PRIMARY HEALTH CARE LIMITED

ACN 064 530 516

Annual Report
For the year ended 30 June 2003

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PHC LIMITED

The directors of Primary Health Care Limited herewith submit the annual report of the consolidated entity for the year ended 30 June 2003. The consolidated entity consists of the Company and the entities it controlled at the end of, or during, the year. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors' particulars

The names and particulars of the directors of the Company during or since the end of the financial year:

Name	Particulars
Brian Ball	Non-executive Director, aged 54, appointed 1994. Mr Ball is an Executive Director and part owner of the development capital management company, Advent Management Group Ltd. Mr Ball joined Advent in 1986 and has been Chairman or a director on the boards of 18 investee businesses receiving equity capital from funds managed by the group. He is Managing Director of Advent III Private Equity Ltd and of Advent Tourism Development Fund II.
Edmund Gregory Bateman	Managing Director, aged 61, appointed 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.
Michael Joseph Christie	Executive Director, aged 60, appointed 1994. Dr Christie was Medical Director of the Chatswood Medical Centre until January 2001 and has extensive experience in general practice and the operation of 24 hour medical centres.
John David Crawford	Non-executive Director, aged 64, appointed 1998. Mr Crawford is a director of Northern Medical Research Foundation. 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.
Gregory John Gardiner	Chairman, aged 60, appointed 1995 in a non-executive capacity. Mr Gardiner is Chairman of the Hospital Contributions Fund of Australia and Becker Group Limited. Mr Gardiner has extensive finance and management experience including as Chief Executive of John Fairfax Ltd and Deputy Managing Director of Pioneer International Ltd.
Stephen Higgs	Non-executive Director, aged 56, appointed 1999. Mr Higgs is a director of So Natural Foods Ltd, Rural Press Limited and IPAC Securities Limited. He also has previous board experience as Chairman of Orlando Wines Group and Director with Jasco Limited and Leigh Marden Pty Ltd.
John Arthur Joseph	Executive Director, aged 68, appointed 1994. Mr Joseph has over 40 years experience in owning and managing pharmacies.

Directors' meetings

During the financial year 11 board meetings were held. The following table sets out the number of board meetings attended by each director (while they were a director) during the financial year.

Directors	Board meetings Attended
B Ball	10
E G Bateman	11
M J Christie	11
J D Crawford	10
G J Gardiner	11
S F Higgs	10
J A Joseph	9

Directors' shareholdings

The following table sets out each director's relevant interest (direct and indirectly owned) in the company as at the date of this report. No options were held by directors at the date of this report.

Directors	Fully paid ordinary shares
B Ball	20,000
E G Bateman	24,692,485
M J Christie	3,235,488
J D Crawford	9,826
G J Gardiner	-
S F Higgs	514,777
J A Joseph	1,645,314

Directors' and executives' remuneration

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 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 external advisers in connection with the structure of remuneration packages. As well as a base salary, remuneration packages include superannuation, performance related bonuses and fringe benefits. Executives are also eligible to participate in the Company's Employee Option Plan.

Directors' and executives' remuneration (continued)

The following table discloses the total remuneration of all directors of the company and the five executives of the consolidated entity receiving the highest emolument. The amounts disclosed below for remuneration relating to options are the assessed fair value of options at the date they were granted. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of options have not been recorded as an expense in the current year's statement of financial performance.

Name and Office	Salary/ Fees $	Super-annuation $	Car Allowance $	Total $	Options granted* #	$
Executive directors:						
E.G.Bateman Group Managing Director	300,000	-	-	300,000	-	-
M.J.Christie Executive Director	234,000	-	-	234,000	-	-
J.A.Joseph Executive Director	-	-	-	-	-	-
Non-executive directors:						
G.J.Gardiner Chairman	50,775	4,570	-	55,345	-	-
G.J.Crawford Non-executive Director	33,639	3,027	-	36,666	-	-
S.F.Higgs Non-executive Director	33,639	3,027	-	36,666	-	-
B.Ball Non-executive Director	36,666	-	-	36,666	-	-
Executives:						
J.Bateman Chief Operating Officer	257,656	13,109	-	270,765	1,000,000	33,333
Dr I.Cottom Pathologist	258,759	-	-	258,759	20,000	4,266
A.Duff Chief Financial Officer	195,244	10,530	6,666	212,440	200,000	39,666
D. Maynard Pathologist	198,537	-	-	198,537	20,000	4,266
K. Harris Pathologist	177,000	10,512	-	187,512	-	-

* Refers to options granted preceding, during or since the end of the financial year. Options were granted under the Company's Employee Option Plan on 28 February 2003.

Share options

Unissued ordinary shares of the Company under option at the date of this report are as follows;

Date options granted	Exercise period	Issue price of shares	Number under option
Prior years	> 1 Jul 2002	$4.50	900,000
Prior years	1 Jul 2004 – 30 Jun 2010	Based on weighted average market prices between various dates	100,000
Prior years	2 Jun 2001 – 2 Jun 2005	$5.25	200,000
Prior years	6 Jun 2004 – 6 Jun 2010	$4.50 - $5.50	100,000
Prior years	6 Jun 2001 – 6 Jun 2010	$5.00	100,000
Prior years	6 Jun 2003 – 6 Jun 2006	$5.00 - $8.35	80,000
Total at start of year:			**1,480,000**
28 Feb 2003	28 Feb 2006 – 28 Feb 2008	$3.38	585,000
28 Feb 2003	28 Feb 2006 – 28 Feb 2013	$3.38	3,482,000
Total issued during year:			**4,067,000**
Total at end of year:			**5,547,000**

No options were exercised during the financial year.

Performance hurdles exist on the exercise of some of these options. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Options are held by both employees and independent contractors of the consolidated entity. Further details of options held by employees and the new Employee Option Plan are set out in note 23 to the financial statements.

Principal activities

The principal activities of the consolidated entity in the course of the financial year were as a service company for medical, para-medical and related services, a daycare surgery operator and a provider of pathology services.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Future developments

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the consolidated entity and the expected results of those operations in the financial years after the current financial year would be likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

Subsequent events

There is, at the date of this report, no 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Dividends

In respect of the financial year ended 30 June 2002, a final dividend of 4.00 cents per share, franked to 100% at the 30% corporate income tax rate, was paid to the holders of fully paid ordinary shares on 1 November 2002. In respect of the financial year ended 30 June 2003, an interim dividend of 5.00 cents per share, franked to 100% at the 30% corporate income tax rate, was paid to the holders of fully paid ordinary shares on 1 May 2003.

In respect of the financial year ended 30 June 2003, the directors recommend a final dividend of 7.50 cents per share, franked to 100% at 30% corporate income tax rate, to the holders of fully paid ordinary shares payable on 3 November 2003. The financial statements do not include a provision for the final dividend because it was declared after balance date. This is in accordance with Australian Accounting Standards AASB1044 Provisions, Contingent Liabilities and Contingent Assets which became effective on 1 July 2002.

The Dividend Reinvestment (DRP) and Bonus Share (BSP) plans continue at a 5% discount to the average market price for the ten trading days commencing one clear trading day after the record date. During the year, shares issued pursuant to the DRP and BSP were 601,555 (2002: 229,673) and 645,044 (2002: 212,759) respectively.

Review of operations

During the financial year, the consolidated entity's revenue increased by 58.3% from $113.7 million to $180.0 million. Its profit from ordinary activities before income tax expense increased by 70.7% from $12.3 million to $21.0 million. Profit after income tax for the consolidated entity for the financial year ending 30 June 2003 was $12.6 million (2002: $6.3 million).

Revenue for the year includes proceeds from the sale of seven medical centres. The sale and leaseback programme is now complete and there are no development properties on the balance sheet at 30 June 2003. During the financial year, new medical centres were opened at Wentworthville, Dapto, Wyoming, Elizabeth (Adelaide) and Marion (Adelaide). The Pathology business continues to receive the benefits of integration.

During the financial year, 1,054,126 convertible note holders of notes at $0.97 each, exercised their option to convert each note into one ordinary share in the capital of the Company.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

Indemnification of officers

During the financial year, the company paid a premium to insure certain officers of the Company and related bodies corporate.

The officers of the Company covered by the insurance policy include the directors: B. Ball, E.G. Bateman, J.D. Crawford, M.J. Christie, G.J. Gardiner, S.F. Higgs and J.A. Joseph. Other officers covered by the contract are directors or secretaries of controlled entities who are not also directors or secretaries of Primary Health Care Limited, and managers of operations of the consolidated entity.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

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

Corporate governance

The directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

The Board of Directors

The board carries out its responsibilities according to the following mandate:

- the board should comprise at least six directors;
- the Chairman of the board should be a non-executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the board should meet on a monthly basis; and
- all available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

On the day on which the directors' report is made out, the board consisted of four non-executive directors and three executive directors. Details of the directors are set out on page 1 of the directors' report.

The primary responsibilities of the board include:

- the approval of the annual and half-year financial reports;
- the establishment of the long-term goals of the Company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a monthly basis; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Audit Committee

The audit committee is comprised of the whole board. It met twice during the financial year and all members attended both meetings. The audit committee provides a forum for the effective communication between the board and external auditors. The audit committee reviews:

- the annual and half-year financial reports prior to their approval by the board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit functions, including reviewing the respective audit plans.

The audit committee invites the Chief Financial Officer, and the external auditors to attend audit committee meetings. The audit committee also meets with and receives regular reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

The audit committee carries out its responsibilities according to the following mandate;

- at least three members
- an independent chairperson
- a majority of independent directors

This mandate does not comply with the following best practice recommendations of the ASX Corporate Governance Council (the "Council");

- only non-executive directors
- Chairperson different from the chairperson of the board

These best practice recommendations will be considered before the Council's deadline of 1 July 2005.

Corporate governance (continued)

Nomination Committee

There is no nomination committee. The board does not believe a nomination committee is required.

Remuneration Committee

The board has established a remuneration committee consisting of the following non-executive directors:

- Mr G J Gardiner (Chairman)
- Mr B Ball
- Mr S Higgs

The remuneration committee met once during the financial year and all members attended. 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, bonuses, 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 external advisers in connection with the structure of remuneration packages.

Particulars concerning directors' and executives' remuneration are set out in notes 20 and 21 to the financial statements.

Independent Professional Advice

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.

Risk Management

The board is responsible for the Company's system of internal controls. The board constantly monitors the operational and financial aspects of the Company's activities and, through the audit committee, the board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Company.

The board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.
On behalf of the directors

Edmund Bateman - Director
Sydney 23 September 2003

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Primary Health Care Limited (the company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 9 to 35. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Primary Health Care Limited is in accordance with:

(a) 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 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

John Leotta
Partner
Chartered Accountants
Sydney, 23 September 2003

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

The directors declare that:

1. The attached financial statements and notes thereto comply with Accounting Standards;

2. The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

3. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

4. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

5. At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of this deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the directors' opinion, there are reasonable grounds to believe that the company and companies to which the ASIC Class Order applies, as detailed in note 10 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors,

Edmund Bateman
Director

Sydney 23 September 2003

Statement of financial performance
For the year ended 30 June 2003

PHC LIMITED

		CONSOLIDATED		COMPANY	
	Note	2003 $000	2002 $000	2003 $000	2002 $000
Revenue from ordinary activities	2a	179,972	113,694	23,793	12,821
Expenses from ordinary activities, excluding borrowing costs and share of net loss of associate	2b	153,476	97,250	4	3
Borrowing costs	2c	5,277	3,982	-	168
Share of net loss of associate	9b	201	170	-	-
Profit from ordinary activities before income tax expense		**21,018**	**12,292**	**23,789**	**12,650**
Income tax expense relating to profit from ordinary activities	4	8,428	5,963	8,270	5,103
Net Profit		**12,590**	**6,329**	**15,519**	**7,547**
Total changes in equity other than those resulting from transactions with owners as owners		**12,590**	**6,329**	**15,519**	**7,547**

		2003 Cents per share	2002 Cents per share
Basic earnings per share	16	**12.55**	**6.93**
Diluted earnings per share	16	**12.44**	**6.91**

Notes to the financial statements are included on pages 13 to 35

Statement of financial position

As at 30 June 2003

PHC LIMITED

	Note	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	COMPANY 2003 $000	COMPANY 2002 $000
Current assets					
Cash	31a	40	45	-	-
Receivables	6a	19,808	16,033	23,792	12,808
Consumables		2,265	1,585	-	-
Development properties	7	-	48,744	-	-
Total current assets		**22,113**	**66,407**	**23,792**	**12,808**
Non-current assets					
Receivables	6b	81	-	105,992	103,688
Investments	8	211	412	69,113	70,143
Property, plant and equipment	11	96,533	68,487	-	-
Intangibles	12	172,415	148,048	-	-
Future income tax benefit - timing		978	-	982	-
Total non-current assets		**270,218**	**216,947**	**176,087**	**173,831**
Total assets		**292,331**	**283,354**	**199,879**	**186,639**
Current liabilities					
Trade payables		5,382	4,248	-	-
Income tax payable		3,899	2,509	3,899	1,813
Provisions	13a	1,922	5,484	-	3,946
Interest bearing liabilities	14a	5,261	5,917	9	1,057
Total current liabilities		**16,464**	**18,158**	**3,908**	**6,816**
Non-current liabilities					
Deferred tax liability		-	553	-	529
Provisions	13b	747	653	-	-
Deferred consideration		200	650	-	-
Interest bearing liabilities	14b	88,633	90,801	-	-
Total non-current liabilities		**89,580**	**92,657**	**-**	**529**
Total liabilities		**106,044**	**110,815**	**3,908**	**7,345**
Net assets		**186,287**	**172,539**	**195,971**	**179,294**
Equity					
Contributed equity	15	175,596	171,530	175,596	171,530
Retained profits	17	10,691	1,009	20,375	7,764
Total equity		**186,287**	**172,539**	**195,971**	**179,294**

Notes to the financial statements are included on pages 13 to 35

Statement of cash flows
For the year ended 30 June 2003

PHC LIMITED

	Note	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	COMPANY 2003 $000	COMPANY 2002 $000
Cash flows from operating activities					
Receipts from customers		131,658	108,739	-	-
Distributions received		-	-	12,808	14,651
Payments to suppliers and employees		(90,650)	(77,857)	(4)	(3)
Income tax paid		(8,569)	(5,730)	(7,620)	(4,796)
Interest received		58	111	1	13
Interest paid		(5,277)	(3,982)	-	(168)
Net cash provided by operating activities	31b	**27,220**	**21,281**	**5,185**	**9,697**
Cash flows from investing activities					
Payment for plant and equipment		(22,439)	(32,551)	-	-
Payment for development property		(14,888)	(23,334)	-	-
Payment for investments		-	-	-	(69)
Payment for businesses purchased	31d	(33,484)	(31,242)	-	-
Proceeds from sale of plant and equipment		173	34	-	-
Proceeds from sale of development property		49,024	10,300	-	-
Net loans to related entity		-	-	(1,349)	(63,109)
Net cash used in investing activities		**(21,614)**	**(76,793)**	**(1,349)**	**(63,178)**
Cash flows from financing activities					
Proceeds from issues of shares		1,032	59,534	1,032	59,534
Payments for share issue costs		(12)	(1,222)	(12)	(1,222)
Repayment of borrowings		(13,854)	(3,965)	-	-
Dividends paid		(4,830)	(4,850)	(4,831)	(4,850)
Proceeds from sale and leaseback		13,554	7,202	-	-
Net cash (used in) / provided by financing activities		**(4,110)**	**56,699**	**(3,811)**	**53,462**
Net increase / (decrease) in cash held		**1,496**	**1,187**	**25**	**(19)**
Cash at beginning of financial year		**(2,715)**	**(3,902)**	**(34)**	**(15)**
Cash at end of financial year	31a	**(1,219)**	**(2,715)**	**(9)**	**(34)**

Notes to the financial statements are included on pages 13 to 35

1. Summary of accounting policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

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. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in accounting standard AASB1024 "Consolidated Accounts". A list of controlled entities appears in Note 10 to the financial statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Revenue Recognition

Revenue generated from the rendering of medical services is recognised once the services have been provided. Revenue from the sale of other assets is recognised when the consolidated entity has passed control of the other assets to the buyer.

(c) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

During the financial year, the directors elected that all wholly-owned Australian entities would join a tax consolidated group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax consolidated group are recognised in the financial statements of the parent entity. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. Further information about the tax sharing agreement is detailed in note 4 to the financial statements. The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing agreement as these amounts are recognised as inter-company receivables and payables.

1. Summary of accounting policies (continued)

(d) Consumables

Consumables represent medical and laboratory supplies. They are valued at the lower of cost and net realisable value.

(e) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

(f) Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

Plant and Equipment	5-10 years
Leasehold Improvements	10-20 years
Equipment under finance leases	5-7 years

(g) Leased Assets

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

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

Finance lease payments are allocated between interest expense and reduction of the lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

(h) Interest bearing liabilities and capitalisation of Borrowing Costs

Commercial bills are recorded at an amount equal to the face value of the bill. Interest expense is recognised on an accruals basis. Borrowing costs directly attributable to development properties have been capitalised as part of the cost of those assets.

(i) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present values.

(j) Acquisition of Assets

Assets acquired are recorded at the cost of the acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

1. Summary of accounting policies (continued)

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(k) Investments

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Dividends/distributions are taken to income on an accrual basis.

(l) Employee Entitlements

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 wages, salaries and annual leave, expected to be settled within 12 months, are measured at their nominal values based on expected rates of remuneration at settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) 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
ii) 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 statement of cash flows 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.

(n) 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 those 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 classification of the related debt or equity instrument in the statement of financial position.

Compound Instruments

1. Summary of accounting policies (continued)

Compound instruments issued before 1 January 1998 are classified as either liabilities or as equity, whichever is the predominant component part, in accordance with the substance of the contractual agreement.

The component parts of compound instruments issued on or after 1 January 1998 are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. The liability component initially brought to account is the present value of the future payments of interests and principal. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

(o) Derivative financial instruments

The consolidated entity uses interest rate swaps contracts to manage its interest rate exposure. Gains and losses on interest rate swaps are included in the determination of interest expense.

(p) Receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(q) Accounts payable

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

(r) Equity based compensation benefits

Equity based remuneration is provided to employees via the Employee Option Plan. Information relating to this Plan is set out in note 23.

No accounting entries are made in relation to the Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. Accordingly no amount has been included in the remuneration of directors and executives disclosed in notes 20 and 21.

(s) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. 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 probable that recovery will be received and the amount of the receivable can be measured reliably. 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.

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors.

(t) Change in accounting policy

In accordance with accounting standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", on 1 July 2002 the consolidated entity changed its policy for providing for dividends. Under the new policy a provision for dividend is recognised when the directors have declared, determined or publicly recommended the dividend. The effect of this change in accounting policy is to adjust opening retained profits for the consolidated entity and the company by the amount of the dividend provision at 30 June, 2002. ($3,946 thousand and $3,946 thousand respectively.)

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
2. Profit from ordinary activities				
(a) Revenue				
Operating:				
Sales revenue – rendering of services	126,817	102,931	-	-
Distributions from wholly owned unit trusts	-	-	23,792	12,808
Interest income	58	111	1	13
Non-operating:				
Proceeds from sale of development property	52,924	10,618	-	-
Proceeds from sale of property plant and equipment	173	34	-	-
	179,972	**113,694**	**23,793**	**12,821**
(b) Expenses, excluding borrowing costs and share of net loss of associate				
Depreciation of plant and equipment			-	-
- Leasehold improvements	1,298	150	-	-
- Plant and Equipment	3,209	5,363	-	-
- Equipment under finance lease	4,486	1,054	-	-
	8,993	6,567	-	-
Amortisation of goodwill	9,350	7,314	-	-
Transfer to allowance for doubtful debts	402	424	-	-
Employee benefits expense	42,070	35,599	-	-
Operating lease expense	11,021	7,835	-	-
Property expense	1,981	1,056	-	-
Communication expense	1,476	1,282	-	-
Advertising and marketing expense	980	609	-	-
Cost of development properties sold	49,734	10,946	-	-
Net book value of plant and equipment sold	165	37	-	-
Plant and equipment written off	-	127	-	-
Medical and laboratory supplies	13,867	12,576	-	-
Movement in consumables	(680)	(1,005)	-	-
Other expenses	14,117	13,883	4	3
	153,476	**97,250**	**4**	**3**
(c) Borrowing costs				
Finance lease finance charges	1,672	851	-	-
Interest – convertible notes	-	168	-	168
Interest – other	4,301	4,342	-	-
	5,973	**5,361**	**-**	**168**
Amount capitalised	696	1,379	-	-
	5,277	**3,982**	**-**	**168**
Weighted average capitalisation rate	**6.25%**	**6.50%**	-	-

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
3. Sale of assets				
Net profit / (loss) on sale of plant and equipment	8	(3)	-	-
Net profit / (loss) on the sale of development properties	3,190	(328)	-	-
4. Income tax				
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows;				
Profit from ordinary activities before income tax	21,018	12,292	23,789	12,650
Income tax calculated at 30%	6,305	3,688	7,137	3,795
Tax effect of permanent differences;				
Non-assessable income	-	(3)	-	(3)
Amortisation of goodwill	2,805	2,194	1,801	848
Share of net loss of associate	60	51	-	-
Other	(238)	18	(182)	178
Income tax adjusted for permanent differences	8,932	5,948	8,756	4,818
Future income tax benefit not bought to account	-	15	-	-
Under / (over) provision in prior years	(504)	-	(486)	285
Income tax expense relating to profit from ordinary activities	**8,428**	**5,963**	**8,270**	**5,103**

Tax consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

The directors have elected that all entities within the consolidated entity be taxed as a single entity from 1 July 2002. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Primary Health Care Limited.

Entities within the tax consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of this agreement, Primary Health Care Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
	$	$	$	$
5. Remuneration of auditors				
Auditing the financial report	150,000	115,000	-	-
Other services	120,000	30,000	-	-
	270,000	**145,000**	-	-

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
	$000	$000	$000	$000
6. Receivables				
(a) Current				
Trade receivables	14,354	14,751	-	-
Allowance for doubtful debts	(1,242)	(1,224)	-	-
	13,112	**13,527**	-	-
Property receivable	3,900	-	-	-
Amounts receivable from wholly owned entities	-	-	23,792	12,808
Other receivables and prepayments	2,796	2,506	-	-
	19,808	**16,033**	**23,792**	**12,808**
(b) Non-current				
Amounts receivable from wholly owned entities	-	-	105,992	103,688
Other receivables and prepayments	81	-	-	-
	81	-	**105,992**	**103,688**
7. Development properties				
Land and buildings held for resale at cost:				
Acquisition costs	-	20,990	-	-
Development costs	-	25,008	-	-
Borrowing costs	-	2,746	-	-
	-	**48,744**	-	-

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
8. Investments				
Investment in associate (see note 9)	211	412	648	648
Shares in controlled entities at cost	-	-	44,016	45,046
Units in wholly owned unit trusts at cost	-	-	24,449	24,449
	211	**412**	**69,113**	**70,143**

9. Investment in associate

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity (see note 8). The name of the associate is Digital Diagnostic Imaging Pty Limited. Its principal activities involve the development and use of medical imaging technology. The Company has a 20% ownership interest (2002: 20%).

Pursuant to a Shareholders Agreement the Company has the right to cast 20% of the votes at shareholder meetings. The company has the option to subscribe for such number of shares as will, upon exercise of the option, give the company holding of shares capped to not less than 55% of the shares on issue in the company immediately following exercise of the option.

	CONSOLIDATED	
	2003 $000	2002 $000
(a) Movement in carrying amount of investment in associate		
Carrying amount at the beginning of the financial year	412	582
Share of losses from ordinary activities after income tax	(201)	(170)
Carrying amount at the end of the financial year	211	412
(b) Results attributable to associate		
Share of loss from ordinary activities before income tax	(201)	(170)
Share of income tax	-	-
Share of loss from ordinary activities after income tax	(201)	(170)
Accumulated losses attributable to associate at beginning of the financial year	(236)	(66)
Accumulated losses attributable to associate at end of the financial year	(437)	(236)
(c) Summarised financial position of associate		
Loss from ordinary activities after income tax	78	66
Assets	255	210
Liabilities	(199)	(76)

10. Controlled entities

Name of Entity	Country of Incorporation	Interest Held 2003 %	Interest Held 2002 %
Parent Entity			
Primary Health Care Limited	Australia		
Controlled Entities			
Idameneo (No.123) Pty Limited (i)	Australia	100	100
Artlu Unit Trust (i)	Australia	100	100
John R Elder Pty Limited (i)	Australia	100	100
Sydney Diagnostic Services (NSW) Pty (i)	Australia	100	100
Sydney Diagnostic Services Unit Trust (i)	Australia	100	100
PHC (No 1) Pty Ltd (ii)	Australia	-	100
PHC (No 2) Pty Ltd (ii)	Australia	-	100
PHC (No 3) Pty Ltd (ii)	Australia	100	100
PHC (No 4) Pty Ltd (ii)	Australia	-	100
PHC (No 5) Pty Ltd (ii)	Australia	-	100
PHC (No 6) Pty Ltd (ii)	Australia	100	100
Nacol Pty Ltd (ii)	Australia	100	-
Sydney Health Care Trust (iii)	Australia	-	100

(i) These wholly owned controlled entities have entered into a deed of cross guarantee with Primary Health Care Limited in relation to debt facilities provided by a secured lender. None of the other entities in the group are material in relation to the consolidated position or results, accordingly the consolidated financial statements reflect the position and performance of the companies subject to this guarantee.
(ii) Dormant companies. Four of these companies were deregistered during the financial year and one was acquired for a consideration of $300,000.
(iii) Primary Health Care Limited owns 10 units. Total units on issue at 30 June 2003 were 17,072,034.

11. Property, plant and equipment

	Consolidated			
	Leasehold improvements $'000	Plant and Equipment $'000	Equipment under Finance Lease $'000	Total $'000
Gross Carrying Amount				
Balance at 30 June 2002	32,756	37,823	17,892	88,471
Additions	7,283	15,156	-	22,439
Transfers from development properties	14,765	-	-	14,765
Transfers re finance leases	-	(13,554)	13,554	-
Disposals and write offs	(618)	(187)	-	(805)
Balance at 30 June 2003	54,186	39,238	31,446	124,870
Accumulated Depreciation				
Balance at 30 June 2002	1,642	13,878	4,464	19,984
Disposals and write offs	(618)	(22)	-	(640)
Depreciation expense	1,298	3,209	4,486	8,993
Balance at 30 June 2003	2,322	17,065	8,950	28,337
Net Book Value				
As at 30 June 2002	31,114	23,945	13,428	68,487
As at 30 June 2003	51,864	22,173	22,496	96,533

The Company has no property, plant and equipment (2002: nil).

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.				
12. Intangibles				
Goodwill	204,625	171,206	-	-
Accumulated amortisation	(32,210)	(23,158)	-	-
	172,415	**148,048**	-	-
Aggregate amortisation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.				
13. Provisions				
(a) Current				
Dividends	-	3,946	-	3,946
Employee entitlements (see note 22)	1,922	1,538	-	-
	1,922	**5,484**	-	**3,946**
(b) Non-Current				
Employee entitlements (see note 22)	**747**	**653**	-	-
14. Interest bearing liabilities				
(a) Current				
Bank overdraft (note 31a)**	1,259	2,760	9	34
Finance lease liabilities (note 30)**	4,002	2,134	-	-
Unsecured Convertible notes*	-	1,023	-	1,023
	5,261	**5,917**	**9**	**1,057**
(b) Non-current				
Finance lease liabilities (note 30)**	20,633	12,301	-	-
Commercial bills**	68,000	78,500	-	-
	88,633	**90,801**	-	-

* 2002: 1,054,126 8.25% convertible notes of $0.97 each
** All interest bearing liabilities, except for convertible notes, are secured against the assets and undertakings of the consolidated entity.

15. Contributed equity

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	COMPANY & CONSOLIDATED		COMPANY & CONSOLIDATED	
	2003 No. of shares 000's	2002 No. of shares 000's	2003 $000	2002 $000
Fully paid ordinary shares				
Balance at beginning of year	98,653	83,093	171,530	110,084
Capital raising	-	12,500	-	58,125
Shares issued via Dividend Reinvestment Plan	602	230	2,023	889
Shares issued via Bonus Share Plan	645	212	-	-
Other share issues	260	303	1,032	1,409
Conversion of convertible notes to ordinary shares paid to $0.97	1,054	2,315	1,023	2,245
Capital raising/share issue costs	-	-	(12)	(1,222)
Balance at end of year	**101,214**	**98,653**	**175,596**	**171,530**

	CONSOLIDATED		CONSOLIDATED	
	2003 No. of shares 000's	2002 No. of shares 000's	2003 $000's	2002 $000's
16. Earnings per share				
Basic earnings per share The weighted average number of ordinary shares on issue and earnings used in the calculation. Basic earnings equal Net Profit.	**100,288**	**91,330**	**12,590**	**6,329**
Adjustment for potential ordinary shares* and notional interest on convertible notes	**907**	**1,054**	**-**	**59**
Diluted earnings per share The weighted average number of ordinary shares and potential ordinary shares on issue and earnings used in the calculation	**101,195**	**92,384**	**12,590**	**6,388**

* Potential ordinary shares include convertible notes (2003: nil, 2002:1,054,126) and share options, but only to the extent that they are considered dilutive (2003: 907,000, 2002: nil).

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
17. Retained profits				
Balance at beginning of year	1,009	1,249	7,764	6,786
Net profit	12,590	6,329	15,519	7,547
Dividends provided or paid	(6,854)	(6,569)	(6,854)	(6,569)
Net effect of changes in accounting policies - reversal of provision for the final dividend (on adoption of AASB1044 "Provisions, Contingent Liabilities and Contingent Assets")	3,946	-	3,946	-
Balance at end of year	**10,691**	**1,009**	**20,375**	**7,764**

	COMPANY & CONSOLIDATED		COMPANY & CONSOLIDATED	
	2003 Cents per share	2002 Cents per share	2003 $000	2002 $000
18. Dividends				
Interim	5.00	3.50	5,027	2,623
Final*	7.50	4.00	-	3,946
Dividend reinvested under the Bonus Share Plan			(2,161)	-
Under provision in prior year			42	-
Dividends provided or paid	**12.50**	**7.50**	**2,908**	**6,569**
All dividends are fully franked at 30%				

* The financial statements do not include a provision for the final dividend because it was declared after balance date. This is in accordance with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which became effective on 1 July 2002.

The record date for determining entitlement to the final dividend is 17 October 2003.

The final dividend is payable on 3 November 2003.

The company offers a Dividend Reinvestment (DRP) and a Bonus Share (BSP) plan. The last date for the receipt of an election notice for participation in these plans is 17 October 2003.

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
19. Franking account				
Adjusted franking account balance	16,044	8,031	16,044	2,687

Due to changes in Australian income tax legislation, from 1 July 2002 franking accounts are maintained on a 'tax paid' rather than an 'after tax distributable profits' basis. The comparative franking account balance as at 30 June 2002 has been restated on the 'tax paid basis' so as to be comparable with the disclosure as at 30 June 2003.

20. Directors' remuneration

The directors of the company during the year were B Ball, EG Bateman, MJ Christie, JD Crawford, GJ Gardiner, S Higgs and JA Joseph.

	CONSOLIDATED		COMPANY	
	2003 $	2002 $	2003 $	2002 $
The aggregate of income paid or payable or otherwise made available, in respect of the financial year, to all directors of the company, directly or indirectly, by the company or by any related party.			699,343	701,400
The aggregate of income paid or payable or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors, or by any related party.	699,343	701,400		

	No.	No.
The number of directors of the company whose total income falls within the following bands		
\$0 - \$9,999	1	1
\$30,000 - \$39,999	3	3
\$50,000 - \$59,999	1	1
\$230,000 - \$239,999	1	1
\$300,000 - \$309,999	1	1

	CONSOLIDATED		COMPANY	
	2003 $	2002 $	2003 $	2002 $
21. Executives' remuneration				
Aggregate remuneration of executive officers of the Company (including executive directors) working mainly in Australia and receiving $100,000 or more from the company or from any related party.			1,177,964	1,101,000
Aggregate remuneration of executive officers of each entity in the consolidated entity (including executive directors) working mainly in Australia and receiving $100,000 or more from the entity of which they are executive officers or from any related party.	1,822,772	1,656,000		

	No.	No.	No.	No.
The number of executive officers of the company whose total income falls within the following bands				
$150,000 - $159,999	-	1	-	1
$160,000 - $169,999	1	1	1	-
$170,000 - $179,999	-	1	-	-
$180,000 - $189,999	1	-	-	-
$190,000 - $199,999	1	1	-	1
$210,000 - $219,999	1	1	1	-
$220,000 - $229,999	-	1	-	1
$230,000 - $239,999	1	1	1	1
$250,000 - $259,999	1	-	-	-
$270,000 - $279,999	1	-	1	-
$300,000 - $309,999	1	1	1	1

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
22. Employee entitlements				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows;				
Current (note 13)	1,922	1,538	-	-
Non-current (note 13)	747	653	-	-
	2,669	**2,191**		
No. of employees at end of financial year	**1,330**	**990**	-	-

23. Equity based compensation benefits

In prior years, the Company has issued share options to three of the consolidated entity's key executives. These issues were not made under a formalised Option Plan and carry a variety of exercise conditions.

In the current year, the Company introduced an Employee Option Plan to formalise the issue of options. Under this Plan, at the discretion of management, the Company may grant (without payment) vested 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 two years following the vesting date, which is three years after the option is granted. The exercise price is the weighted average market price for the five days preceding the date the option is granted. The options hold no voting or dividend rights and are not transferable. 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 consolidated entity.

Details of share options held by employees are as follows;

Date options granted	Exercise period	Issue price of shares	Number under option
Prior years	> 1 Jul 2002	$4.50	900,000
Prior years	2 Jun 2001 – 2 Jun 2005	$5.25	200,000
Prior years	6 Jun 2004 – 6 Jun 2010	$4.50 - $5.50	100,000
Total at start of year:			**1,200,000**
28 Feb 2003	28 Feb 2006 – 28 Feb 2008	$3.38	585,000
Total issued during year:			**585,000**
Total at end of year:			**1,785,000**

No options were exercised during the financial year.

24. 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 by making superannuation contributions, at the statutory rate, to complying superannuation funds on behalf of their employees.

25. Contingent liabilities

Primary Health Care Limited and the entities that it controls are parties to cross guarantees given in relation to debt facilities provided by a secured lender (see note 10). As at 30 June 2003 the contingent liability to Primary Health Care Limited is $93.9 million in relation to the cross guarantee. The directors are not aware of any other contingent liabilities.

26. Related party disclosures

(a) Transactions with directors and director-related entities.

All transactions with directors of the Primary Health Care Group or their related parties, are on normal commercial terms and conditions.

- **Support Services**
  During the financial year, the controlled entity Idameneo (No. 123) Pty Limited as Trustee for the Artlu Unit Trust received rent, advertising and outgoings, for Pharmacies within the medical centres, from Joseph Pharmacy Services Pty Limited, a company associated with Mr J.A. Joseph. These receipts of $684,000 were under normal commercial terms and conditions. (2002: $688,000)
- **Operating lease**
  During the financial year, the controlled entity Idameneo (No. 123) Pty Limited as Trustee for Artlu Unit Trust paid rent of $974,000 (excl GST) to an entity associated with a director and substantial shareholder Dr E.G. Bateman. (2002: $608,000)
- **Legal Advice**
  Mr G Bateman, a relative of Dr E.G. Bateman, is a Partner of Abbott Tout (solicitors) who performed legal services for Primary Health Care Limited in return for $636,936 (incl GST) fees at standard hourly rates. (2002: $579,000)
- **Sale of development property**
  During the financial year, the controlled entity Idameneo (No. 123) Pty Limited as Trustee for Artlu Unit Trust sold the Bondi Junction Medical Centre at public auction. The successful bidder was E.G.T and B.C Bateman, with a bid of $8.9 million.

(b) Transactions within the wholly-owned group

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

(c) Directors' Equity Holdings

As at the reporting date, directors and their director-related entities held 30,117,890 shares (2002: 28,417,434) and nil convertible notes (2002: 621,650) in Primary Health Care Limited.

(d) Directors' Remuneration and Retirement Benefit

Details of Directors' Remuneration are disclosed in note 20 to the financial statements. No retirement benefits were paid in the year. No shares or options were issued to directors and no options were exercised by directors during the financial year.

(e) Equity Interests in related entities

Details of interests in controlled entities are shown in note 10. Details of interests in associates are shown in note 9.

(f) Transactions with director related entities

The following director related entities are employed by the consolidated entity on normal commercial terms and conditions;

Name	Relationship	Capacity
James Bateman	Son of Dr E Bateman	Chief operating officer
Henry Bateman	Son of Dr E Bateman	In-house solicitor
Allison Christie	Daughter of Dr M Christie	Medical receptionist

27. Financial instruments

(a) Derivative financial instruments

The consolidated entity uses interest rate swap contracts to manage its interest rate exposure. Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates. The following table shows details of interest rate swap contracts outstanding as at 30 June 2003. There were no interest rate swap contracts outstanding as at 30 June 2002.

Notional Principal ($)	Fixed Rate (%pa)	Expiry date
5,000,000	5.10	28 Feb 2008
5,000,000	5.15	28 Feb 2008
5,000,000	5.20	28 Feb 2008
5,000,000	5.05	28 Feb 2008
10,000,000	5.25	11 Feb 2008

The weighted average fixed interest rate on swap contracts outstanding as at 30 June 2003 was 5.17%. On 4 July 2003, a further swap - with a notional principal of $10,000,000 and a fixed rate of 4.9% - was executed. This swap reduces the weighted average fixed interest rate to 5.1%.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

(b) Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2003.

2003	Average Interest rate	Variable Interest rate	Fixed Interest rate maturity			Non-interest bearing	Total
			Less than 1 year	1 to 5 years	More than 5 years		
	%	$000	$000	$000	$000	$000	$000
Financial assets							
Cash						40	40
Receivables						19,889	19,889
Financial liabilities							
Trade payables						(5,382)	(5,382)
Employee entitlements						(2,669)	(2,669)
Deferred consideration						(200)	(200)
Bank overdraft	8.50	(1,259)					(1,259)
Finance lease liabilities	7.00		(4,002)	(17,263)	(3,370)		(24,635)
Commercial bills	6.25	(68,000)					(68,000)
Interest rate swaps	4.90	30,000		(30,000)			-
		(39,259)	(4,002)	(47,263)	(3,370)	11,678	(82,216)

27. Financial instruments (continued)

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2002.

2002	Average Interest rate %	Variable Interest rate $000	Fixed Interest rate maturity Less than 1 year $000	1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000
Financial assets							
Cash						45	45
Receivables						16,033	16,033
Financial liabilities							
Trade payables						(4,248)	(4,248)
Employee entitlements						(2,191)	(2,191)
Deferred consideration						(650)	(650)
Bank overdraft	8.50	(2,760)					(2,760)
Finance lease liabilities	7.50		(2,134)	(8,616)	(3,685)		(14,435)
Commercial bills	6.50	(78,500)					(78,500)
Dividend payable						(3,946)	(3,946)
Convertible notes	8.25		(1,023)				(1,023)
		(81,260)	(3,157)	(8,616)	(3,685)	6,782	(89,936)

(c) Credit risk

As at 30 June 2003 the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparty having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk.

(d) Net fair value

The consolidated entity does not carry any assets that are traded on organised markets. As at 30 June 2003 the net carrying value of interest rate swap contracts exceeded their net fair value by $289,314 due to a decrease in long term interest rates between the date the interest rate swap contracts were entered into and 30 June 2003.

28. Subsequent events

There is, at the date of this report, no 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
29. Commitments for expenditure				
Commitments contracted for at the reporting date but not recognised as liabilities;				
Plant and equipment not later than one year	953	1,810	-	-
Development costs not later than one year	-	6,000	-	-

30. Leases

Operating leases relate to medical and pathology centres with lease terms of between 5 and 20 years. Most of these leases have options to extend. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease term.

Finance leases relate to medical and pathology equipment with lease terms of between 5 and 7 years. The consolidated entity has options to purchase the equipment for a nominal amount at the conclusion of the lease.

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
Non- cancellable operating leases				
Not later than 1 year	9,309	5,855	-	-
Later than 1 year but not later than 5 years	27,165	17,460	-	-
Later than 5 years	6,929	9,713	-	-
	43,403	**33,028**	-	-
Finance lease liabilities				
Not later than 1 year	5,650	3,084	-	-
Later than 1 year but not later than 5 years	20,803	11,580	-	-
Later than 5 years	3,407	3,118	-	-
Minimum future lease payments	29,860	17,782	-	-
Less future finance charges	(5,225)	(3,347)	-	-
Present value of minimum lease payments	**24,635**	**14,435**	-	-
Included in the financial statements as;				
Current (note 14)	**4,002**	**2,134**	-	-
Non-current (note 14)	**20,633**	**12,301**	-	-

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
31. Notes to the statement of cash flows				
(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 statement of financial position as follows:				
Cash	40	45	-	-
Bank overdraft (note 14)	(1,259)	(2,760)	(9)	(34)
Total cash	**(1,219)**	**(2,715)**	**(9)**	**(34)**
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities				
Profit from ordinary activities after income tax	12,590	6,329	15,519	7,547
Depreciation of property, plant and equipment	8,993	6,567	-	-
Amortisation of goodwill	9,350	7,314	-	-
Net / (profit) loss on sale of development properties	(3,190)	328	-	-
Net / (profit) loss on sale of plant and equipment	(8)	3	-	-
Share of net loss of associate	201	170	-	-
Plant and equipment written off	-	127	-	-
Increase (decrease) in;				
Trade payables and accruals	295	180	-	-
Tax liabilities	(141)	234	575	(277)
Decrease / (increase) in;				
Receivables	(190)	1,034	(10,909)	2,427
Consumables	(680)	(1,005)	-	-
Net cash provided by operating activities	**27,220**	**21,281**	**5,185**	**9,697**

(c) Non Cash Investing and Financing

During the financial year 1,054,126 (2002: 2,134,948) convertible notes were converted to ordinary shares and 601,555 and 645,044 (2002: 229,673 and 212,759) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

These transactions are not reflected in the statement of cash flows.

	CONSOLIDATED		COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
(d) Businesses acquired				
During the year, 115 medical practices and 1 controlled entity were acquired (2002 – 120 medical practices and 1 controlled entity). Details of the acquisitions are as follows;				
Consideration				
Cash paid	33,484	31,242	-	-
Cash deferred	-	-	-	-
Shares granted	-	-	-	-
Fair value of net assets acquired	-	-	-	-
Goodwill on acquisition	**33,484**	**31,242**	-	-
(e) Financing facilities				
Secured lease facility				
Amount used	24,635	14,435	-	-
Amount unused	17,365	27,565	-	-
Secured multi-option facility				
Amount used	69,259	81,260	-	-
Amount unused	13,741	1,740	-	-
	125,000	**125,000**	-	-

The Company has provided the bank with security over the consolidated entity's assets and undertakings. All amounts drawn by the consolidated entity under the lease facility must be repaid by monthly instalments over the term of lease being five to seven years.

The multi-option facility existing at 30 June 2003 has been extended to 30 October 2004 subject to satisfactory annual reviews and compliance with all conditions. The next annual review date is 30 October 2003.

32. Segment information

For management purposes, the consolidated entity is organised into the three major operating divisions described below;

Service company – this division is a service company for medical, para-medical and related services and a daycare surgery operator.
Pathology operations – this division provides pathology services.
Development property – this division buys and develops medical centres for use within the group. The medical centres are then sold and leased back by the service company on long term leases.

The consolidated entity operates wholly within Australia.

	2003 $000	2002 $000
32. Segment information (continued)		
(a) Segment revenues		
Service company	75,666	52,993
Pathology operations	56,526	52,263
Development property	52,924	10,618
Total of all segments	**185,116**	**115,874**
Unallocated – interest income	58	111
Intersegment eliminations	(5,202)	(2,291)
Total revenue	**179,972**	**113,694**
(b) Segment results		
EBITDA		
Service company	31,936	22,399
Pathology operations	9,655	8,143
Development property	3,190	(328)
Total of all segments	**44,781**	**30,214**
Unallocated – interest income	58	111
EBITDA	**44,839**	**30,325**
Depreciation and Amortisation*		
Service company	14,065	9,738
Pathology operations	4,278	4,143
Development property	-	-
Total of all segments	**18,343**	**13,881**
Net profit		
Service company	17,871	12,661
Pathology operations	5,377	4,000
Development property	3,190	(328)
Total of all segments	**26,438**	**16,333**
Unallocated – associate	(201)	(170)
Unallocated – interest income	58	111
Unallocated – interest expense	(5,277)	(3,982)
Profit from ordinary activities before income tax expense	21,018	12,292
Income tax expense relating to ordinary activities	8,428	5,963
Net profit	**12,590**	**6,329**

* The consolidated entity does not have any other significant non-cash expenses.

32. Segment information (continued)

(c) Segment assets and liabilities

	ASSETS		LIABILITIES	
	2003 $000	2002 $000	2003 $000	2002 $000
Service company	258,851	189,427	42,846	28,204
Pathology operations	73,294	67,711	32,302	23,989
Development property	-	48,744	-	-
Total of all segments	**332,145**	**305,882**	**75,148**	**52,193**
Unallocated – associate	211	412	-	-
Unallocated – commercial bills	-	-	68,000	78,500
Unallocated – tax balances	978	-	3,899	3,062
Intersegment eliminations	(41,003)	(22,940)	(41,003)	(22,940)
Total	**292,331**	**283,354**	**106,044**	**110,815**

(d) Acquisition of segment assets

	2003 $000	2002 $000
Service company	54,724	61,936
Pathology operations	1,199	1,857
Development property	14,888	23,334

33. Additional Company Information

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

The Registered Office and Principal Place of business is 30 – 38 Short St, Leichhardt, NSW 2040.

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 on the Australian Stock Exchange and traded under the code "PRY".

2. VOTING RIGHTS

Votes of members are governed by the Articles of Association. In summary, each member is entitled either personally or by proxy or attorney or representatives, to be present at any general meeting at 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 representation, has one vote for every share held.

3. CORPORATE INFORMATION

Solicitors to the Company:

Abbott Tout
Level 42
MLC Centre
19-29 Martin Place
SYDNEY NSW 2001

Auditors

Deloitte Touche Tohmatsu
225 George Street
SYDNEY NSW 2001

Share Registry

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

Company Secretary

Mr Andrew Duff

4. TOP 20 SHAREHOLDERS AS AT 31 JULY 2003

Name	Number of fully paid ordinary shares	% of Total
Idameneo (No.122) Pty Ltd	23,020,927	22.7
JP Morgan Nominees Australia Limited	14,056,581	13.9
National Nominees Limited	6,033,346	6.0
Citicorp Nominees Pty Limited (cfs future leaders fund account)	5,773,713	5.7
Caledonia Investments Limited	2,962,857	2.9
Charado Pty Ltd	2,555,053	2.5
Rinrim Pty Limited	2,500,000	2.5
Citicorp Nominees Pty Limited (cfs wsle Aust Share Fund Account)	2,493,173	2.5
RBC Global Services Australia Nominees Pty Limited (RA account)	2,239,473	2.2
Perpetual Trustee Company Limited (44491 AG 01)	1,950,000	1.9
Citicorp Nominees Pty Limited (cfs wsle Industrial Share account)	1,763,103	1.7
Citicorp Nominees Pty Limited (cfs wsle imputation fund account)	1,739,808	1.7
UBS Warburg Private Clients Nominees Pty Ltd	1,681,815	1.7
Joseph Management Pty Ltd	1,625,959	1.6
Alfred Street Nominees Pty Ltd	1,501,820	1.5
Commonwealth Custodial Services Limited	1,370,967	1.4
Suncorp Custodian Services Pty Limited	1,320,833	1.3
Joramada Pty Ltd	1,169,525	1.2
Citicorp Nominees Pty Limited	1,168,826	1.2
RBC Global Services Australia Nominees Pty Limited (DE account)	1,077,229	1.1
Total	**78,005,008**	**77.2**

No share options are held by the top 20 shareholders.

5. NUMBER OF HOLDERS OF EQUITY INSTRUMENTS

Ordinary Share Capital

101,214,025 fully paid ordinary shares of $0.20 are held by 1,452 individual shareholders.
All issued ordinary shares carry one vote per share.
5,547,000 share options have been granted to 103 individuals.
Share options do not carry any voting rights.

6. DISTRIBUTION OF SHAREHOLDERS

	Individual shareholders
1 - 1,000	453
1,001 - 5,000	648
5,001 - 10,000	158
10,001 - 100,000	121
100,001 and over	72
	1,452

All shares held are in marketable parcels.

7. SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Fully Paid	
	Number	Percentage
E. G Bateman and related entities	24,692,485	24.4
Commonwealth Bank of Australia/Colonial Limited	15,317,103	15.1
Deutsche Australia Ltd	7,304,066	7.2
Caledonia Investments Limited	6,496,077	6.4
Westpac Banking Corporation	5,635,764	5.6