)	5,375,986	1.20
Cogent Nominees Pty Limited (SMP Accounts)	4,611,986	1.03
Tasman Asset management Ltd (Tyndall Australian Share Whole Account)	3,971,752	0.89
Citicorp Nominees Pty Ltd (CFS Imputation Fund Account)	3,795,312	0.85
RBC Dexia Investor Services Australia Nominees Pty Limited	3,709,759	0.83
Citicorp Nominees Pty Ltd (CFS WSLE Industrial Share Account)	2,963,767	0.66
Citicorp Nominees Pty Ltd (CFS WSLE Australian Share Fund Account)	2,645,872	0.59
Charado Pty Ltd	2,555,053	0.57
	370,328,251	82.95

No share options are held by the top 20 shareholders.

7. Substantial shareholders

Ordinary Shareholders	Number of fully paid ordinary shares	% of Total
EG Bateman and related entities	46,659,860	10.84
Commonwealth Bank of Australia and its subsidiaries	36,999,819	8.59
Caledonia Investments Pty Ltd	31,514,993	8.40
Schroder Investment Management Australia Ltd	33,528,864	7.79
Fortis Investment Management Australia Limited	27,868,970	7.38
IOOF Holdings Ltd	24,353,329	5.46
Maple-Brown Abbott Limited	21,965,382	5.10

Information in the table above is as per the most recent substantial shareholder notices received by the Company as at 31 July 2009.

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