

**PRIMARY
HEALTH
CARE
LIMITED**

ACN 064 530 516

**Annual Report
For the year ended 30 June 2004**

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Your directors present their report on the consolidated entity consisting of Primary Health Care Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The following persons were directors of Primary Health Care Limited during the whole of the financial year and up to the date of this report:

B Ball, E Bateman, M Christie, J Crawford, G Gardiner, S Higgs and J Joseph.

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.

Dividends

In respect of the financial year ended 30 June 2003, a final dividend of 7.5 cents per share, franked to 100% at the 30% corporate income tax rate, was paid to the holders of fully paid ordinary shares on 3 November 2003.

In respect of the financial year ended 30 June 2004, an interim dividend of 7.5 cents per share, franked to 100% at the 30% corporate income tax rate, was paid to the holders of fully paid ordinary shares on 3 May 2004.

In respect of the financial year ended 30 June 2004, the directors recommend a final dividend of 10.0 cents per share, franked to 100% at 30% corporate income tax rate, to the holders of fully paid ordinary shares payable on 1 November 2004. 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 2003.

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 1,195,447 (2003: 601,555) and 775,132 (2003: 645,044) respectively.

Review of operations

During the financial year, the consolidated entity's revenue (excluding proceeds on sale of development property) increased by 19.1% from \$127.0 million to \$151.4 million. Its profit from ordinary activities before income tax expense (excluding net profit on sale of development property) increased by 49.3% from \$17.8 million to \$26.6 million. Profit from ordinary activities after income tax for the consolidated entity for the financial year ended 30 June 2004 was \$18.0 million (2003: \$12.6 million).

No new medical centres were opened during financial year ended 30 June 2004. Efforts were focused on;

- consolidating the 10 new medical centres opened during the previous two financial years; and
- developing management, staff and IT platforms to increase the consolidated entity's expansion capacity.

Pathology operations continue to show margin and profit improvements.

The consolidated entity is now well placed to take up opportunities as they arise in a consolidating health care sector. It is expected that 3-6 new medical centres will be opened during the financial year ending 30 June 2005.

Significant 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.

Matters subsequent to the end of the financial year

By 30 June 2004, the consolidated entity had acquired a 20% interest in a health care company listed on the Australian Stock Exchange as IPN (Independent Practitioners' Network) at a total cost of \$9.4 million. During June 2004, the consolidated entity made a takeover offer of 5 cents per share for IPN with the aim of obtaining a controlling interest in the company. As such, the consolidated entity's investment in IPN is classified as a non-current asset in its Statement of Financial Performance as at 30 June 2004.

On 23 July 2004, the consolidated entity accepted Sonic Healthcare Limited's offer of 8.5 cents per share for 2 out of every 3 shares held in IPN. On 26 July 2004, the consolidated entity lodged a notice of ceasing to be a substantial shareholder in IPN.

Likely developments and expected results of operations

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.

Rounding off of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission. In accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

Insurance of officers and auditors

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.

Directors' particulars

Brian Ball	Non-executive Director, aged 55, 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 62, 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 61, 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 65, 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 61, 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 57, appointed 1999. Mr Higgs is a director of So Natural Foods Ltd, Rural Press Limited, Peet & Co 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 69, appointed 1994. Mr Joseph has over 40 years experience in owning and managing pharmacies.

Directors' meetings

During the financial year 12 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	9
E G Bateman	12
M J Christie	10
J D Crawford	10
G J Gardiner	12
S F Higgs	11
J A Joseph	10

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	25,100,754
M J Christie	3,235,488
J D Crawford	9,996
G J Gardiner	-
S F Higgs	514,777
J A Joseph	1,665,153

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 executive remuneration packages. As well as a base salary, executive remuneration packages include superannuation and fringe benefits. Executives are also eligible to participate in the Company's Employee Option Plan.

The following tables disclose the total remuneration of all directors of the company and the five executives of the consolidated entity receiving the highest emolument.

Directors	Salary/ Fees \$	Super- annuation \$	Car Allowance \$	Options \$	Total \$
E.G.Bateman Group Managing Director	333,333	-	-	-	333,333
M.J.Christie Executive director	247,031	3,635	-	-	250,666
J.A.Joseph Executive director	15,290	1,376	-	-	16,666
G.J.Gardiner Chairman	57,819	5,203	-	-	63,022
J.D Crawford Non-executive director	39,558	3,560	-	-	43,118
S.F.Higgs Non-executive director	39,558	3,560	-	-	43,118
B.Ball Non-executive director	39,558	3,560	-	-	43,118

Directors' and executives' remuneration (continued)

Executives	Salary/ Fees \$	Super- annuation \$	Car Allowance \$	Options \$	Total \$
J Bateman Chief Operating Officer	308,699	12,531	-	145,833	467,063
A Duff Chief Financial Officer	245,056	11,098	20,000	63,137	339,291
A Lieutenant Property Manager	150,014	12,668	-	10,667	173,349
H Bateman Legal Counsel	117,969	10,096	10,000	10,667	148,732
J Hester Financial Controller – Pathology	113,309	10,198	-	-	123,507

The amount relating to options in the table above represents the assessed fair value of options at their grant date, allocated equally over the period from grant date to vesting date. No options have been granted to directors or the most highly remunerated officers during or since the end of the financial year ended 30 June 2004. Details of options granted in previous financial years are outlined in note 11 to the financial statements.

Shares under option

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

Grant date - type	Expiry date	Exercise price	Number	Expired/lapsed during year Number	Description
6 Jun 2000 – employee	none	\$4.50	900,000		
6 Jun 2000 – employee	6 Jun 2010	\$5.50	60,000		
6 Jun 2000 – employee	2 Jul 2003	\$5.25	200,000	(200,000)	expired
9 Nov 2001 – employee	27 Jul 2011	\$4.50	40,000		
6 Jun 2000 – other	30 Jun 2010	Based on weighted average market prices between various dates	100,000		
6 Jun 2000 – other	6 Jun 2010	\$5.00	100,000		
30 Jun 2000 – other	30 Jun 2010	\$5.50 - \$8.35	80,000	(80,000)	lapsed
28 Feb 2003 – employee	28 Feb 2008	\$3.38	585,000	(40,000)	lapsed
				(50,000)	exercised
28 Feb 2003 – other	29 Dec 2013	\$3.38	3,482,000	(434,000)	lapsed
BALANCE AT START OF YEAR			5,547,000		
25 Aug 2003 – other	29 Dec 2011	\$4.10	1,025,000		
1 Mar 2004 – employee	28 Feb 2009	\$5.05	255,000		
1 Mar 2004 – other	22 Sep 2012	\$5.05	1,289,500		
BALANCE AT END OF YEAR			8,116,500	(804,000)	7,312,500

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 are set out in note 11 to the financial statements.

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 3 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 reports from the external auditors concerning any matters which arise in connection with the performance of their role, 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 different from the chairperson of the board
- 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

This best practice recommendation 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 Bail
- 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 note 18 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 27 August 2004

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 2004 as set out on pages 9 to 39. 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.

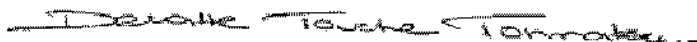
Independence

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 2004 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



JA Leotta
Partner
Chartered Accountants
Sydney, 27 August 2004

The directors declare that the attached financial statements and notes:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) 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) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 21.

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 27 August 2004

Statement of financial performance

For the year ended 30 June 2004

PHC
LIMITED

	Note	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue from ordinary activities	2a	151,384	179,972	43,596	23,793
Expenses from ordinary activities, excluding borrowing costs and share of net loss of associate	2b	118,544	153,476	14,324	4
Borrowing costs	2c	6,016	5,277	-	-
Share of net loss of associate	20	211	201	-	-
Profit from ordinary activities before income tax expense		26,613	21,018	29,272	23,789
Income tax expense relating to profit from ordinary activities	4	8,572	8,428	9,407	8,270
Net Profit		18,041	12,590	19,865	15,519
Total changes in equity other than those resulting from transactions with owners as owners		18,041	12,590	19,865	15,519
		2004 Cents per share	2003 Cents per share		
Basic earnings per share	14	17.69	12.55		
Diluted earnings per share	14	17.39	12.44		

Statement of financial position

As at 30 June 2004

PHC
LIMITED

	Note	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Current assets					
Cash	29a	747	40	-	-
Receivables	6a	16,330	19,808	29,066	23,792
Consumables		2,436	2,265	-	-
Total current assets		19,513	22,113	29,066	23,792
Non-current assets					
Receivables	6b	-	81	127,208	105,992
Investments	7	9,411	211	54,793	69,113
Property, plant and equipment	8	94,010	96,533	-	-
Intangibles	9	178,465	172,415	-	-
Future income tax benefit – timing differences		988	978	988	982
Total non-current assets		282,874	270,218	182,989	176,087
Total assets		302,387	292,331	212,055	199,879
Current liabilities					
Payables	10	5,790	5,382	52	-
Income tax payable		1,858	3,899	1,858	3,899
Provisions – employee entitlements	11a	1,949	1,922	-	-
Interest bearing liabilities	12a	4,448	5,261	83	9
Total current liabilities		14,045	16,464	1,993	3,908
Non-current liabilities					
Provisions – employee entitlements	11a	898	747	-	-
Deferred consideration		-	200	-	-
Interest bearing liabilities	12b	88,890	88,633	-	-
Total non-current liabilities		89,788	89,580	-	-
Total liabilities		103,833	106,044	1,993	3,908
Net assets		198,554	186,287	210,062	195,971
Equity					
Contributed equity	13	181,444	175,596	181,444	175,596
Retained profits	15	17,110	10,691	28,618	20,375
Total equity		198,554	186,287	210,062	195,971

Statement of cash flows
For the year ended 30 June 2004

PHC
LIMITED

	Note	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
Receipts from customers		158,319	131,658	-	-
Distributions received		-	-	23,792	12,808
Payments to suppliers and employees		(104,732)	(90,650)	(4)	(4)
Income tax paid		(10,622)	(8,569)	(10,319)	(7,620)
Interest received		267	58	182	1
Proceeds on cancellation of interest rate swap		1,197	-	-	-
Interest paid		(5,967)	(5,277)	-	-
Net cash provided by operating activities	29b	38,462	27,220	13,651	5,185
Cash flows from investing activities					
Payment for plant and equipment		(8,215)	(22,439)	-	-
Payment for development property		(868)	(14,888)	-	-
Payment for businesses purchased	29d	(16,701)	(33,484)	-	-
Payment for investments		(9,411)	-	-	-
Proceeds from sale of plant and equipment		15	173	-	-
Proceeds from sale of development property		3,534	49,024	-	-
Net loans to related entity		-	-	(7,951)	(1,349)
Net cash used in investing activities		(31,646)	(21,614)	(7,951)	(1,349)
Cash flows from financing activities					
Proceeds from issues of shares		169	1,032	169	1,032
Payments for share issue costs		(13)	(12)	(13)	(12)
Proceeds from borrowings		4,000	-	-	-
Repayment of borrowings and finance leases		(4,111)	(13,854)	-	-
Dividends paid		(5,930)	(4,830)	(5,930)	(4,831)
Proceeds from sale and leaseback		952	13,554	-	-
Net cash used in financing activities		(4,933)	(4,110)	(5,774)	(3,811)
Net increase / (decrease) in cash held		1,883	1,496	(74)	25
Cash at beginning of financial year		(1,219)	(2,715)	(9)	(34)
Cash at end of financial year	29a	664	(1,219)	(83)	(9)

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 21 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 ended 30 June 2003, 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) Receivables**

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

(e) Consumables

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

(f) Investments

In the company's financial statements, investments in controlled entities and associates are recorded at the lower of cost and recoverable amount. In the consolidated financial statements, investments in associates are accounted for using the equity method. Dividends/distributions are taken to income on an accrual basis.

(g) 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

(h) 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.

(i) 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.

(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.

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.

1. Summary of accounting policies (continued)**(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 11.

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.

(p) 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.

1. Summary of accounting policies (continued)

(q) 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.

(r) 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.

(s) Derivative financial instruments

The consolidated entity uses interest rate swaps contracts to manage its interest rate exposure. The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains and losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains and losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

Notes to the financial statements

For the year ended 30 June 2004

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
2. Profit from ordinary activities				
(a) Revenue				
Operating:				
Sales revenue	150,424	126,817	-	-
Distributions from wholly owned unit trusts	-	-	29,066	23,792
Interest income	267	58	182	1
Non-operating:				
Gain on cancellation of interest rate swap	678	-	-	-
Proceeds from sale of development property	-	52,924	-	-
Proceeds from sale of property plant and equipment	15	173	-	-
Proceeds on deregistration of PHC (No 1) Pty Ltd including a special distribution from a wholly owned unit trust	-	-	14,348	-
	151,384	179,972	43,596	23,793
(b) Expenses, excluding borrowing costs and share of net loss of associate				
Depreciation of plant and equipment				
- Leasehold improvements	1,096	1,298	-	-
- Plant and Equipment	9,608	7,695	-	-
	10,704	8,993	-	-
Amortisation of goodwill	10,651	9,350	-	-
Transfer to (from) allowance for doubtful debts	(21)	402	-	-
Employee benefits expense	48,430	42,070	-	-
Operating lease expense	13,218	11,021	-	-
Property expense	3,462	1,981	-	-
Communication expense	3,058	1,476	-	-
Advertising and marketing expense	1,303	980	-	-
Cost of development properties sold	-	49,734	-	-
Net book value of plant and equipment sold	34	165	-	-
Net book value of PHC (No 1) Pty Ltd – deregistered during the year	-	-	13,672	-
Write down of investment in associate	-	-	648	-
Consultancy and Pathologists' fees	8,075	7,057	-	-
Medical and laboratory supplies	13,911	13,867	-	-
Movement in consumables	(171)	(680)	-	-
Other expenses	5,890	7,060	4	4
	118,544	153,476	14,324	4
(c) Borrowing costs				
Finance lease finance charges	1,703	1,672	-	-
Interest – other	4,313	4,301	-	-
	6,016	5,973	-	-
Amount capitalised	-	696	-	-
	6,016	5,277	-	-
Weighted average capitalisation rate	-	6.25%	-	-

Notes to the financial statements

For the year ended 30 June 2004

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
3. Sale of assets				
Net profit (loss) on sale of plant and equipment	(19)	8	-	-
Net profit on the sale of development properties	-	3,190	-	-
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	26,613	21,018	29,272	23,789
Income tax calculated at 30%	7,984	6,305	8,782	7,137
Tax effect of permanent differences;				
Deregistration of PHC (No 1) Pty Ltd	-	-	(203)	-
Write down of investment in associate	-	-	195	-
Amortisation of goodwill	3,195	2,805	2,198	1,801
Share of net loss of associate	64	60	-	-
Other	(64)	(238)	(74)	(182)
Income tax adjusted for permanent differences	11,179	8,932	10,898	8,756
Over provision in prior years	(2,607)	(504)	(1,491)	(486)
Income tax expense relating to profit from ordinary activities before impact of tax consolidation	8,572	8,428	9,407	8,270
Income tax expense attributable to controlled entities			283	214
Income tax expense recovered from controlled entities			(283)	(214)
Income tax expense relating to profit from ordinary activities	8,572	8,428	9,407	8,270

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 2003. 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	
	2004 \$	2003 \$	2004 \$	2003 \$
5. Remuneration of auditors				
Auditing the financial report	167,000	150,000	-	-
Other services	100,000	120,000	-	-
	267,000	270,000	-	-

	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
6. Receivables				
(a) Current				
Trade receivables	13,638	14,354	-	-
Allowance for doubtful debts	(1,151)	(1,242)	-	-
	12,487	13,112	-	-
Amounts receivable from property sales	366	3,900	-	-
Amounts receivable from wholly owned entities	-	-	29,066	23,792
Other receivables and prepayments	3,477	2,796	-	-
	16,330	19,808	29,066	23,792
(b) Non-current				
Amounts receivable from wholly owned entities	-	-	127,208	105,992
Other receivables and prepayments	-	81	-	-
	-	81	127,208	105,992
7. Investments				
Investment in associate (note 20)	-	211	-	648
Shares in IPN (listed on the ASX) at cost (note 22)	9,411	-	-	-
Shares in PHC (No 1) Pty Ltd at cost	-	-	-	13,672
Units in wholly owned unit trusts at cost	-	-	54,793	54,793
	9,411	211	54,793	69,113

Notes to the financial statements

For the year ended 30 June 2004

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8. Property, plant and equipment

	Consolidated		
	Leasehold improvements \$'000	Plant and Equipment \$'000	Total \$'000
Gross Carrying Amount			
Balance at 30 June 2003	54,186	70,684	124,870
Additions	1,973	6,242	8,215
Disposals and write offs	-	(242)	(242)
Balance at 30 June 2004	56,159	76,684	132,843
Accumulated Depreciation			
Balance at 30 June 2003	2,322	26,015	28,337
Disposals and write offs	-	(208)	(208)
Depreciation expense	1,096	9,608	10,704
Balance at 30 June 2004	3,418	35,415	38,833
Net Book Value			
As at 30 June 2003	51,864	44,669	96,533
As at 30 June 2004	52,741	41,269	94,010

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.

9. Intangibles

	Consolidated
	Goodwill \$'000
Gross Carrying Amount	
Balance at 30 June 2003	204,625
Adjustment on deregistration of PHC (No 1) Pty Ltd	(4,297)
Additions	16,701
Balance at 30 June 2004	217,029
Accumulated Amortisation	
Balance at 30 June 2003	32,210
Adjustment on deregistration of PHC (No 1) Pty Ltd	(4,297)
Amortisation expense	10,651
Balance at 30 June 2004	38,564
Net Book Value	
As at 30 June 2003	172,415
As at 30 June 2004	178,465

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements

Notes to the financial statements

For the year ended 30 June 2004

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
10. Payables				
Trade payables	5,790	5,382	-	-
Amounts payable to wholly owned entities	-	-	52	-
	5,790	5,382	52	-
11. Employee entitlements				
(a) Provisions				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows;				
Current	1,949	1,922	-	-
Non-current	898	747	-	-
	2,847	2,669	-	-
(b) Employee numbers				
No. of employees at end of financial year	1,447	1,330	-	-

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

(d) Employee option plan

(i) Details of plan

Prior to the 2003 financial year, the Company 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.

During the 2003 financial 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) 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.

Notes to the financial statements

For the year ended 30 June 2004

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11. Employee entitlements (continued)

(ii) Summary of options granted under the plan

Grant date and issue number	Expiry date	Exercise price	Number	Date exercisable	Vesting conditions
6 Jun 2000 issue 1	none	\$4.50	900,000	One third after 1 Jul 2002 One third after 1 Jul 2003 One third after 1 Jul 2004	Market price of PRY shares must have exceeded \$5.50 at any time after 1 June 2002 Market price of PRY shares must have exceeded \$6.50 at any time after 1 June 2003 Market price of PRY shares must have exceeded \$7.50 at any time after 1 June 2004
6 Jun 2000 issue 2	6 Jun 2010	\$5.50	60,000	One third after 6 Jun 2004 One third after 6 Jun 2005 One third after 6 Jun 2006	Market price of PRY shares must have exceeded \$6.50 at any time after 6 June 2000 Market price of PRY shares must have exceeded \$6.90 at any time after 6 June 2000 Market price of PRY shares must have exceeded \$7.40 at any time after 6 June 2000
6 Jun 2000 issue 3	2 Jul 2003	\$5.25	200,000	One half after 2 Jun 2001 One half after 6 Jun 2000	Continued employment Must achieve specified performance target by 6 Dec 2000
9 Nov 2001 issue 4	27 Jul 2011	\$4.50	40,000	One third after 27 Jul 2004 One third after 27 Jul 2005 One third after 27 Jul 2006	Market price of PRY shares must have exceeded \$5.50 at any time after 27 July 2001 Market price of PRY shares must have exceeded \$5.90 at any time after 27 July 2001 Market price of PRY shares must have exceeded \$6.40 at any time after 27 July 2001
28 Feb 2003 issue 5	28 Feb 2008	\$3.38	585,000	28 Feb 2006	Continued employment
BALANCE AT START OF YEAR			1,785,000	Number vested = 200,000	
issue 3 issue 5 issue 5	expired lapsed exercised		(200,000) (40,000) (50,000)		
1 Mar 2004 issue 6	28 Feb 2009	\$5.05	255,000	8 Mar 2007	Continued employment
BALANCE AT END OF YEAR			1,750,000	Number vested = 313,333	

No options expired, lapsed or were exercised in the prior financial year.

Notes to the financial statements

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11. Employee entitlements (continued)

(iii) Details of options exercised

Exercise date: 16 Feb 2004
Number exercised: 50,000
Fair value of shares issued on the exercise of options: \$5.50 per share or \$275,000 in total

The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock exchange on the day prior to the exercise of the options.

The aggregate proceeds received from employees on the exercise of options and recognised as issued capital are disclosed in Note 13.

	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
12. Interest bearing liabilities				
(a) Current				
Bank overdraft (note 29a)	83	1,259	83	9
Finance lease liabilities (note 28)	4,365	4,002	-	-
	4,448	5,261	83	9
(b) Non-current				
Finance lease liabilities (note 28)	16,890	20,633	-	-
Commercial bills	72,000	68,000	-	-
	88,890	88,633	-	-

All interest bearing liabilities, are secured against the assets and undertakings of the consolidated entity.

Notes to the financial statements

For the year ended 30 June 2004

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13. Contributed equity

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

	COMPANY & CONSOLIDATED		COMPANY & CONSOLIDATED	
	2004 No. of shares 000's	2003 No. of shares 000's	2004 \$000	2003 \$000
Fully paid ordinary shares				
Balance at beginning of year	101,214	98,653	175,596	171,530
Exercise of share options by employees	50	-	169	-
Shares issued via Dividend Reinvestment Plan	1,196	602	5,692	2,023
Shares issued via Bonus Share Plan	775	645	-	-
Other share issues	-	260	-	1,032
Conversion of convertible notes to ordinary shares paid to \$0.97	-	1,054	-	1,023
Capital raising/share issue costs	-	-	(13)	(12)
Balance at end of year	103,235	101,214	181,444	175,596

	CONSOLIDATED		CONSOLIDATED	
	2004 No. of shares 000's	2003 No. of shares 000's	2004 \$000's	2003 \$000's
14. 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.	101,995	100,288	18,041	12,590
Adjustment for potential ordinary shares*	1,774	907	-	-
Diluted earnings per share				
The weighted average number of ordinary shares and potential ordinary shares on issue and earnings used in the calculation	103,769	101,195	18,041	12,590

* Potential ordinary shares represent share options, but only to the extent that they are considered dilutive

Notes to the financial statements

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
15. Retained profits				
Balance at beginning of year	10,691	1,009	20,375	7,764
Net profit	18,041	12,590	19,865	15,519
Dividends provided or paid	(11,622)	(6,854)	(11,622)	(6,854)
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	17,110	10,691	28,618	20,375

	COMPANY & CONSOLIDATED		COMPANY & CONSOLIDATED	
	2004 Cents per share	2003 Cents per share	2004 \$000	2003 \$000
16. Dividends				
Final* – previous financial year			7,591	3,988
Interim – this financial year	7.50	5.00	7,667	5,027
Final* - this financial year	10.00	7.50	-	-
Dividend reinvested under the Bonus Share Plan			(3,636)	(2,161)
Dividends provided or paid	17.50	12.50	11,622	6,854

* The financial statements do not include a provision for the final dividend because it was declared after balance date.

All dividends are fully franked to 100% at 30% corporate income tax rate.

The record date for determining entitlement to the final dividend is 15 October 2004.

The final dividend is payable on 1 November 2004.

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 15 October 2004.

	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
17. Franking account				
Adjusted franking account balance	22,761	17,119	22,761	17,119

Notes to the financial statements

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18. Director and executive disclosures

The directors of the company during the financial year were;

EG Bateman	Executive Director - Group Managing Director
MJ Christie	Executive Director
JA Joseph	Executive Director
GJ Gardiner	Non-executive Director - Chairman
JD Crawford	Non-executive Director
S Higgs	Non-executive Director
B Ball	Non-executive Director

The five executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year were;

J Bateman	Chief Operating Officer
A Duff	Chief Financial Officer
A Lieutenant	Property Manager
H Bateman	Legal Counsel
J Hester	Financial Controller – Pathology

Principles used to determine the nature and amount of 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 executive remuneration packages. As well as a base salary, executive remuneration packages include superannuation and fringe benefits. Executives are also eligible to participate in the Company's Employee Option Plan.

Executives are generally employed under standard employment contracts. The consolidated entity does not have any fixed term service contracts with its specified executives.

Details of remuneration

Details of the remuneration of each director of the company and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables.

Details for the comparative period are shown in total only as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

Directors	Salary/ Fees	Super- annuation	Car Allowance	Options	Total
2004	\$	\$	\$	\$	\$
<i>Executive directors:</i>					
E.G.Bateman	333,333	-	-	-	333,333
M.J.Christie	247,031	3,635	-	-	250,666
J.A.Joseph	15,290	1,376	-	-	16,666
<i>Non-executive directors:</i>					
G.J.Gardiner	57,819	5,203	-	-	63,022
J.D.Crawford	39,558	3,560	-	-	43,118
S.F.Higgs	39,558	3,560	-	-	43,118
B.Ball	39,558	3,560	-	-	43,118
	772,147	20,894	-	-	793,041

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18. Director and executive disclosures (continued)

Specified executives	Salary/ Fees	Super- annuation	Car Allowance	Options	Total
2004	\$	\$	\$	\$	\$
<i>Specified Executives:</i>					
J.Bateman	308,699	12,531	-	145,833	467,063
A.Duff	245,056	11,098	20,000	63,137	339,291
A.Lieutenant	150,014	12,668	-	10,667	173,349
H.Bateman	117,969	10,096	10,000	10,667	148,732
J.Hester	113,309	10,198	-	-	123,507
	935,047	56,591	30,000	230,304	1,251,942

	Salary/ Fees	Super- annuation	Car Allowance	Options	Total
2003	\$	\$	\$	\$	\$
<i>Directors</i>	688,719	10,624	-	-	699,343
<i>Specified Executives:</i>	1,087,196	34,151	6,666	363,502	1,491,515

Options provided as remuneration

The amount relating to options in the remuneration tables above represents the assessed fair value of options at their grant date, allocated equally over the period from grant date to vesting date.

Fair values at grant date are 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 terms and conditions of each grant of options made to employees, including the specified executives, are set out in note 11. The issue numbers (refer note 11) affecting the remuneration of the specified executives in this or future reporting periods are as follows;

Issue number	Value per option at grant date
issue 1	\$1.22, \$1.46, \$1.66
issue 2	\$1.67, \$1.86, \$2.02
issue 4	\$1.71, \$1.88, \$2.03
issue 5	\$0.64

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18. Director and executive disclosures (continued)

Option holdings

None of the company's directors hold options.

The numbers of options over ordinary shares in the company held during the financial year by each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at start of year	Granted during year	Exercised during year	Other changes during year	Balance at end of year	Vested at end of year*
<i>Specified Executives:</i>						
J.Bateman	1,000,000	-	-	-	1,000,000	300,000 ex
A.Duff	200,000	-	-	-	200,000	13,333 unex
A Lieutenant	50,000	-	-	-	50,000	-
H Bateman	50,000	-	-	-	50,000	-
J Hester	-	-	-	-	-	-

*ex = exercisable at end of year

unex = unexercisable at end of year

Share holdings

The numbers of shares in the company held during the financial year by each director of the Company and each of the five specified executives of the consolidated entity, including their personal-related entities, are set out below.

Name	Balance at start of year	Received during the year on the exercise of options	Other changes during year	Balance at end of year
<i>Directors:</i>				
E.G.Bateman	24,692,485	-	408,269	25,100,754
M.J.Christie	3,235,488	-	-	3,235,488
J.A.Joseph	1,645,314	-	19,839	1,665,153
G.J.Gardiner	-	-	-	-
J.D Crawford	9,826	-	170	9,996
S.F.Higgs	514,777	-	-	514,777
B.Ball	20,000	-	-	20,000
<i>Specified Executives:</i>				
J.Bateman	2,529	-	-	2,529
A.Duff	-	-	-	-
A Lieutenant	168,782	-	9,000	177,782
H Bateman	123,745	-	-	123,745
J Hester	-	-	-	-

Loans to directors and executives

No loans have been made to any of the directors of the company or any of the five specified executives of the consolidated entity.

18. Director and executive disclosures (continued)

Other transactions with directors and specified executives

All transactions with the 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, Warringah Mall Pharmacy Services Pty Ltd and Chatswood Pharmacy Services Pty Ltd, company's associated with Mr J.A. Joseph. These receipts of \$720,000 were under normal commercial terms and conditions. (2003: \$684,000)

- **Operating lease**

During the financial year, the controlled entity Idameneo (No. 123) Pty Limited as Trustee for Artlu Unit Trust paid rent of \$395,093 (excl GST) to an entity associated with a director and substantial shareholder Dr E.G. Bateman. (2003: \$974,000)

- **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 \$458,773 (incl GST) fees at standard hourly rates. (2003: \$636,936)

- **Employment**

During the financial year, the following personally related entities of directors were employed by the consolidated entity on normal commercial terms.

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

19. Related party disclosures

(a) Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 18.

(b) Wholly-owned group

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

(c) Equity Interests in related entities

Details of interests in associates are shown in note 20. Details of interests in controlled entities are shown in note 21.

Notes to the financial statements

For the year ended 30 June 2004

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20. 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 the lower of cost and recoverable amount by the parent entity (see note 7). 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 (2003: 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	
	2004 \$000	2003 \$000
(a) Movement in carrying amount of investment in associate		
Carrying amount at the beginning of the financial year	211	412
Share of losses from ordinary activities after income tax	(211)	(201)
Carrying amount at the end of the financial year	-	211
(b) Results attributable to associate		
Share of loss from ordinary activities before income tax	(211)	(201)
Share of income tax	-	-
Share of loss from ordinary activities after income tax	(211)	(201)
Accumulated losses attributable to associate at beginning of the financial year	(437)	(236)
Accumulated losses attributable to associate at end of the financial year	(648)	(437)
(c) Summarised financial position of associate		
Profit (Loss) from ordinary activities after income tax	182	(78)
Assets	377	255
Liabilities	(132)	(199)

21. Controlled entities

Name of Entity	Country of Incorporation	Interest Held 2004 %	Interest Held 2003 %
Parent Entity			
Primary Health Care Limited (i)	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 3) Pty Ltd (ii)	Australia	100	100
PHC (No 6) Pty Ltd (ii)	Australia	100	100
Nacol Pty Ltd (ii)	Australia	100	100

21. Controlled entities (continued)

(i) These entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into this deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities and Investment Commission. These entities represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee, they also represent the 'Extended Closed Group'.

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 'Extended Closed Group'.

(ii) Dormant companies. PHC (No 1) Pty Ltd was deregistered during the year.

22. Subsequent events**(a) Sale of IPN shares**

By 30 June 2004, the consolidated entity had acquired a 20% interest in a health care company listed on the Australian Stock Exchange as IPN (Independent Practitioners' Network) at a total cost of \$9.4 million. During June 2004, the consolidated entity made a takeover offer of 5 cents per share for IPN with the aim of obtaining a controlling interest in the company. As such, the consolidated entity's investment in IPN is classified as a non-current asset in its Statement of Financial Performance as at 30 June 2004.

On 23 July 2004, the consolidated entity accepted Sonic Healthcare Limited's offer of 8.5 cents per share for 2 out of every 3 shares held in IPN. On 26 July 2004, the consolidated entity lodged a notice of ceasing to be a substantial shareholder in IPN.

(b) Other

There is, at the date of this report, no other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

23. 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 21). As at 30 June 2004 the contingent liability to Primary Health Care Limited is \$94.1 million in relation to the cross guarantee. The directors are not aware of any other contingent liabilities.

24. Contingent assets**Tax Depreciation Deductions – Copyright**

The company has identified it is entitled to appropriate deductions for expenditure on the purchase of intellectual property with its medical practice acquisitions in the years 30 June 1999 to 30 June 2003 inclusive. To access these deductions, the company has lodged objections with the Australian Taxation office ("ATO") against the Income Tax Assessments of the company and its controlled entities for the years ending 30 June 1999 to 30 June 2003 inclusive.

Total deductions claimed in the objections for the years to 30 June 2003 amount to \$20.5m. This equates to a cash refund of \$6.2m, excluding any interest payable to the company. As a result of these claims, as at 30 June 2003, the company also has further gross deductions of \$58m available for the years 2004 to 2028. Additional deductions of approximately \$10m for similar acquisitions in 2004 will also be available for deduction over the years 2004 to 2028. Of these \$68m future deductions available approximately two thirds, \$45m, will be available in the financial years 2004 to 2009 inclusive. Assuming a Corporate tax rate of 30% and the deductions are allowed in full the total credit to the income tax expense in future years is estimated to be:

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24. Contingent assets (continued)

Financial year ended 30 June 2004 (includes deductions from 1999-2004 inclusive)	\$ 10.4m
Financial year ending 30 June 2005	\$ 3.4m
Financial year ending 30 June 2006	\$ 2.3m
Financial year ending 30 June 2007	\$ 1.6m
Financial year ending 30 June 2008	\$ 1.1m
Financial year ending 30 June 2009	\$ 0.9m

No allowance has been made for any future additional acquisitions for years ended 30 June 2005 to 2009 inclusive.

The directors have obtained independent professional advice and believe that the company is entitled to the claimed amounts. However, given the uncertainties surrounding the amounts and timing of future benefits, the directors have determined that the amount of \$10.4m should not be recognised as an asset, but rather disclosed as a contingent asset until such time as the uncertainties surrounding deductibility is removed.

Uncertainty exists as to the amounts and timing of future benefits that would arise in respect of the claims for which objections have been lodged, as the ATO have not yet determined the objections. The ATO has not indicated when the objections will be determined nor when any amended assessments will be issued.

25. Impact of International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to IFRS (A-IFRS), and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of A-IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

To manage the convergence to A-IFRS, management has undertaken a business review of the impact of the transition to A-IFRS, and has reported to the Board who is currently assessing such impact. Most of the A-IFRS have been analysed and a number of the changes to accounting policies that will be required, have been identified. In some cases choices of accounting policies are available. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Group.

Major changes identified to date that will be required to the Group's existing accounting policies include the following;

(a) Intangible assets – goodwill

Under the AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over 20 years.

(b) Equity-based compensation benefits

Under the AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(c) First time adoption of A-IFRS

AASB 1 *First Time Adoption of Australian International Financial Reporting Pronouncements*, generally requires an entity to retrospectively apply each IFRS in an entity's first IFRS financial report. Opening adjustments to comply with retrospective application of IFRS standards will be made to retained earnings except for adjustments to intangibles acquired in a business combination which will be made against goodwill rather than retained earnings. The standard provides some optional and mandatory exemptions to retrospective application of IFRS. The Board has not yet finalised any decisions regarding the optional exemptions.

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26. 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.

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

On 4 July 2003, a further swap - with a notional principal of \$10,000,000 and a fixed rate of 4.9% - was executed.

On 21 January 2004, all of the consolidated entity's outstanding swap contracts were cancelled. The proceeds from the cancellation of the swap contracts were \$1,196,500. That portion of these proceeds relating to the period between 31 October 2005 (being the expiry date of the consolidated entity's existing multi-option bank facility) and the swaps' expiry dates was brought to account as revenue in the current financial year (see note 2 – Gain on cancellation of interest rate swap contracts \$678,000). The remainder of the proceeds, being \$518,000, was deferred and will be amortised against interest expense over the period from 21 January 2004 to 31 October 2005. The amount brought to account in the current financial year was \$128,000. The remaining deferral of \$390,000 is included in trade payables.

There were no interest rate swap contracts outstanding as at 30 June 2004.

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 2004.

2004	Average Interest rate %	Variable Interest rate \$000	Fixed Interest rate maturity			Non-interest bearing \$000	Total \$000
			Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000		
Financial assets							
Cash	3.00	747				-	747
Receivables						16,330	16,330
Financial liabilities							
Payables						(5,690)	(5,690)
Employee entitlements						(2,847)	(2,847)
Deferred consideration						(100)	(100)
Bank overdraft	8.50	(83)					(83)
Finance lease liabilities	7.00		(4,365)	(14,894)	(1,996)		(21,255)
Commercial bills	6.25	(72,000)					(72,000)
		(71,336)	(4,365)	(14,894)	(1,996)	7,693	(84,898)

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26. Financial instruments (continued)

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 \$000	Fixed Interest rate maturity			Non-interest bearing \$000	Total \$000
			Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000		
Financial assets							
Cash						40	40
Receivables						19,889	19,889
Financial liabilities							
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)

(c) Credit risk

As at 30 June 2004 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, except for its investment in IPN (see note 7). As at 30 June 2004 the net market value of the Group's investment in IPN was \$13,215,472.

Notes to the financial statements

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
27. Commitments for expenditure				
Commitments contracted for at the reporting date but not recognised as liabilities;				
Plant and equipment not later than one year	2,500	953	-	-

28. 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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Non- cancellable operating leases				
Not later than 1 year	11,093	9,309	-	-
Later than 1 year but not later than 5 years	26,123	27,165	-	-
Later than 5 years	5,615	6,929	-	-
	42,831	43,403	-	-
Finance lease liabilities				
Not later than 1 year	5,774	5,650	-	-
Later than 1 year but not later than 5 years	17,229	20,803	-	-
Later than 5 years	2,036	3,407	-	-
Minimum future lease payments	25,039	29,860	-	-
Less future finance charges	(3,784)	(5,225)	-	-
Present value of minimum lease payments	21,255	24,635	-	-
Included in the financial statements as;				
Current (note 14)	4,365	4,002	-	-
Non-current (note 14)	16,890	20,633	-	-

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
29. 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	747	40	-	-
Bank overdraft (note 12)	(83)	(1,259)	(83)	(9)
Total cash	664	(1,219)	(83)	(9)
(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	18,041	12,590	19,865	15,519
Depreciation of plant and equipment	10,704	8,993	-	-
Amortisation of goodwill	10,651	9,350	-	-
Net profit on sale of development properties	-	(3,190)	-	-
Net loss (profit) on sale of plant and equipment	19	(8)	-	-
Net profit on deregistration of PHC (no 1) Pty Ltd	-	-	(676)	-
Write down of investment in associate	-	-	648	-
Share of net loss of associate	211	201	-	-
Increase (decrease) in;				
Trade payables and accruals	1,254	295	-	-
Tax liabilities	(2,050)	(141)	(2,047)	575
Decrease / (increase) in;				
Receivables	(197)	(190)	(4,139)	(10,909)
Consumables	(171)	(680)	-	-
Net cash provided by operating activities	38,462	27,220	13,651	5,185

(c) Non Cash Investing and Financing

During the financial year 1,195,447 (2003: 601,555) and 775,132 (2003: 645,044) shares were issued pursuant to the Dividend Reinvestment and Bonus Share Plans respectively.

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

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	CONSOLIDATED		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(d) Businesses acquired				
During the year, various medical practices were acquired (2003 – various medical practices and 1 controlled entity). Details of the acquisitions are as follows;				
Consideration				
Cash paid	16,701	33,484	-	-
Cash deferred	-	-	-	-
Shares granted	-	-	-	-
Fair value of net assets acquired	-	-	-	-
Goodwill on acquisition	16,701	33,484	-	-
(e) Financing facilities				
Secured lease facility				
Amount used	21,255	24,635	-	-
Amount unused	10,745	17,365	-	-
Secured multi-option facility				
Amount used	72,892	69,259	-	-
Amount unused	70,108	13,741	-	-
	175,000	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 installments over the term of lease being five to seven years.

The multi-option facility existing at 30 June 2004 has been extended to 30 October 2005 subject to satisfactory annual reviews and compliance with all conditions. The next annual review date is 30 October 2004.

30. 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.

Notes to the financial statements

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	2004 \$000	2003 \$000
30. Segment information (continued)		
(a) Segment revenues		
Service company	93,876	75,666
Pathology operations	63,217	56,526
Development property	-	52,924
Total of all segments	157,093	185,116
Unallocated – interest income and gain on swap	945	58
Intersegment eliminations	(6,654)	(5,202)
Total revenue	151,384	179,972
(b) Segment results		
EBITDA		
Service company	40,829	31,936
Pathology operations	12,421	9,655
Development property	-	3,190
Total of all segments	53,250	44,781
Unallocated – interest income and gain on swap	945	58
EBITDA	54,195	44,839
Depreciation and Amortisation*		
Service company	17,157	14,065
Pathology operations	4,198	4,278
Total of all segments	21,355	18,343
Net profit		
Service company	23,672	17,871
Pathology operations	8,223	5,377
Development property	-	3,190
Total of all segments	31,895	26,438
Unallocated – share of net loss of associate	(211)	(201)
Unallocated – interest income and gain on swap	945	58
Unallocated – borrowing costs	(6,016)	(5,277)
Profit from ordinary activities before income tax expense	26,613	21,018
Income tax expense relating to ordinary activities	8,572	8,428
Net profit	18,041	12,590

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

	ASSETS		LIABILITIES	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
30. Segment information (continued)				
(c) Segment assets and liabilities				
Service company	287,920	258,851	42,382	42,846
Pathology operations	72,989	73,294	47,103	32,302
Development property	-	-	-	-
Total of all segments	360,909	332,145	89,485	75,148
Unallocated – associate	-	211	-	-
Unallocated – commercial bills	-	-	72,000	68,000
Unallocated – tax balances	988	978	1,858	3,899
Intersegment eliminations	(59,510)	(41,003)	(59,510)	(41,003)
Total	302,387	292,331	103,833	106,044

	2004 \$000	2003 \$000
(d) Acquisition of segment assets		
Service company	23,980	54,724
Pathology operations	936	1,199
Development property	868	14,888

31. 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 2004

Name	Number of fully paid ordinary shares	% of Total
Idameneo (No.122) Pty Ltd	23,300,109	22.57
JP Morgan Nominees Australia Limited	17,342,131	16.80
National Nominees Limited	6,605,826	6.40
Westpac Custodian Nominees Limited	5,361,394	5.19
Citicorp Nominees Pty Limited (cfs future leaders fund account)	4,683,170	4.54
Caledonia Investments Limited	2,872,757	2.78
Charado Pty Ltd	2,555,053	2.47
Citicorp Nominees Pty Limited (cfs wsle imputation fund account)	2,516,168	2.44
Rinrim Pty Limited	2,500,000	2.42
Citicorp Nominees Pty Limited (cfs wsle Aust Share Fund Account)	1,813,873	1.76
Alfred Street Nominees Pty Ltd	1,738,182	1.68
UBS Private Clients Australia Nominees Pty Ltd	1,667,089	1.61
Joseph Management Pty Ltd	1,625,959	1.58
Citicorp Nominees Pty Limited (cfs imputation fund account)	1,579,214	1.53
Cogent Nominees Pty Limited	1,514,736	1.47
Citicorp Nominees Pty Limited (cfs wsle industrial share account)	1,490,530	1.44
Joramada Pty Ltd	1,169,525	1.13
Government Superannuation Office (state super fund account)	1,111,267	1.08
Perpetual Trustee Company Limited (44491 AG 01)	880,000	0.85
Permanent Trustee Australia Limited (PAR0002 account)	788,238	0.76
Total	83,115,221	80.5

No share options are held by the top 20 shareholders.

5. NUMBER OF HOLDERS OF EQUITY INSTRUMENTS AS AT 31 JULY 2004

Ordinary Share Capital

103,234,604 fully paid ordinary shares of \$0.20 are held by 1,387 individual shareholders.

All issued ordinary shares carry one vote per share.

7,312,500 share options have been granted to 144 individuals.

Share options do not carry any voting rights.

6. DISTRIBUTION OF SHAREHOLDERS

Number of units held	Individual shareholders
1 - 1,000	416
1,001 - 5,000	624
5,001 - 10,000	147
10,001 - 100,000	132
100,001 and over	68
	1,387

24 Shareholders hold 332 units in unmarketable parcels.

7. SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Fully Paid	
	Number	Percentage
E. G Bateman and related entities	25,100,754	24.3
Commonwealth Bank of Australia/Colonial Limited	13,571,694	13.1
Deutsche Australia Ltd	8,481,818	8.3
Caledonia Investments Limited	7,777,814	7.5
Westpac Banking Corporation	5,635,764	5.6
Schroeder Investment Management Group	5,596,652	5.4

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