

RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2011

RAMSAY HEALTH CARE LIMITED

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SECTION 1
RESULTS FOR ANNOUNCEMENT
TO THE MARKET

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.1 HIGHLIGHTS OF RESULTS

	Notes	2011 \$'000	2010 \$'000	% increase/ (decrease)
Revenue and other income from continuing operations		3,724,873	3,405,672	9.4%
Operating Revenue from continuing operations		3,719,691	3,399,254	9.4%
Profit from continuing operations before finance costs, tax, depreciation, amortisation and specific items (EBITDA)		526,330	468,774	12.3%
Profit from continuing operations before finance costs, tax, amortisation and specific items (EBIT)		395,493	333,796	18.5%
Core profit after tax from continuing operations	(1),(3)	220,586	178,487	23.6%
Specific items and amortisation of intangibles (net of tax)				
- Non – cash rent expense relating to leased UK hospitals		(18,890)	(21,880)	
- Other		<u>(3,321)</u>	<u>(8,325)</u>	
		(22,211)	(30,205)	(26.5%)
Net profit after tax for the period attributable owners of the parent *		198,375	148,282	33.8%

Earnings per share (cents per share)

Core EPS - Continuing operations	(1),(2),(3)	101.1c	84.5 c	19.6%
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*: The term owners of the parent is inclusive of the holders of CARES

- 'Core profit after tax from continuing operations' and 'Core Earnings per share - Continuing operations' are before Specific items, amortisation of intangibles and discontinued operations
- Core Earnings per share (Core EPS) calculation is based upon Core profit after tax from continuing operations adjusted for Preference Dividends, using weighted average number of ordinary shares adjusted for effect of dilution.
- Refer to Note 2(a) of the Consolidated Financial Statements for further information.

1.2 EARNINGS PER SHARE

	2011 \$000	2010 \$000
Net profit for the period attributable to the owners of the parent	198,375	148,282
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(15,847)	(11,860)
Profit used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	<u>182,528</u>	<u>136,422</u>

Number of Shares

Weighted average number of ordinary shares used in calculating basic earnings per share	201,106,486	196,473,531
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,457,705	197,106,727
Earnings per share (cents per share)		
- basic (after CARES dividend) for the year	90.8	69.4
- diluted (after CARES dividend) for the year	90.2	69.2
- basic (after CARES dividend) from continuing operations	90.8	69.4
- diluted (after CARES dividend) from continuing operations	90.2	69.2

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	Amount per security	Franked amount per security
Current year		
- Interim dividend	22.5¢	22.5¢
- Final proposed dividend	29.5¢	29.5¢
Total dividend	52.0¢	52.0¢
Previous corresponding year		
- Interim dividend	18.5 ¢	18.5 ¢
- Final proposed dividend	25.0 ¢	25.0 ¢
Total dividend	43.5 ¢	43.5 ¢
Record date for determining entitlements to the ordinary dividend		8 September 2011
Date the current year ordinary dividend is payable		26 September 2011
Convertible Adjustable Rate Equity Securities ('CARES') Dividends		
Record date for determining entitlements to the CARES dividend		10 October 2011
Date the current year CARES dividend is payable		20 October 2011

The final proposed dividend will be franked at the rate of 30% (2010:30%).

1.4 NTA

	2011	2010
Net tangible assets per ordinary share	\$1.94	\$1.29

The results are for the year ended 30 June 2011. The comparative results are for the year ended 30 June 2010.

RAMSAY HEALTH CARE LIMITED

1.5 COMMENTARY ON RESULTS

Commentary on results follows

ASX ANNOUNCEMENT

25 August 2011

RAMSAY HEALTH CARE REPORTS 23.6% RISE IN FULL YEAR CORE NET PROFIT

Financial Highlights

- Core net profit¹ after tax up 23.6% to \$220.6 million
- Core EPS² up 19.6% to 101.1 cents
- Group revenue up 9.4% to \$3.7 billion
 - Australia and Indonesia revenue up 8.7% to \$2.9 billion
 - Europe (UK and France) revenue up 12.4% to \$767.1 million
- Group EBIT up 18.5% to \$395.5 million
 - Australia and Indonesia EBIT up 15.3% to \$322.9 million
 - Europe EBIT³ up 35% to \$72.6 million
- Final dividend 29.5 cents fully franked, up 18.0% on the previous corresponding period, bringing the full-year dividend to 52.0 cents, up 19.5%
- Targeting core NPAT and core EPS growth for the Group of 10%-12% for FY12

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a Group core net profit after tax from continuing operations (before specific items and amortisation of intangibles) of \$220.6 million for the year to 30 June 2011, a 23.6% increase on the previous corresponding period.

Group core net profit delivered core earnings per share (EPS) of 101.1 cents for the year, a 19.6% increase on the previous corresponding period and in line with upgraded guidance announced to the market in December 2010.

The result was driven mainly by a strong performance across Ramsay's Australian hospitals and an increased contribution from completed brownfield developments. The result included the first full-year contribution from Ramsay Santé, managed and 57% owned by Ramsay, which was acquired at the end of March 2010.

Ramsay recorded a reported net profit after tax of \$198.4 million (up 33.8% on the prior year) after deducting net specific items and amortisation of intangibles of \$22.2 million (net of tax), predominantly relating to the annual non-cash charges for deferred rent from the leasing of UK hospitals; and acquisition, restructuring and integration costs associated with Ramsay Santé.

¹ Before specific items and amortisation of intangibles

² Before specific items and amortisation of intangibles and after CARES dividends

³ Europe numbers include a full-year contribution from Ramsay Santé, acquired 29 March 2010

Directors are pleased to announce a fully-franked final dividend of 29.5 cents, up 18% on the previous corresponding period, taking the full year dividend to 52.0 cents, up 19.5% on the previous year. The dividend Record Date is 8 September 2011 and the Payment Date is 26 September 2011. The Dividend Reinvestment Plan will remain suspended.

Ramsay Managing Director Christopher Rex said: “The full year result shows our hospitals are performing strongly in all the markets in which we operate, particularly in Australia where the operational environment continues to be positive and our operating leverage has driven improved margins.

“Our capital investment in capacity expansion and improving our facilities continues to make a significant contribution to earnings growth, augmenting organic growth at our quality portfolio of hospitals.

“In Australia we recorded a significant increase in EBIT at the hospital level which reflects strong organic growth and shows an increasing contribution from our brownfield development programme.

“In the UK, the underlying business is performing well in a difficult environment and margins are holding up well under the normalised ISTC pricing regime.

“During the year, we successfully integrated Ramsay Santé, which is already marginally EPS accretive in the first full year of trading, slightly ahead of schedule. During the second half, we announced the purchase of the 178-bed Clinique Convert Hospital in Bourg-en-Bresse in the Rhône-Alpes region, in line with our strategy to pursue bolt-on acquisition opportunities in France to expand our presence there.

“Our brownfield development programme remains an integral part of our growth strategy and continues to contribute significantly to earnings. Since 2007, Ramsay has approved approximately a gross \$830 million (net \$730 million) in new capacity and improvements at our Australian hospitals.

“A number of projects were completed during the year and those still under development are on schedule. We continue to target a return on our brownfield investment of 15% approximately three years after completion when assessing the feasibility of individual projects. To date on average, we have achieved this target, with some projects hitting this return rate earlier than forecast,” Mr Rex said.

Operational highlights Australia

Ramsay’s Australian hospitals continued to perform strongly at an operational level.

Ramsay achieved revenue growth of 8.5% during the year in Australia which helped drive EBIT 15.5% higher.

Ramsay’s Australian hospitals recorded EBITDA margins of 19.3% in the year, up from 18.3% the previous year.

Operational highlights Europe

Ramsay's hospitals in the UK and France generated a 12.4% increase in revenue to \$767.1 million and a 35% rise in EBIT to \$72.6 million, mainly due to the first full-year contribution from Ramsay Santé. UK revenue (in local currency) rose slightly in a challenging environment.

UK operating margins before rent (EBITDAR) remained strong at 25.4%, compared to 25.9% for the 2010 year, as the business adapted to a normalised ISTC pricing regime. The underlying business is performing well in a challenging environment. NHS admissions now comprise 60% of total Ramsay UK admissions.

In an environment of reform, there continues to be bipartisan political support for private sector involvement in the provision of services to the NHS and potentially greater opportunities for Ramsay.

Capacity Expansion Programme

Ramsay's Australian brownfield development programme is well advanced with projects under development tracking to plan and completed projects meeting expectations, with some projects reaching return hurdles earlier than forecast.

An additional \$150 million was approved for brownfield developments during the year.

Approximately \$570 million (gross) of an approved \$830 million (gross) has been spent on new capacity and facility improvements since 2007, of which \$480 million (gross) has been spent on completed projects.

The ageing population is driving growing demand for health care services and the need for increased capacity. Ramsay intends to meet this demand through continued investment in quality brownfield projects.

Beyond current brownfield commitments, Ramsay expects to invest approximately \$100 million annually on expanding capacity at its hospitals to meet the expected increases in demand.

Key projects completed during the year include North Shore Private (Sydney), Cairns Clinic, Westmead Private (Sydney), Pindara (Gold Coast), North West (Brisbane), Kareena (Sydney) and Lake Macquarie.

The \$350 million Joondalup Health Campus project (\$120 million to be funded by Ramsay) remains on track for completion in mid 2013. The first part of the project opened in March.

In addition to these projects, in April, Queensland Health announced that Ramsay had been successful in its bid to build and operate a private hospital collocated on the campus with the future Sunshine Coast University Hospital.

The private hospital facility, scheduled to be opened in late 2013, will have the capacity to treat up to 200 patients and will offer a wide range of medical and surgical services.

A key part of the deal is that the new private hospital will provide a significant range and volume of services to public patients through a service purchase arrangement with Queensland Health, whilst the Sunshine Coast University Hospital itself is being built and commissioned.

Capital Management and Cash Flow

Effective working capital management resulted in a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

As previously advised, Ramsay has committed senior bank debt facilities of \$1.9 billion in place until November 2012 with headroom of \$500 million to \$600 million after allowing for funding of brownfield commitments. Discussions have commenced in relation to the debt refinancing with a view to refinance well ahead of maturity.

Outlook

The underlying strength of Ramsay's existing business and its clear strategy to expand via targeted brownfield developments and acquisitions means it is well positioned to capture growing demand for health care services.

Ramsay's Australian business continues to achieve strong organic growth, coupled with a quality pipeline of brownfield developments which should keep adding to earnings and contribute positively to EPS.

The UK business is performing well in a challenging economic environment and NHS activity remains a key source of growth. In France, Ramsay remains focused on identifying operational improvements and efficiencies at Ramsay Santé and growing the business there over time.

Barring unforeseen circumstances Ramsay is targeting core NPAT and core EPS growth for the Group of 10%-12% for FY12.

Contacts:

Christopher Rex
Managing Director
Ramsay Health Care
+ 612 9433 3444

For media enquiries:

Paula Hannaford
Kreab Gavin Anderson
+ 612 9552 4499
+ 61 413 940180

About Ramsay Health Care

Ramsay Health Care is Australia's largest private hospital operator and a growing global company. Established in Australia in 1964 and listed on the ASX in September 1997, Ramsay Health Care has grown to become a global hospital group operating 117 hospitals and day surgery facilities across Australia, the United Kingdom, France and Indonesia.

Employing over 30,000 staff, Ramsay Health Care provides a range of health care needs from day surgery procedures to highly complex surgery as well as psychiatric care and rehabilitation.

Ramsay Health Care expanded offshore in November 2007 with the acquisition of Capio UK and made its first acquisition in Continental Europe in March 2010 with the acquisition of a 57% interest in Group Proclif SAS (Proclif), a leading private hospital operator based in France now known as Ramsay Santé. For further information please visit: www.ramsayhealth.com

Summary of Financial Performance

Full Year Ended 30 June \$ 000's

	FY2011			FY2010	% Increase/ (Decrease)
	Australia & Indonesia	Europe	Group	Group(4)	
<u>Continuing Operations</u>					
Operating revenue	2,952,634	767,057	3,719,691	3,399,253	9.4%
EBITDA	421,768	104,562	526,330	468,774	12.3%
EBIT	322,937	72,556	395,493	333,796	18.5%
Core Net Profit After Tax (1)			220,586	178,487	23.6%
Net specific items and amortisation of intangibles, net of tax (2)			(22,211)	(30,205)	
Reported Net Profit After Tax			198,375	148,282	33.8%
<u>Earnings Per Share (cents)</u>					
Core EPS (3)			101.1	84.5	19.6%
Basic EPS			90.2	69.2	30.3%
<u>Dividends Per Share (cents)</u>					
Final dividend, fully franked			29.5	25.0	18.0%
Full-year dividend, fully franked			52.0	43.5	19.5%

Notes

- (1) 'Core Net Profit After Tax' is before specific items and amortisation of intangibles and from continuing operations.
- (2) In line with accounting standards, net specific items include the annual non-cash portion of rent expense of \$18.9 million net of tax relating to the UK hospitals.
- (3) 'Core Earnings Per Share' is before specific items and amortisation of intangibles and from continuing operations and after CARES Dividends.
- (4) FY2010 Group result include only three months of Ramsay Santé which was acquired on 29 March 2010.

SECTION 2

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2011

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2011

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**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$000	2010 \$000
Continuing operations			
Revenue and other income			
Revenue from services		3,719,691	3,399,254
Interest income		5,182	6,418
Revenue and other income	4	3,724,873	3,405,672
Employee benefits costs	5	(1,821,630)	(1,657,186)
Occupancy costs		(221,297)	(212,163)
Service costs		(200,059)	(194,010)
Medical consumables and supplies		(950,375)	(867,121)
Depreciation and amortisation	5	(133,061)	(137,152)
Expenses, excluding finance costs		(3,326,422)	(3,067,632)
Profit from continuing operations before tax, specific items and finance costs		398,451	338,040
Finance costs	5	(76,848)	(79,692)
<i>Specific items</i>			
Revenue - Income from sale of development assets	4	15,011	41,109
Other Income - Profit on sale of asset		5,261	-
Cost of goods sold - Book value of development assets sold		(10,561)	(25,553)
Finance cost - Ineffectiveness of interest rate hedge	26	(76)	(89)
Service cost - Acquisition, disposal, restructuring and integration costs		(3,338)	(12,666)
Service cost - Development projects costs		(1,345)	(1,351)
Service cost - Unrealised foreign exchange gain on unhedged portion of GBP loan		-	3,743
Depreciation and amortisation - Impairment of non - current assets		(2,014)	(11,018)
Employee benefits cost - Defined benefit pension plan cost	5	(3,444)	-
Occupancy cost - Non-cash rent expense relating to UK leased hospitals	5	(26,976)	(31,766)
Profit from continuing operations before income tax		294,121	220,757
Income tax expense	6	(93,755)	(71,911)
Net profit for the year		200,366	148,846
Attributable to non-controlling interest		1,991	564
Attributable to owners of the parent		198,375	148,282
		<u>200,366</u>	<u>148,846</u>
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	8	90.8	69.4
Profit (after CARES dividend) from continuing operations	8	90.8	69.4
Diluted earnings per share			
Profit (after CARES dividend)	8	90.2	69.2
Profit (after CARES dividend) from continuing operations	8	90.2	69.2

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
Net profit for the year		200,366	148,846
Other comprehensive income/(expense)			
Cash flow hedges			
Gain taken to equity	26	36,609	30,236
Transferred to income statement	26	(25,519)	(25,769)
Actuarial (loss) on defined benefit plans	31	(885)	(1,476)
Net gain on hedge of net investment		34,372	27,018
Foreign currency translation		(44,328)	(31,164)
Income tax on items of other comprehensive income	6	(3,327)	(1,340)
Other comprehensive (expense) for the year net of tax		<u>(3,078)</u>	<u>(2,495)</u>
Total comprehensive income for the year		<u><u>197,288</u></u>	<u><u>146,351</u></u>
Attributable to non-controlling interest		1,991	564
Attributable to owners of the parent		<u>195,297</u>	<u>145,787</u>
		<u><u>197,288</u></u>	<u><u>146,351</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 \$000	2010 \$000
ASSETS			
Current assets			
Cash and cash equivalents	10	226,545	185,689
Trade receivables	13	424,476	465,849
Inventories	14	87,801	90,532
Derivative financial instruments	26	823	1,313
Other current assets	15	46,167	47,309
		785,812	790,692
Assets classified as held for sale	7	1,150	8,040
Total current assets		786,962	798,732
Non-current assets			
Other financial assets	16	1,943	2,190
Property, plant and equipment	17	1,786,828	1,737,106
Goodwill and intangible assets	18	885,928	923,951
Deferred tax asset	6	48,881	73,054
Non-current prepayments		10,999	11,087
Derivatives financial instruments	26	635	-
Non-current receivables	20	29,287	29,880
Total non-current assets		2,764,501	2,777,268
TOTAL ASSETS		3,551,463	3,576,000
LIABILITIES			
Current liabilities			
Trade and other payables	21	537,361	533,207
Interest-bearing loans and borrowings	22	13,903	17,605
Derivative financial instruments	26	9,182	16,251
Provisions	23	135,455	127,922
Income tax payable	6	31,891	35,819
		727,792	730,804
Liabilities associated with assets held for sale		-	205
Total current liabilities		727,792	731,009
Non-current liabilities			
Interest-bearing loans and borrowings	24	1,227,226	1,322,838
Provisions	23	230,346	222,462
Pension liability	31	19,063	14,325
Derivative financial instruments	26	13,029	17,843
Other creditors		7,292	9,706
Deferred tax liability	6	22,852	33,960
Total non-current liabilities		1,519,808	1,621,134
TOTAL LIABILITIES		2,247,600	2,352,143
NET ASSETS		1,303,863	1,223,857
EQUITY			
Issued capital	25	713,523	713,523
Treasury shares	25	(18,474)	(8,081)
Convertible Adjustable Rate Equity Securities (CARES)	25	252,165	252,165
Cash flow hedges	26	(14,489)	(22,252)
Share based payment reserve		13,867	9,228
Vested employee equity		(7,502)	(6,850)
Other reserves		(18,897)	(8,941)
Retained earnings		393,228	306,485
Parent interests		1,313,421	1,235,277
Non-controlling interests		(9,558)	(11,420)
TOTAL EQUITY		1,303,863	1,223,857

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

Changes in Equity for the Year to 30 June 2011

	Balance at 1 July 2010 \$000	Dividends \$000	Shares purchased for executive performance share plan \$000	Treasury shares vesting to employees in the year \$000	Share based payment reserve \$000	Disposal of Non- controlling Interest \$000	Total comprehensive income for the year, net of tax \$000	Balance at 30 June 2011 \$000
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(8,081)	-	(12,188)	1,795	-	-	-	(18,474)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	9,228	-	-	(1,143)	5,782	-	-	13,867
Cash flow hedges	(22,252)	-	-	-	-	-	7,763	(14,489)
Hedge of a net investment	58,802	-	-	-	-	-	34,372	93,174
Foreign currency translation	(67,743)	-	-	-	-	-	(44,328)	(112,071)
Actuarial gains and losses	(2,338)	-	-	-	-	-	(885)	(3,223)
Retained earnings	308,823	(110,747)	-	-	-	-	198,375	396,451
Vested employee equity	(6,850)	-	-	(652)	-	-	-	(7,502)
Owners of the parent	1,235,277	(110,747)	(12,188)	-	5,782	-	195,297	1,313,421
Non-controlling interests	(11,420)	-	-	-	-	(129)	1,991	(9,558)
Total equity	1,223,857	(110,747)	(12,188)	-	5,782	(129)	197,288	1,303,863

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

Changes in Equity for the Year to 30 June 2010

	Balance at 1 July 2009 \$000	Dividends \$000	Share placement and DRP \$000	Treasury shares vesting to employees in the year \$000	Share based payment reserve \$000	Non- controlling interest in Proclif \$000	Total comprehensive income for the year, net of tax \$000	Balance at 30 June 2010 \$000
Issued capital	447,774	-	265,749	-	-	-	-	713,523
Treasury shares	(10,210)	-	-	2,129	-	-	-	(8,081)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	4,219	-	-	(1,612)	6,621	-	-	9,228
Cash flow hedges	(25,379)	-	-	-	-	-	3,127	(22,252)
Hedge of a net investment	31,784	-	-	-	-	-	27,018	58,802
Foreign currency translation	(36,579)	-	-	-	-	-	(31,164)	(67,743)
Actuarial gains and losses	(862)	-	-	-	-	-	(1,476)	(2,338)
Retained earnings	252,196	(91,655)	-	-	-	-	148,282	308,823
Vested employee equity	(6,333)	-	-	(517)	-	-	-	(6,850)
Owners of the parent	908,775	(91,655)	265,749	-	6,621	-	145,787	1,235,277
Non-controlling interests	387	(8)	-	-	-	(12,363)	564	(11,420)
Total equity	909,162	(91,663)	265,749	-	6,621	(12,363)	146,351	1,223,857

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
Cash flows from operating activities			
Receipts from customers		3,750,915	3,412,587
Payments to suppliers and employees		(3,152,254)	(2,934,339)
Income tax paid		(87,537)	(59,809)
Finance costs		(80,533)	(81,128)
Net cash flows from operating activities	10	<u>430,591</u>	<u>337,311</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(214,957)	(175,012)
Proceeds from sale of property, plant and equipment		4,935	-
Interest received		5,182	6,418
Acquisition of subsidiary, net of cash received	11	(18,069)	(70,793)
Net cash flows used in investing activities		<u>(222,909)</u>	<u>(239,387)</u>
Cash flows from financing activities			
Dividends paid		(110,747)	(83,534)
Repayment of principal to Bondholders		(2,692)	(2,484)
Repayment of finance lease - principal		(4,686)	(2,057)
Purchase of ordinary shares		(12,188)	-
Proceeds from issue of shares		-	257,628
Repayments of borrowings		(28,856)	(169,823)
Net cash flows (used in) financing activities		<u>(159,169)</u>	<u>(270)</u>
Net increase in cash and cash equivalents		48,513	97,654
Net foreign exchange differences on cash held		(7,657)	(1,260)
Cash and cash equivalents at beginning of year		185,689	89,295
Cash and cash equivalents at end of year	10	<u><u>226,545</u></u>	<u><u>185,689</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company's functional and presentational currency is AUD (\$).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and listed investments which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items are otherwise carried at cost.

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2010.

The financial report is presented in Australian dollars and all values are rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. This is an entity to which the Class Order applies.

The Directors believe that the core net profit after tax from continuing operations, before specific items and amortisation and the core earnings per share from continuing operations measures provided additional useful information for shareholders on the underlying performance of the business, and are consistent with how business performance is measured internally. It is not a recognised profit measure under IFRS and may not be directly comparable with core net profit after tax from continuing operations measures used by other companies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2011	2010
	\$000	\$000
Core profit after tax from continuing operations		
Profit from continuing operations before tax, specific items and finance costs	398,451	338,040
Less: Finance costs	(76,848)	(79,692)
Profit from continuing operations before tax and specific items	321,603	258,348
Add: Amortisation - operating rights	2,224	2,173
Profit from continuing operations before tax, specific items and amortisation	323,827	260,521
Profit attributable to non-controlling interests	(2,432)	(742)
Income tax expense on continuing operations (excluding specific items)	(100,809)	(81,292)
Core profit after tax from continuing operations	220,586	178,487
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	220,586	178,487
Less: CARES Dividend	(15,847)	(11,860)
Core profit after tax from continuing operations used to calculate core earnings per share continuing operations	204,739	166,627
Weighted average number of ordinary shares adjusted for effect of dilution	202,457,705	197,106,727
Core earnings per share from continuing operations	101.13 c	84.54 c
Reconciliation of core profit after tax from continuing operations to profit attributable to members of the parent		
Core profit after tax from continuing operations (above)	220,586	178,487
Specific items and amortisation of intangibles (net of tax)		
- Non-cash rent expense relating to leased UK hospitals	(18,890)	(21,880)
- Other	(3,321)	(8,325)
Net profit attributable to owners of the parent	198,375	148,282

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations

(i) *Change in accounting policy*

The accounting policies adopted are consistent with those of the previous financial year.

Annual Improvements Project

In May 2009 and June 2010 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Group:

- *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. The amendments had no impact on the Group.
- *AASB 8 Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.
- *AASB 117 Leases*: removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible versus property, plant and equipment) needs to be determined. The amendment had no impact to the Group.
- *AASB 118 Revenue*: provides additional guidance to determine whether an entity is acting as a principal or as an agent. The amendment had no impact to the Group.
- *AASB 136 Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment had no impact to the Group as the annual impairment test is performed before aggregation.
- *AASB 139 Financial Instruments: Recognition and Measurement*: clarifies that a prepayment option is considered to be closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges. The amendment had no impact to the Group.

The Group has not elected to early adopt any new standards or amendments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> ▶ two categories for financial assets being amortised cost or fair value ▶ removal of the requirement to separate embedded derivatives in financial assets ▶ strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ▶ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ▶ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ▶ changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income 	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2011	The Group's defined benefit pension plans are currently in deficit so these amendments are unlikely to have any impact on the Group in the short term.	1 July 2011

* designates the beginning of the applicable annual reporting period unless otherwise stated

** The AASB has not issued this standard, which was finalised by the IASB in May 2011

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
**	Consolidated Financial Statements	<p>IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 <i>Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements</i> and SIC-12 <i>Consolidation - Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
**	Joint Arrangements	<p>IFRS 11 replaces IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i>. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.</p>	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
**	Disclosure of Interests in Other Entities	<p>IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
**	Fair Value Measurement	<p>IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

* designates the beginning of the applicable annual reporting period unless otherwise stated

** The AASB has not issued this standard, which was finalised by the IASB in May 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ramsay Health Care Limited and its subsidiaries and special purpose entities ('the Group') as at and for the period ended 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Ramsay Health Care Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Non-controlling interests represent the interest in Health Care Trust No 1, Glenferrie Private Hospital Pty Limited, PT Affinity Health Indonesia and Ramsay Santé SA not held by the Group.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates & assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next five years together with future tax planning strategies.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technology, economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of patient volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates & assumptions (continued)

(ii) Significant accounting estimates & assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 19.

Share – based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation and Black Scholes models.

Medical malpractice provision

The Group determines an amount to be provided for the self-insured retention, potential uninsured claims and ‘Incurred but not Reported’ (‘IBNR’) in relation to medical malpractice with reference to actuarial calculations. This actuarial calculation is performed at each reporting period.

Pension benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of corporate bonds in the respective country. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

(f) Foreign currency translation

Both the functional and presentation currency of Ramsay Health Care Limited and its Australian subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences, arising in relation to foreign operations, in the consolidated financial report are taken directly to equity until the disposal of these operations, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary, PT Affinity Health Indonesia, is Indonesian Rupiah. As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

The functional currency of the overseas subsidiary, Ramsay Health Care (UK) Limited, is British Pounds. As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

The functional currency of the overseas subsidiary, Ramsay Santé SA, is Euro. As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(g) Property, plant & equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated, consistent with the prior year, on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings and integral plant – 40 years
- Leasehold improvements – over lease term
- Plant and equipment, other than plant integral to buildings – various periods not exceeding 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses are recognised in the income statement.

(ii) Derecognition & disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Finance costs

Finance costs include interest, amortisation of discounts or premiums related to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the amount of financing costs capitalised are those incurred in relation to that borrowing.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated that

- It represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets other than goodwill & intangibles

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Investments & other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting period.

Recognition & derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cashflows from the financial assets have expired or been transferred.

Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Inventories are recorded using the FIFO method and are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories include medical and food supplies to be consumed in providing future patient services, and development assets, including medical suites to be sold, that are currently under construction.

(m) Trade & other receivables

Trade receivables, which generally have 15-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(n) Cash & cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and restricted cash.

(o) Interest-bearing loans & borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payment transactions

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently one plan in place to provide these benefits, being the Executive Performance Rights Plan (Equity-settled transactions), which provides benefits to senior executives and executive directors.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they were granted. The fair value is determined by an external valuer using the Monte Carlo and the Black Scholes models.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ramsay Health Care Limited ('market conditions').

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (Share Based Payment Reserve), over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The extent to which the vesting period has expired and
- (ii) The number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Share Based Payment Reserve

This reserve is used to record the value of the share based payments provided to employees.

Treasury Shares

Shares in the Group held by the Executive Performance Share Plan are classified and disclosed as Treasury shares and deducted from equity.

Vested Employee Equity

Shares that have vested and have been exercised by employees under the Executive Performance Share Plan are classified and disclosed as Vested Employee Equity.

(r) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

Onerous/Unfavourable lease

A lease whereby the carrying value exceeds the fair value is considered an onerous/unfavourable lease. These onerous/unfavourable leases are reflected as a liability with an assigned fair value and are amortised over the remaining life of the lease term.

(s) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from patients

Revenue from patients is recognised on the date on which the services were provided to the patient.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Groups' right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised in the income statement as an integral part of the total rental income.

Income from ancillary services

Income from ancillary services is recognised on the date the services are provided to the customer.

Income from sale of development assets

Income from sale of development assets is recognised when the payment is received.

(t) Government grants

Government grants are recognised in the Statement of Financial Position as a liability when the grant is received. Government grants are recognised in the income statement when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(u) Income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Derivative financial instruments & hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement in the period in which those gains or losses arose. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Cash Flow Hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(ii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Interest in jointly controlled operations

The Group has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations.

(y) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill impairment testing. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policy applied to the Group's intangible assets are as follows:

Operating Rights
Useful lives
Finite
Amortisation method used
Amortised over the period of the lease
Internally generated or acquired
Acquired
Impairment testing
When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Intangible assets (continued)

Development Costs
Useful lives
Finite
Amortisation method used
Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired
Internally generated
Impairment testing
Annually for assets not yet available for use. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(z) Trade & other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

(aa) Employee leave benefits

(i) Wages, salaries, annual leave & sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(ab) Insurance

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles.

Medical Malpractice Insurance

A provision is made to cover excesses arising under the Medical Malpractice Insurance Policy. This provision is actuarially assessed at each reporting period.

Insurance Funding

Insurance premiums are prepaid at the beginning of each insurance period through an external insurance financier. The insurance premiums are expensed over the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ad) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity and CARES dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity and CARES dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ae) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Managing Director and the Board of Directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(ag) Non-current assets & disposal groups held for sale & discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement, and the assets and liabilities are presented separately on the face of the Statement of Financial Position.

(ah) Pensions & other post-employment benefits

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

The employer's portion of the current services cost, past service costs related to employee service in prior periods, and any curtailment gains or losses are charged to the income statement.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the period.

The interest cost on liabilities net of the expected return on asset in the plans, is charged to the finance expense line in the income statement.

Actuarial gains and losses are recognised in full in equity. These comprise on scheme assets, the difference between the expected and actual return on assets, and, on scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ah) Pensions & other post-employment benefits (continued)

The defined benefit pension asset or liability in the Statement of Financial Position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

(ai) Service Concession Assets

Service concession assets represent the Group's rights to operate hospitals under Service Concession Arrangements. Service concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Service concession assets acquired by the group are recorded at the fair value of the assets at the date of acquisition. All service concession assets are classified as intangible assets and are amortised over the term of the lease on a straight line basis (range between 6 to 26 years) and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortisation method is reviewed at least each financial year-end.

To the extent that the Group has an unconditional right to receive cash or other financial assets under the Service Concession Arrangements a financial asset has been recognised. The financial asset is measured at fair value on initial recognition and thereafter at amortised cost using the effective interest rate method. The financial asset will be reflected on initial recognition and thereafter as a 'loan or receivable'.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits, available-for-sale financial assets and derivatives.

Risk Exposures & Responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swap contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Group has entered into a Syndicated Facility Agreement with its Banks. The Syndicated Facility Agreement is with prime financial institutions. By entering into a Syndicated Facility Agreement with a number of financial institutions compared to financing through a Bilateral Facility Agreement, the Group has reduced its counterparty risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 33.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2011	2010
	\$000	\$000
Financial Assets		
Cash and cash equivalents	226,545	185,689
Financial Liabilities		
Bank Loans	(274,562)	(439,461)
Net exposure	<u>(48,017)</u>	<u>(253,772)</u>

Interest rate derivatives contracts are outlined in note 26, with a net negative fair value of \$20,753,000 (2010: negative: \$32,781,000) which are exposed to fair value movements if interest rates change.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain at least 50% of its borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 76% (2010: 64%) of the Group's borrowings are at a fixed rate of interest.

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(a) Interest rate risk (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2011, if the prevailing market cash interest rates had moved by +/- 1% (100 basis points) per annum from the year end rates, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
AUD				
+1% (100 basis points)	(1,060)	(2,611)	2,159	3,687
-1% (100 basis points)	1,052	2,217	(2,189)	(3,767)
GBP				
+1% (100 basis points)	(353)	(202)	4,325	6,105
-1% (100 basis points)	48	180	(3,966)	(6,194)
IDR				
+1% (100 basis points)	(136)	(156)	-	-
-1% (100 basis points)	137	156	-	-
EUR				
+1% (100 basis points)	(22)	471	1,134	-
-1% (100 basis points)	22	(712)	(1,189)	-

The 1% sensitivity is based on reasonably possible movements, over a financial year, using historical rates for the preceding 5 year period and under the current economic conditions.

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The change in sensitivity in 2011, comparing to 2010 is due to the increase in hedging from 64% in 2010 to 76% in 2011.

(b) Foreign currency risk

United Kingdom

As a result of significant operations in the United Kingdom, the Group's Statement of Financial Position can be affected significantly by movements in the AUD/GBP exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in British Pounds.

At 30 June 2011, the Group had the following exposure to GBP that is not designated in net investment hedges:

	2011 £000	2010 £000
Financial Assets		
Cash and cash equivalents	15,615	1,332
Equity		
Residual net investment not hedged	16,768	5,748
Net exposure	32,383	7,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk (continued)

The Group has a GBP borrowing of £117,000,000 (2010: £117,000,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 26.

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2011, had the Australian Dollar moved +/-10% against the British Pound, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit		Equity*	
	Higher/(Lower)		Higher/(Lower)	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
AUD/GBP +10%	2,125	216	2,283	930
AUD/GBP -10%	(2,338)	(237)	(2,511)	(1,023)

The 10% sensitivity is based on reasonably possible movements, over a financial year, using historical rates for the preceding 5 year period and under the current economic conditions.

The movements in profit are due to the effect to the unrealised foreign currency gain/loss, by applying an exchange rate sensitivity to the UK financial instruments not designated in net investment hedges.

** Movements disclosed for variation in exchange rates relate to financial instruments. These would be offset by equal movements to the assets of the net investment giving an overall impact to equity of zero.*

France

As a result of operations in France, the Group's Statement of Financial Position can be affected significantly by movements in the AUD/EUR exchange rates.

At 30 June 2011, the Group had the following exposure to the Euro that is not designated in net investment hedges:

	2011	2010
	EUR 000	EUR 000
Net Equity	44,772	41,809
Subordinated bonds	26,477	43,232
Net exposure	71,249	85,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2011, had the Australian Dollar moved +/-10% against the Euro, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
AUD/EUR +10%	4,260	3,930	5,506	5,555
AUD/EUR -10%	(4,686)	(4,323)	(6,057)	(6,110)

The 10% sensitivity is based on reasonably possible movements, over a financial year, using historical rates for the preceding 5 year period and under the current economic conditions.

The movements in profit are due to the effect to the unrealised foreign currency gain/loss, by applying an exchange rate sensitivity to the Euro financial instruments.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The majority of transactions are with the Government and Health Funds.

The Group's credit policy requires all debtors to pay in accordance with agreed terms. The payment terms for the major debtors range from 15 days to 30 days. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's credit risk is evenly spread across a number of Health Funds and the Government. The Group does not have any significant credit risk exposure to a single debtor or group of related debtors. Derivative financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

The credit quality of financial assets that are neither past due nor impaired is considered to be high, due to the absence of defaults, and the fact that the Group deals with creditworthy Health Funds and the Government. Management has also put in place procedures to constantly monitor the exposures in order to manage its credit risk.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Ramsay has established management reporting covering its worldwide business units that reflects expectations of management of expected settlement of financial assets and liabilities.

The Group continually reviews its liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

A. Non-derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities are based on contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital including inventories and trade receivables.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

Year ended 30 June 2011	≤ 1 year \$000	1-2 years \$000	2-5 years \$000	>5years \$000	Total \$000
Liquid financial assets					
Cash and cash equivalents	226,545	-	-	-	226,545
Trade and other receivables	426,333	3,289	11,608	7,117	448,347
	<u>652,878</u>	<u>3,289</u>	<u>11,608</u>	<u>7,117</u>	<u>674,892</u>
Financial liabilities					
Trade and other payables	(637,750)	(12,019)	(376,325)	(2,119,505)	(3,145,599)
Interest-bearing loans and borrowings	(123,684)	(1,138,187)	(40,911)	-	(1,302,782)
Sub-ordinated bonds	-	(4,870)	(51,014)	-	(55,884)
	<u>(761,434)</u>	<u>(1,155,076)</u>	<u>(468,250)</u>	<u>(2,119,505)</u>	<u>(4,504,265)</u>
Net outflow	<u>(108,556)</u>	<u>(1,151,787)</u>	<u>(456,642)</u>	<u>(2,112,388)</u>	<u>(3,829,373)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

Year ended 30 June 2010	≤ 1 year \$000	1-2 years \$000	2-5 years \$000	>5years \$000	Total \$000
Liquid financial assets					
Cash and cash equivalents	185,689	-	-	-	185,689
Trade and other receivables	470,873	5,024	15,072	12,739	503,708
	656,562	5,024	15,072	12,739	689,397
Financial liabilities					
Trade and other payables	(633,887)	(104,861)	(314,582)	(2,577,664)	(3,630,994)
Interest-bearing loans and borrowings	(62,271)	(77,306)	(241,213)	(1,224,980)	(1,605,770)
Sub-ordinated bonds	-	-	(5,453)	(59,502)	(64,955)
	(696,158)	(182,167)	(561,248)	(3,862,146)	(5,301,719)
Net (outflow)	(39,596)	(177,143)	(546,176)	(3,849,407)	(4,612,322)

B. Derivative financial liabilities

Due to the unique characteristics and risks inherent to derivative instruments, the Group (through the Group Treasury Function) separately monitors the liquidity risk arising from transacting in derivative instruments.

The table below details the liquidity risk arising from the derivative liabilities held by the Group at balance date. Net settled derivative liabilities comprise forward interest rate swap contracts that are used as economic hedges of interest payable.

Year ended 30 June 2011	< 6 months \$000	6 – 12 months \$000	1 – 5 years \$000	>5 years \$000	Total \$000
Derivatives liabilities – net settled	(6,308)	(6,109)	(11,433)	-	(23,850)
Net maturity	(6,308)	(6,109)	(11,433)	-	(23,850)

Year ended 30 June 2010	< 6 months \$000	6 – 12 months \$000	1 – 5 years \$000	>5 years \$000	Total \$000
Derivatives liabilities – net settled	(8,144)	(8,229)	(18,446)	(1)	(34,820)
Net maturity	(8,144)	(8,229)	(18,446)	(1)	(34,820)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses

(e) Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1	the fair value is calculated using quoted prices in active markets.
Level 2	the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total \$000
30 June 2011				
Financial assets				
Derivative instruments – interest rate swaps	-	1,458	-	1,458
Financial liabilities				
Derivative instruments – interest rate swaps	-	(22,211)	-	(22,211)

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total \$000
30 June 2010				
Financial assets				
Derivative instruments – interest rate swaps	-	1,313	-	1,313
Financial liabilities				
Derivative instruments – interest rate swaps	-	(34,094)	-	(34,094)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

4. REVENUE

Revenue from Continuing Operations

	2011	2010
	\$000	\$000
Revenue from patients	3,652,167	3,344,860
Rental income		
Other persons/corporations	26,689	25,105
Bad debts recovered	27	19
Income from ancillary services	40,808	29,270
Interest		
Other persons/corporations	5,182	6,418
Revenues from continuing operations	<u>3,724,873</u>	<u>3,405,672</u>
Specific items - Income from sale of development assets	15,011	41,109
	<u>3,739,884</u>	<u>3,446,781</u>

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation included in income statement

- Plant and equipment	90,675	91,533
- Buildings	31,133	37,273
Total depreciation	<u>121,808</u>	<u>128,806</u>

(b) Amortisation included in income statement

- Service concession assets	2,224	2,173
- Development cost	9,029	6,173
Total amortisation	<u>11,253</u>	<u>8,346</u>

(c) Operating lease costs and incentive

Lease costs included in occupancy costs expenses in the income statement	<u>105,298</u>	<u>102,996</u>
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The amount charged to the income statement in respect of operating lease costs for the Group under IFRS has an adverse impact on reported profit relating to the treatment of deferred rent from leases with annual fixed increments in rent. The accounting for this is as follows:

Reduction in operating profit resulting from accounting in accordance with AASB 117 <i>Leases</i> and UIG 115 <i>Operating leases – incentives</i>	<u>(26,976)</u>	<u>(31,766)</u>
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Ramsay Health Care (UK) Limited has entered into 30 year term lease agreements for the rent of hospital properties. The lease agreements have fixed annual increases of 2.75% per annum. Where leases have fixed annual increases and not variable annual increases, AASB 117 requires that straight line accounting be applied. The cash rent paid for the year ended 30 June 2011 was lower than the rent expensed by \$26,976,000 (2010: \$31,766,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

5. EXPENSES (CONTINUED)

	2011	2010
	\$000	\$000
	<u> </u>	<u> </u>
(d) Employee benefits expense		
Wages and salaries	1,654,262	1,503,081
Workers' compensation expense	11,244	17,375
Superannuation expense	94,188	86,934
Termination benefits expense	1,566	301
Other employment expense	54,650	46,245
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	5,720	3,250
	<u>1,821,630</u>	<u>1,657,186</u>
Specific items - defined benefit pension plan costs	3,444	-
Specific items - termination benefits included in acquisition, restructuring and integration costs	-	862
	<u>1,825,074</u>	<u>1,658,048</u>
(e) Finance costs		
- Interest expense		
Other persons/corporations	78,652	84,658
- Finance charges - lease liability	2,215	1,145
Total Finance costs	<u>80,867</u>	<u>85,803</u>
Less: Finance costs capitalised	<u>(4,019)</u>	<u>(6,111)</u>
Total finance costs expensed for continuing operations (excluding specific items)	<u>76,848</u>	<u>79,692</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6. INCOME TAX

	2011	2010
	\$000	\$000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
<i>Current income tax</i>		
Current income tax charge	86,650	79,199
Adjustments in respect of previous years	(1,648)	(2,772)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	3,013	(1,447)
Adjustments in respect of deferred income tax of previous years	5,740	(3,069)
Income tax expense reported in the income statement	<u>93,755</u>	<u>71,911</u>
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	<u>294,121</u>	<u>220,757</u>
At the Parent Entity's statutory income tax rate of 30% (2010: 30%)	88,236	66,227
Expenditure not allowable for income tax purposes	3,962	8,554
Foreign tax rate adjustment	(295)	(593)
Other	1,852	(2,277)
	<u>93,755</u>	<u>71,911</u>
Income tax expense reported in the consolidated income statement attributable to continuing operations	<u>93,755</u>	<u>71,911</u>
	<u>93,755</u>	<u>71,911</u>
(c) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	3,260	1,733
Treasury shares	(244)	(3,369)
	<u>3,016</u>	<u>(1,636)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2011 \$000	2011 \$000	2010 \$000	2010 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(35,819)	39,094	(17,650)	38,575
(Charged)/ credited to income	(85,002)	(8,753)	(76,428)	4,517
(Charged)/ credited to equity	-	(3,016)	-	1,636
Payments/(Refunds)	89,252	-	57,492	-
Exchange differences	(322)	(1,766)	(54)	(2,674)
Acquisition of subsidiary	-	470	821	(2,960)
Closing balance	<u>(31,891)</u>	<u>26,029</u>	<u>(35,819)</u>	<u>39,094</u>

Tax expense in the income statement	(93,755)	(71,911)
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Amounts recognised in the statement of financial position

Deferred tax asset	48,881	73,054
Deferred tax liability	(22,852)	(33,960)

Statement of Financial Position

2011 \$000	2010 \$000
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Deferred income tax at 30 June relates to the following:

(i) Deferred tax liabilities

Inventory	(11,451)	(10,734)
Recognition of revenue	(10,686)	(8,989)
Depreciable assets	(65,100)	(66,453)
Other	(10,162)	(12,023)
Other provisions and lease liabilities	(14,305)	(11,656)
Gross deferred tax liabilities	<u>(111,704)</u>	<u>(109,855)</u>
Set-off of deferred tax assets	88,852	75,895
Net deferred tax liabilities	<u>(22,852)</u>	<u>(33,960)</u>

(ii) Deferred tax assets

Employee provisions	65,425	60,040
Other provisions and lease liabilities	41,404	49,724
Unearned income	5,497	3,968
Other	4,681	7,739
Losses	14,401	17,942
Derivatives	6,325	9,536
Gross deferred tax assets	<u>137,733</u>	<u>148,949</u>
Set-off of deferred tax assets	(88,852)	(75,895)
Net deferred tax assets	<u>48,881</u>	<u>73,054</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2011, there is \$10,091,759 (2010: \$10,091,759) of unrecognised deferred income tax assets in relation to capital losses carried forward as it is not probable that they will be used in the foreseeable future.

(f) Tax consolidation

Ramsay Health Care Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective 1 July 2003. Ramsay Health Care Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a modified standalone basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current and deferred taxes using a group allocation method, on a modified standalone basis in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made every six months.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company. There is no difference between the current and deferred tax amounts allocated under the tax funding agreement and the amount that is allocated under an acceptable method. Therefore there is no contribution/distribution of the subsidiaries' equity accounts.

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by \$38,502,000 (2010: increased \$34,841,000). This is included in the summarised balance sheet of Ramsay Health Care Limited. Refer to Note 37.

(g) Tax relating to other comprehensive income

	2011	2010
	\$000	\$000
	<hr/>	<hr/>
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	(10,983)	(9,071)
- Cashflow hedges transferred to the income statement	7,656	7,731
	<hr/>	<hr/>
	(3,327)	(1,340)
	<hr/>	<hr/>

7. ASSETS CLASSIFIED AS HELD FOR SALE

Property, plant and equipment that is available for sale to external parties and has been written down to fair value	<hr/>	<hr/>
	1,150	8,040
	<hr/>	<hr/>

Assets in 2010 were held for sale to external parties in the 6 months following reporting date. The assets were non-core parts of the Asia Pacific segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2011 \$000	2010 \$000
Net profit for the year attributable to the owners of the parent	198,375	148,282
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	<u>(15,847)</u>	<u>(11,860)</u>
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	<u>182,528</u>	<u>136,422</u>
	2011 Number of Shares	2010 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,106,486	196,473,531
Effect of dilution – share rights	<u>1,351,219</u>	<u>633,196</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>202,457,705</u>	<u>197,106,727</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. The rights granted to Executives have the potential to dilute earnings per share.

Earnings per share (cents per share)		
- basic (after CARES dividend) for the year	90.8	69.4
- diluted (after CARES dividend) for the year	90.2	69.2
- basic (after CARES dividend) from continuing operations	90.8	69.4
- diluted (after CARES dividend) from continuing operations	90.2	69.2

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

9. DIVIDENDS PAID OR PROPOSED

	2011	2010
	\$000	\$000
(a) Dividend on ordinary shares paid during the year:		
<i>(i) Interim dividend paid</i>		
Franked dividends – ordinary (22.5 cents per share) (2010: 18.5 cents per share)	<u>45,468</u>	<u>37,385</u>
<i>(ii) Previous year final dividend paid</i>		
Franked dividends – ordinary (25.0 cents per share) (2010: 21.5 cents per share)	<u>50,520</u>	<u>42,410</u>
	<u>95,988</u>	<u>79,795</u>
(b) Dividend proposed and not recognised as a liability:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (29.5 cents per share) (2010: 25.0 cents per share)	<u>59,614</u>	<u>50,520</u>
(c) Dividends on CARES paid during the year	<u>15,847</u>	<u>11,860</u>
(d) Dividends on CARES proposed and not recognised as a liability	<u>8,982</u>	<u>6,901</u>

Parent

	2011	2010
	\$000	\$000
(e) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2010: 30%)	147,464	108,617
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	<u>21,303</u>	<u>14,923</u>
	168,767	123,540
The amount of franking credits available for future reporting periods:		
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	<u>(28,965)</u>	<u>(24,609)</u>
	<u>139,802</u>	<u>98,931</u>

* As Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group, effective 1 July 2003, this represents the current tax payable for the Australian group.

The tax rate at which paid dividends have been franked is 30% (2010: 30%). \$67,585,504 (2010: \$57,421,000) of the proposed dividends will be franked at the rate of 30% (2010: 30%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

10. CASH AND CASH EQUIVALENTS

	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
Cash at bank and in hand	226,545	185,689

Reconciliation to Statement of cash flows

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June

Cash at bank and in hand	<u>226,545</u>	<u>185,689</u>
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Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax for the year	200,366	148,846
Adjustments for:		
Depreciation and amortisation	133,061	137,152
Decrease in value of non-current assets	2,014	11,018
Interest received	(5,182)	(6,418)
Changes in assets & liabilities		
Deferred tax	10,214	(7,786)
Receivables	26,998	(27,776)
Other assets	2,136	(7,944)
Creditors and accruals	11,166	35,439
Provisions	53,003	59,960
Inventory	811	(25,067)
Tax provisions	(3,996)	19,887
Net cash from operating activities	<u>430,591</u>	<u>337,311</u>

Disclosure of financing facilities

Refer to note 33.

Disclosure of non-cash financing & investing activities

The dividend re-investment plan was suspended by the Directors for the dividends payable from April 2010. Under the terms of the dividend reinvestment plan, \$8,121,417 of dividends were paid via the issue of 759,627 ordinary shares for the year ended 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11. BUSINESS COMBINATIONS

Acquisition of Clinique Convert - 2011

On 31 May 2011, Ramsay Santé acquired 99.77% of the share capital of Clinique Convert. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of the Clinique Convert based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	<u>\$000</u>
Cash overdraft	(11)
Accounts Receivable	2,191
Inventory	762
Other current assets	1,351
Property, plant and equipment	7,977
Deferred income tax asset	470
Creditors and accruals	(5,742)
Intercompany loan	(4,196)
Provisions and other liabilities non-current	(2,156)
Provisional fair value of identifiable net assets	<u>646</u>
Non-controlling interest in identifiable acquired net liabilities	(1)
Intercompany loan eliminated on consolidation	4,196
Goodwill arising on acquisition	<u>13,217</u>
	<u>18,058</u>
Acquisition date fair value of consideration transferred	
Cash paid	<u>18,058</u>
	<u>18,058</u>
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs.	591
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(11)
Cash paid	<u>(18,058)</u>
Net consolidated cash outflow	<u>(18,069)</u>

Ramsay Santé's non-controlling interest is 0.23%. The value of the non-controlling interest was calculated using the fair value of the identifiable net assets as at the acquisition date.

Key factors contributing to the \$13,217,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique Convert facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of benefits for the Group.

The results of Clinique Convert from acquisition to 30 June 2011 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2011, as though Clinique Convert was acquired on 1 July 2010, would not be significantly different to the Group results as reported.

Included in the business acquired were receivables with a gross contractual and fair value of \$2,191,000 resulting from providing services to patients. Management expects these to be collected in full and converted to cash consistent with customer terms.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

11. BUSINESS COMBINATIONS

Acquisition of the Proclif Group - 2010

On 29 March 2010, Ramsay acquired 57% of the share capital of the Proclif Group. The Group has recognised the fair values of the identifiable assets and liabilities of the Proclif Group as follows:

	\$000
Cash	60,826
Accounts Receivable	21,944
Inventory	3,758
Other assets	12,779
Property, plant and equipment	117,475
Creditors	(19,624)
Accruals and provisions – current	(29,476)
Derivatives liability	(790)
Bank loan and other interest bearing liabilities	(80,825)
Subordinated bonds	(95,758)
Provisions – non-current	(10,977)
Other liabilities – non-current	(11,339)
Deferred income tax liability	(2,960)
Provisional fair value of identifiable net assets	(34,967)
Non-controlling interest in identifiable acquired net liabilities	12,363
Subordinated bonds eliminated on consolidation	51,814
Goodwill arising on acquisition	102,409
	<u>131,619</u>
Acquisition date fair value of consideration transferred	
Cash paid	<u>131,619</u>
	<u>131,619</u>
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs.	6,934
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	60,826
Cash paid	(131,619)
Net consolidated cash outflow	<u>(70,793)</u>

The non-controlling interest is 43%. The value of the non-controlling interest was calculated using the fair value of the identifiable net assets as at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of the Proclif Group – 2010 (continued)

Key factors contributing to the \$102,409,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Proclif facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of strategic benefits for The Ramsay group, as follows:

- entry into a stable integrated public and private hospital system underpinned by strong regulatory framework and funding support;
- growing demand for acute care driven by an ageing French population;
- increasing private sector participation in the industry in co-ordination with public hospitals and authorities; and
- provide a solid platform, local management expertise and investment partner for further expansion in France.

From acquisition to 30 June 2010, the Proclif Group has contributed \$54,565,000 of revenue and a \$560,000 loss to the net profit before tax of the Group.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2010, as though the Proclif Group was acquired on 1 July 2009, would not be significantly different to the Group results as reported.

Included in the business acquired were receivables with a gross contractual and fair value of \$21,944,000 resulting from providing services to patients. Management expects these to be collected in full and converted to cash consistent with customer terms.

12. SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on the country in which the service is provided, as this is the Group's major risk and has the most effect on the rate of return, due to differing currencies and differing health care systems in the respective countries. The group has two reportable operating segments being Asia Pacific and Europe.

Discrete financial information about each of these operating businesses is reported to the Managing Director and his management team on at least a monthly basis.

Types of services

The reportable operating segments derive their revenue primarily from providing health care services to both public and private patients in the community.

Accounting policies and inter-segment transactions

Transfer prices between operating segments are on an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between the segments. These transfers are eliminated on consolidation.

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the accounts and in prior periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

12. SEGMENT INFORMATION (CONTINUED)

	Total and Continuing operations		
	Asia Pacific \$000	Europe \$000	Total \$000
Year ended 30 June 2011			
Revenue			
Revenue from services	2,952,634	767,057	3,719,691
Total revenue before intersegment revenue	2,952,634	767,057	3,719,691
Intersegment revenue	3,400	-	3,400
Total segment revenue	2,956,034	767,057	3,723,091
Results			
Segment net profit after tax	199,052	21,534	220,586
Specific Items			
- Proceeds from sale of development assets	15,011	-	15,011
- Defined benefit pension plan cost	-	(3,444)	(3,444)
- Book value of development assets sold	(10,561)	-	(10,561)
- Ineffectiveness of interest rate hedge	(76)	-	(76)
- Acquisition, disposal, restructuring and integration costs	(2,746)	(592)	(3,338)
- Development projects costs	(1,345)	-	(1,345)
- Profit on sale of assets	-	5,261	5,261
- Impairment of non-current assets	-	(2,014)	(2,014)
- Non-cash rent expense relating to UK leased hospitals	-	(26,976)	(26,976)
Finance costs	(66,711)	(10,137)	(76,848)
Interest income	5,182	-	5,182
Income tax expense	(87,132)	(6,623)	(93,755)
Depreciation	(90,312)	(31,496)	(121,808)
Amortisation - software	(8,519)	(510)	(9,029)
Amortisation - operating rights	(2,224)	-	(2,224)
Other segment information			
Capital expenditure	186,580	39,005	225,585
Cash flow information			
Net cash flows from operating activities	349,325	81,266	430,591
Net cash flows used in investing activities	(170,550)	(52,359)	(222,909)
Net cash flows used in financing activities	(126,358)	(32,811)	(159,169)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

12. SEGMENT INFORMATION (CONTINUED)

	Total and Continuing operations		
	Asia Pacific \$000	Europe \$000	Total \$000
Year ended 30 June 2010			
Revenue			
Revenue from services	2,716,735	682,519	3,399,254
Total revenue before intersegment revenue	2,716,735	682,519	3,399,254
Intersegment revenue	3,413	-	3,413
Total segment revenue	2,720,148	682,519	3,402,667
Results			
Segment net profit after tax	165,947	12,540	178,487
Specific Items			
- Proceeds from sale of development assets	41,109	-	41,109
- Book value of development assets sold	(25,553)	-	(25,553)
- Ineffectiveness of interest rate hedge	(89)	-	(89)
- Acquisition, disposal, restructuring and integration costs	(11,771)	(895)	(12,666)
- Development projects costs	(1,351)	-	(1,351)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	3,743	-	3,743
- Impairment of non-current assets	(7,581)	(3,437)	(11,018)
- Non-cash rent expense relating to UK leased hospitals	-	(31,766)	(31,766)
Finance costs	(47,332)	(32,360)	(79,692)
Interest income	6,418	-	6,418
Income tax expense	(68,217)	(3,694)	(71,911)
Depreciation	(83,779)	(45,027)	(128,806)
Amortisation - software	(6,082)	(91)	(6,173)
Amortisation - operating rights	(2,173)	-	(2,173)
Other segment information			
Capital expenditure	168,263	45,271	213,534
Cash flow information			
Net cash flows from operating activities	266,485	70,826	337,311
Net cash flows used in investing activities	(149,207)	(90,180)	(239,387)
Net cash flows used in/from financing activities	(38,186)	37,916	(270)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

12. SEGMENT INFORMATION (CONTINUED)

	2011	2010
	\$000	\$000
(i) Segment revenue reconciliation to income statement		
Total segment revenue	3,723,091	3,402,667
Inter segment sales elimination	(3,400)	(3,413)
Interest income	5,182	6,418
Total revenue – income statement	<u>3,724,873</u>	<u>3,405,672</u>

(ii) Segment net profit after tax reconciliation to income statement

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's core net profit after tax. A segment's core net profit after tax excludes income and expenses from specific items and amortisation.

	2011	2010
	\$000	\$000
Reconciliation of segment core net profit after tax to profit before tax from continuing operations		
Segment core net profit after tax	220,586	178,487
Income tax expense on core profit	100,809	81,292
Profit attributable to non-controlling interest	2,432	742
Specific Items		
- Effectiveness/Ineffectiveness of interest rate hedge	(76)	(89)
- Acquisition, disposals, restructuring and integration costs	(3,338)	(12,666)
- Development projects costs	(1,345)	(1,351)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	-	3,743
- Non cash rent expense relating to UK leased hospitals	(26,976)	(31,766)
- Impairment of non-current assets	(2,014)	(11,018)
- Amortisation of intangibles – operating rights	(2,224)	(2,173)
- Income from sale of development assets	15,011	41,109
- Book value of development assets sold	(10,561)	(25,553)
- Defined benefit pension plan cost	(3,444)	-
- Profit on sale of assets	5,261	-
Profit before tax from continuing operations	<u>294,121</u>	<u>220,757</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

13. RECEIVABLES

	2011	2010
	\$000	\$000
Trade debtors	433,245	474,701
Allowances for impairment loss	(8,769)	(8,852)
	<u>424,476</u>	<u>465,849</u>

(i) Allowances for impairment loss

Trade debtors are non-interest bearing and are generally on 15-30 day terms, dependent on the conditions of specific contracts. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$8,769,000 (2010: \$8,852,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

At 1 July	(8,852)	(5,463)
Charge for the year	(4,858)	(2,601)
Acquisition of subsidiary	(51)	(2,319)
Foreign exchange translation	555	383
Amounts written off (included in service costs)	4,437	1,148
At 30 June	<u>(8,769)</u>	<u>(8,852)</u>

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Considered Impaired
2011	433,245	310,149	58,436	25,803	12,321	17,767	8,769
2010	474,701	282,796	101,827	41,462	16,154	23,610	8,852

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: \$114,327,000 (2010: \$183,053,000). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

13. RECEIVABLES (CONTINUED)

(ii) Related party receivables

For terms and conditions of related party receivables refer to note 34.

(iii) Fair value & credit risk

Due to the short term nature of these receivables, their carrying value approximates fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. The Group's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds.

(iv) Foreign exchange & interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

14. INVENTORIES

	2011	2010
	\$000	\$000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	76,150	75,935
Development assets to be sold that are currently under construction – at cost	11,651	14,597
	<u>87,801</u>	<u>90,532</u>

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2011 totalled \$950,375,000 (2010: \$867,121,000) for the Group. This expense has been included in the medical consumables and supplies in the income statement. The cost of development assets sold which has been recognised as an expense for the year ended 30 June 2011 totalled \$10,561,000 (2010: \$25,553,000) for the Group. This expense has been included in specific items in the income statement.

15. OTHER CURRENT ASSETS

Prepayments	35,874	37,058
GST receivable	7,785	6,218
Other current assets	2,508	4,033
	<u>46,167</u>	<u>47,309</u>

16. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2011	2010
	\$000	\$000
Investments comprise		
Ordinary Shares	1,811	2,019
Units in unit trust	132	171
	<u>1,943</u>	<u>2,190</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

17. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings \$000	Plant & Equipment \$000	Total \$000
At 1 July 2010, net of accumulated depreciation and impairment	1,405,232	331,874	1,737,106
Acquisition of subsidiary	-	7,977	7,977
Additions	126,601	94,996	221,597
Disposals	(2,907)	(5,898)	(8,805)
Impairment	-	(2,014)	(2,014)
Exchange differences	(34,052)	(13,173)	(47,225)
Depreciation for the year	<u>(31,133)</u>	<u>(90,675)</u>	<u>(121,808)</u>
At 30 June 2011, net of accumulated depreciation and impairment	<u>1,463,741</u>	<u>323,087</u>	<u>1,786,828</u>
At 1 July 2010			
Cost	1,654,788	907,627	2,562,415
Accumulated depreciation and impairment	<u>(249,556)</u>	<u>(575,753)</u>	<u>(825,309)</u>
Net carrying amount	<u>1,405,232</u>	<u>331,874</u>	<u>1,737,106</u>
At 30 June 2011			
Cost	1,772,935	1,128,151	2,901,086
Accumulated depreciation and impairment	<u>(309,194)</u>	<u>(805,064)</u>	<u>(1,114,258)</u>
Net carrying amount	<u>1,463,741</u>	<u>323,087</u>	<u>1,786,828</u>

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$68,936,000 (2010: \$53,511,000).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land & Buildings \$000	Plant & Equipment \$000	Total \$000
At 1 July 2009, net of accumulated depreciation and impairment	1,291,140	334,905	1,626,045
Acquisition of subsidiary	73,440	44,035	117,475
Additions	128,310	75,694	204,004
Disposals	(21,954)	(5,263)	(27,217)
Assets reclassified to held for sale	(1,150)	(3,690)	(4,840)
Impairment	(11,018)	-	(11,018)
Exchange differences	(16,263)	(22,274)	(38,537)
Depreciation for the year	(37,273)	(91,533)	(128,806)
	<u>1,405,232</u>	<u>331,874</u>	<u>1,737,106</u>
At 30 June 2010, net of accumulated depreciation and impairment			
	<u>1,405,232</u>	<u>331,874</u>	<u>1,737,106</u>
At 1 July 2009			
Cost	1,469,556	843,478	2,313,034
Accumulated depreciation and impairment	(178,416)	(508,573)	(686,989)
Net carrying amount	<u>1,291,140</u>	<u>334,905</u>	<u>1,626,045</u>
At 30 June 2010			
Cost	1,654,788	907,627	2,562,415
Accumulated depreciation and impairment	(249,556)	(575,753)	(825,309)
Net carrying amount	<u>1,405,232</u>	<u>331,874</u>	<u>1,737,106</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

18. GOODWILL AND INTANGIBLE ASSETS

(i) Reconciliation of carrying amounts at the beginning and end of the period

	Goodwill	Service Concession Assets	Development Costs [^]	Total
	\$000	\$000	\$000	\$000
At 1 July 2010				
Cost (gross carrying amount)	871,549	43,329	26,068	940,946
Accumulated amortisation	-	(10,822)	(6,173)	(16,995)
Net carrying amount	<u>871,549</u>	<u>32,507</u>	<u>19,895</u>	<u>923,951</u>
Year ended 30 June 2011				
At 1 July 2010, net of amortisation	871,549	32,507	19,895	923,951
Acquisition of subsidiary	13,217	-	3	13,220
Disposal	(944)	(85)	-	(1,029)
Exchange differences	(41,538)	(1,243)	(286)	(43,067)
Additions	-	445	3,661	4,106
Amortisation	-	(2,224)	(9,029)	(11,253)
At 30 June 2011, net of amortisation	<u>842,284</u>	<u>29,400</u>	<u>14,244</u>	<u>885,928</u>
At 30 June 2011				
Cost (gross carrying amount)	842,284	42,446	33,533	918,263
Accumulated amortisation	-	(13,046)	(19,289)	(32,335)
Net carrying amount	<u>842,284</u>	<u>29,400</u>	<u>14,244</u>	<u>885,928</u>

[^] Internally generated, including software costs

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

18. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(i) Reconciliation of carrying amounts at the beginning and end of the period (continued)

	Goodwill	Service Concession Assets	Development Costs [^]	Total
	\$000	\$000	\$000	\$000
At 1 July 2009				
Cost (gross carrying amount)	805,068	39,646	16,216	860,930
Accumulated amortisation	-	(6,469)	-	(6,469)
Net carrying amount	<u>805,068</u>	<u>33,177</u>	<u>16,216</u>	<u>854,461</u>
Year ended 30 June 2010				
At 1 July 2009, net of amortisation	805,068	33,177	16,216	854,461
Acquisition of subsidiary	102,409	-	676	103,085
Exchange differences	(35,928)	898	251	(34,779)
Additions	-	605	8,925	9,530
Amortisation	-	(2,173)	(6,173)	(8,346)
At 30 June 2010, net of amortisation	<u>871,549</u>	<u>32,507</u>	<u>19,895</u>	<u>923,951</u>
At 30 June 2010				
Cost (gross carrying amount)	871,549	43,329	26,068	940,946
Accumulated amortisation	-	(10,822)	(6,173)	(16,995)
Net carrying amount	<u>871,549</u>	<u>32,507</u>	<u>19,895</u>	<u>923,951</u>

[^] Internally generated, including software costs

(ii) Description of the Groups' intangibles asset and goodwill

Goodwill has been acquired through business combinations. Goodwill is determined to have an indefinite life and is therefore not amortised but is subject to annual impairment testing. Refer to note 19.

The intangible asset, 'service concession assets', has been acquired through business combinations and purchases of assets. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 6 and 26 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

The key factor contributing to the goodwill relates to the synergies existing within the acquired businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. IMPAIRMENT TESTING OF GOODWILL

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated in part to individual cash generating units and part to segments as synergies are achieved from the larger group. Management assess goodwill by aggregating cash generating units to the level of the segment for purposes of impairment testing because the goodwill relates to synergies existing within the acquired business and synergies achieved from combining acquired facilities with the rest of the group. Hence impairment testing is performed for the following:

- Australia;
- United Kingdom;
- France; and
- Indonesia

Goodwill allocated to the Indonesian business segment is not significant in comparison with the total carrying amount of goodwill.

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2011 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2011 with a 5% extrapolated growth factor for the next 4 years. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2010:3%).

The pre tax discount rate applied to cash flow projections is 12.29% (2010: 11.52%). The post tax discount rate is 9.5% (2010: 9.0%).

United Kingdom

The recoverable amount of the United Kingdom business is also determined based on a value in use calculation using cash flow projections as at 30 June 2011 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 9.24% (2010: 8.75%). The post tax discount rate applied to cash flow projections is 8.0% (2010:7.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2010: 2%).

France

The recoverable amount of the French business is also determined based on a value in use calculation using cash flow projections as at 30 June 2010 based on financial budgets approved by senior management covering a three-year period.

The pre-tax discount rate applied to cash flow projections is 6.4% (2010: 7.8%). The post tax discount rate applied to cash flow projections is 5.8% (2010: 7.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the three-year period is 0.5% (2010: 2.5%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

19. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

(ii) Carrying amount of goodwill, allocated to each of the cash generating units

The carrying amounts of goodwill allocated to the Asia Pacific (Australia/Indonesia) business, to the UK business and the French business, are significant in comparison with the total carrying amounts of goodwill.

	Australia/Indonesia		UK		France		Total	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Carrying amount of goodwill	554,172	555,033	183,217	217,868	104,895	98,648	842,284	871,549

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2011 and 30 June 2010

- Budgeted margins – the basis used to determine the value assigned to the budgeted margins is the average margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus values assigned to margins reflects past experience and expected efficiency improvements. The margins are driven by consideration of future admissions and occupancy case mix across all facilities within the group based on past experiences and management’s assessment of growth.
- Tax rates have been estimated at 30% for Australian operations, and 25% - 33% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management’s estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management’s internal estimates of long term growth rates for each of the cash generating units.

Management has performed sensitivity testing by Cash Generating Unit (CGU) and on the aggregated CGU’s based on assessing the effect of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates.

For Australia and Indonesia, management do not consider that any reasonable likely combination of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates would result in the carrying value of goodwill exceeding the recoverable amount.

For the United Kingdom, management has considered that a 2% change to the discount rate would not result in an impairment to goodwill. Management consider that any reasonable likely combination of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates or a loss of the GC4 revenue would not result in the carrying value of the UK goodwill exceeding the recoverable amount.

For France, management do not consider that any reasonable likely combination of changes in hospital occupancy rates, wage increases, revenue growth rates and discount rates would result in the carrying value of goodwill exceeding the recoverable amount.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

20. NON-CURRENT RECEIVABLES

	2011	2010
	\$000	\$000
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	22,014	25,090
Receivable from the Government for plant and equipment	2,864	3,398
Rental property bonds receivables	1,983	1,325
Other	2,426	67
	<u>29,287</u>	<u>29,880</u>

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that the receivable is impaired. No allowance for impairment loss (2010: nil) has been provided on the basis that the receivables are not yet past due nor considered impaired.

(ii) Fair values

The carrying values of these discounted non-current receivables approximates their fair values.

(iii) Interest rate risk

Details regarding interest rate risk exposure is disclosed in note 3.

(iv) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. As the receivables is from the Government, this is assessed as low risk.

(v) Terms & conditions

This non-current receivables will be fully repaid by June 2018.

	2011	2010
	\$000	\$000
21. TRADE & OTHER PAYABLES		
Trade payable	227,285	230,020
Sundry creditors and accrued expenses	167,344	166,203
Employee and director entitlements	140,312	133,750
Other payables	2,420	3,234
	<u>537,361</u>	<u>533,207</u>

(i) Fair values

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(ii) Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk exposure are set out in note 3.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

22. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

		2011	2010
		\$000	\$000
Secured:			
- Loan – bondholders	(i)	2,916	2,691
- Lease liabilities	(ii)	5,572	3,459
- Loan – insurance funding	(iii)	-	2,567
- Bank loan	(iv)	5,415	8,888
		<u>13,903</u>	<u>17,605</u>

(i) *Loan – bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government (refer note 20).*

(ii) *Lease liabilities are effectively secured by the leased asset (refer note 29 and note 24).*

(iii) *Loan – insurance funding. This loan is carried at the principal amount less any repayments. It is secured by the unexpired premium of the insurance policy.*

(iv) *Further information on bank loans is set out in note 33.*

(a) Fair values

The fair values of these current liabilities approximates their carrying values.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 3.

(c) Assets pledged as security

Details regarding assets pledged as security are disclosed in note 24 (c).

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

	2011	2010
	\$000	\$000
23. PROVISIONS		
Current		
Restructuring provision	6,730	7,765
Unfavourable contracts	4,384	5,682
Insurance provision	124,341	114,475
	<u>135,455</u>	<u>127,922</u>
Non-current		
Non-current employee and Director entitlements	93,568	85,065
Deferred lease provision	110,328	101,232
Unfavourable contracts	23,173	32,811
Other provisions	3,277	3,354
	<u>230,346</u>	<u>222,462</u>
Total	<u>365,801</u>	<u>350,384</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

23. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease \$000	Restructuring \$000	Insurance \$000	Unfavourable contracts \$000	Other provision \$000	Total \$000
At 1 July 2010	101,232	7,765	114,475	38,493	3,354	265,319
Acquisition of subsidiary	-	20	202	-	18	240
Arising during the year	26,976	220	16,797	-	432	44,425
Utilised during the year	-	(515)	(5,984)	(5,612)	-	(12,111)
Exchange differences	(17,880)	(57)	(380)	(5,324)	(233)	(23,874)
Unused amounts reversed	-	(703)	(769)	-	(294)	(1,766)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2011	<u>110,328</u>	<u>6,730</u>	<u>124,341</u>	<u>27,557</u>	<u>3,277</u>	<u>272,233</u>
Current 2011	-	6,730	124,341	4,384	-	135,455
Non-current 2011	<u>110,328</u>	-	-	<u>23,173</u>	<u>3,277</u>	<u>136,778</u>
	<u>110,328</u>	<u>6,730</u>	<u>124,341</u>	<u>27,557</u>	<u>3,277</u>	<u>272,233</u>
Current 2010	-	7,765	114,475	5,682	-	127,922
Non-current 2010	<u>101,232</u>	-	-	<u>32,811</u>	<u>3,354</u>	<u>137,397</u>
	<u>101,232</u>	<u>7,765</u>	<u>114,475</u>	<u>38,493</u>	<u>3,354</u>	<u>265,319</u>

(b) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily related to:

- the restructuring of the Group subsequent to the purchase of acquisitions in the current and prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition;
- land rich duties payable; and
- costs expected to be incurred with the disposal of facilities during 2011 and 2012.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover excesses arising under the Medical Malpractice Insurance policy. This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 10-20% of the estimated Ramsay claim cost.

Deferred lease provision

The deferred lease provision is recognised in accordance with AASB117 *Leases* for contracts where there is a fixed, not variable annual increase written into the lease, requiring the lease costs to be straight lined over the 30 year lease term. The provision represents the excess of rent expensed over the rent paid. The leases are due to expire in 2037.

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty six years. As at acquisition these contracts were not at market rates and as such were considered unfavourable. These unfavourable contracts were not recognised as a liability in the books of the acquiree but have been assigned a fair value and recognised as a liability on acquisition. The leases are due to expire in 2037.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

24. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

		2011	2010
		\$000	\$000
Unsecured liabilities:			
- Bank loans	(i)	1,138,401	1,221,438
Secured liabilities:			
- Lease liabilities	(ii)	21,984	31,688
- Loan – bondholders	(iii)	23,563	26,480
- Loan – subordinated bonds	(iv)	43,278	43,232
		<u>1,227,226</u>	<u>1,322,838</u>

(i) Further information on bank loans is set out in note 33.

(ii) Lease liabilities are effectively secured by the leased asset (refer note 29).

(iii) Loan – bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government (refer note 20).

(iv) Loan – subordinated bonds. Further information is set out in note 33.

(a) Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At balance date, the market interest rates vary from 4.61% to 5.23% (2010: 4.91% to 5.46%) for Australia, 0.77% to 1.24% (2010: 0.71% to 3.86%) for UK, 6.00% to 7.20% (2010: 6.93% to 7.10%) for Indonesia, and 1.13% to 2.03% (2010: 0.77% to 3.36%) for France respectively.

	2011		2010	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
Bank loans	1,143,816	1,194,365	1,230,326	1,141,827
Lease liabilities	27,556	26,243	35,147	34,162
Bondholders	26,479	28,792	29,171	31,314
Subordinated bonds	43,278	59,906	43,232	56,962
	<u>1,241,129</u>	<u>1,309,306</u>	<u>1,337,876</u>	<u>1,264,265</u>

The fair values disclosed are the Directors' estimate of amounts that will be payable by the Group.

(b) Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

24. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT) (CONTINUED)

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are set out in the following table:

	2011	2010
	\$000	\$000
Current		
<i>Fixed and floating charge</i>		
Receivables	2,916	2,762
Total current assets pledged as security	<u>2,916</u>	<u>2,762</u>
Non-current		
<i>Finance lease</i>		
Leased assets	68,936	53,511
<i>Fixed and floating charge</i>		
Receivables	22,014	25,090
Total non-current assets pledged as security	<u>90,950</u>	<u>78,601</u>
Total assets pledged as security	<u>93,866</u>	<u>81,363</u>

(d) Defaults & breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2011	2010
	\$000	\$000
25.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid		
(30 June 2010: 202,081,252 ordinary shares fully paid)	713,523	713,523
	<u>713,523</u>	<u>713,523</u>
	Number of	\$000
	shares	
(b) Movements in share issue		
At 1 July 2009	175,255,862	447,774
Issued during the period		
- Share Placement (DRP)	759,627	8,121
- Share Placement	22,000,000	221,100
- Share Purchase Plan	4,065,763	39,987
Transaction costs		(3,459)
At 1 July 2010 and 30 June 2011	<u>202,081,252</u>	<u>713,523</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

25.1 Ordinary Shares (continued)

(c) Terms & conditions of issued capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

25.2 Cash Flow Hedges Reserve

Nature & Purpose

This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The credit to equity during the year to 30 June 2011 represents an increase in forecast long term interest rates.

25.3 Share Based Payment Reserve

Nature & Purpose

This reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their compensation.

25.4 Vested Employee Equity

Nature & Purpose

Vested employee equity is used to record the difference between the value of the share based payments provided to employees as recorded in the Equity Based Payment Reserve and the actual purchase price of the shares.

25.5 Convertible Adjustable Rate Equity Securities (CARES)

	2011	2010
	\$000	\$000
<i>(a) Issued & paid up capital</i>		
2,600,000 CARES shares fully paid		
(30 June 2010: 2,600,000 CARES shares fully paid)	<u>252,165</u>	<u>252,165</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

25.5 Convertible Adjustable Rate Equity Securities (CARES) (Continued)

(b) Terms and conditions of CARES

Issuer	Ramsay Health Care Limited
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	\$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: Dividend Entitlement = $\frac{\text{Dividend Rate} \times \text{Face Value} \times N}{365}$
	where: N is the number of days in the Dividend Period The payment of Dividends is at the Directors' discretion and is subject to there being funds legally available for the payment of Dividends and the restrictions which apply in certain circumstances under the financing arrangements. If declared, the first Dividend will be payable on each CARES in arrears on 20 October 2005 and thereafter on each 20 April and 20 October until CARES are converted or exchanged.
Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: Dividend Rate = (Market Rate + Margin) x (1-T) where: The Market Rate is the 180 day Bank Bill Swap Rate applying on the first day of the Dividend Period expressed as a percentage per annum. The Margin for the period to 20 October 2010 was 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005. T is the prevailing Australian corporate tax rate applicable on the Allotment Date. As Ramsay did not convert or exchange by 20 October 2010 the Margin was increased by a one time step up of 2.00% (200 basis points) per annum.
Step-up Franking	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010 Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.
Conversion or exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or \$100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: <ul style="list-style-type: none"> • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than \$50 million in aggregate Face Value of CARES on issue.
Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during 20 business days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 shares.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meeting of Ramsay except in limited circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

25.6 Treasury Shares

	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
1,319,666 ordinary shares (30 June 2010: 749,729)	<u>18,474</u>	<u>8,081</u>

Nature & Purpose

Treasury shares are shares in the Group held by the Executive Performance Share Plan and are deducted from equity.

25.7 Capital Management

When managing capital, management's objective is to ensure the entity will be able to continue as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures sufficient funds are available for capital expenditure and growth strategies whilst at the same time striving for the lowest cost of capital available to the entity.

The Company may raise or retire debt, change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt in order to achieve the optimal capital structure.

Refer to note 25.5 for further information on the existing CARES (2,600,000).

During 2011, dividends of \$111,835,000 (2010: \$91,655,000) were paid. For the year ended 30 June 2011 fully franked ordinary dividends of 52.0c (2010: 43.5c) per share were declared (Interim dividend of 22.5c, Final dividend of 29.5c). These dividends represented a payout ratio of approximately 50% of Core Earnings per Share of 101.1c. Management's target for dividends for 2012 – 2015, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 1.93 times (2010: 2.4 times) for the year ended 30 June 2011.

Additionally under the current senior debt facility which was executed in November 2007, the Group has committed funding until the expiry of the facility in November 2012. As such, the group has to comply with various financial and other undertakings in particular the following customary financial undertakings:

- Total Net Leverage Ratio (Net Debt/*EBITDA)
- Interest Cover Ratio (*EBITDA/ Net Interest)
- Minimum Shareholders Funds

The Group is not and has not been in breach of any of its financial and other undertakings of the Senior Debt Facility Agreement.

*Note: *EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
Current assets		
Interest rate derivatives contracts – cash flow hedges	823	1,313
Non – current assets		
Interest rate derivatives contracts – cash flow hedges	635	-
Current liabilities		
Interest rate derivatives contracts – cash flow hedges	9,182	15,719
Interest rate derivatives contracts – fair value through the income statement	-	532
	<u>9,182</u>	<u>16,251</u>
Non - current liabilities		
Interest rate derivatives contracts – cash flow hedges	13,029	17,472
Interest rate derivatives contracts – fair value through the income statement	-	371
	<u>13,029</u>	<u>17,843</u>

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

(i) Interest rate swaps – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 5.01% (2010: 4.91%). Interest bearing loans in British Pound of the Group currently bear an average variable interest rate of 0.83% (2010: 0.71%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 1.53% (2010: 1.27%).

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar, British Pound and Euro interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 76% (2010: 64%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 4.55% and 5.69% (2010: 4.08% and 5.68%) and the variable rates is the 90-day bank bill swap bid rate, which at balance date was 5.00% (2010: 4.92%). The British Pound interest rate swap contracts fixed interest rate range between 3.02% and 5.46% (2010: 5.44%) and the variable rate is the 90-day London inter-bank offered rate, which at balance date was 0.93% (2010: 0.73%). The Euro interest rate swap contracts fixed interest rate range between 2.015% and 2.020% (2010: 2.48% to 2.51%) and the variable rate is the 90 day Euro zone interbank deposit rates, which at balance date was 1.55% (2010: 0.77%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

The notional principal amounts and period of expiry of the interest rate derivatives contracts are as follows:

	2011	2010
	\$000	\$000
0-1 years	400,000	106,024
1-2 years	369,491	306,243
2-3 years	70,000	374,804
3-5 years	185,821	3,465
	<u>1,025,312</u>	<u>790,536</u>

The interest rate derivatives require settlement of net interest receivable or payable each 90 or 180 days. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributed to the hedged risk are taken directly to equity and re-classified to the income statement when the interest expense is recognised.

Movement in interest rate swaps cash flow hedge reserve:

	2011	2010
	\$000	\$000
Opening balance	(22,252)	(25,379)
Transferred to interest expense	(25,519)	(25,769)
Credited to equity	36,609	30,236
Related income tax	(3,327)	(1,340)
Closing balance	<u>(14,489)</u>	<u>(22,252)</u>
Loss on cash flow hedge ineffectiveness recognised immediately in the income statement	<u>(76)</u>	<u>(89)</u>

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2011 is a GBP borrowing of £117,000,000 (2010: £117,000,000) which has been designated as a hedge of the net investments in the UK subsidiaries. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net loss on the hedge of the net investment of \$34,372,000 (2010: net loss \$27,018,000) was recognised in equity during the year.

There has been no hedge ineffectiveness recognised in profit or loss on this hedge.

(b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management constantly monitor the fair value of favourable contracts outstanding with any individual counterparty. Management only deal with prime financial institutions with appropriate credit rating in order to manage its credit risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. SHARE BASED PAYMENT PLANS

Recognised share-based payment expenses

The expenses recognised for employee services received during the year is shown in the table below:

	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
Expense arising from equity-settled share based payment transactions	5,720	3,250
Total expense arising from share-based payment transactions (note 5 (d))	<u>5,720</u>	<u>3,250</u>

28. DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

(i) Directors

P.J. Ramsay AO	Non-Executive Chairman
M.S. Siddle	Non-Executive Deputy Chairman
C.P. Rex	Managing Director
B.R. Soden	Group Finance Director
A.J. Clark AM	Non-Executive Director
P.J. Evans	Non-Executive Director
I.P.S. Grier AM	Non-Executive Director
R.H. McGeoch AM	Non-Executive Director
K.C.D. Roxburgh	Non-Executive Director

(ii) Executives

D.A. Sims	Chief Operating Officer – Australia/Indonesia
C.R. McNally	Head of Global Strategy and European Operations

There were no changes of the key management personnel after reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

29. EXPENDITURE COMMITMENTS

	2011 \$000	2010 \$000
Note		
(a) Finance leases & hire purchase commitments – Group as lessee		
- Within one year	4,126	5,441
- After one year but not more than five years	12,019	15,574
- After more than five years	<u>25,420</u>	<u>29,619</u>
Total minimum lease payments	41,565	50,634
- Less: future finance charges	<u>(14,009)</u>	<u>(15,487)</u>
- Present value of minimum lease payments	<u><u>27,556</u></u>	<u><u>35,147</u></u>
Total lease liability accrued for:		
<i>Current</i>		
- Finance leases	22 <u>5,572</u>	<u>3,459</u>
<i>Non-current</i>		
- Finance leases	24 <u>21,984</u>	<u>31,688</u>
	<u><u>27,556</u></u>	<u><u>35,147</u></u>

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and twenty five years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2010: 4.0% to 7.4%). The security over finance leases is disclosed in note 22 and 24.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	2011 \$000	2010 \$000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		92,811	100,680
- After one year but not more than five years		376,325	419,443
- After more than five years		2,094,085	2,577,664
Aggregate lease expenditure contracted for at balance date		<u>2,563,221</u>	<u>3,097,787</u>
Amounts provided for:			
- deferred lease – non-current	23	110,328	101,232
- unfavourable contract - current	23	4,384	5,682
- non-current	23	<u>23,173</u>	<u>32,811</u>
		137,885	139,725
Amounts not provided for:			
- rental commitments		<u>2,425,336</u>	<u>2,958,062</u>
Aggregate lease expenditure contracted for at balance date		<u>2,563,221</u>	<u>3,097,787</u>

Operating leases have lease terms of between one and twenty seven years and an average implicit interest rate of 8.9% (2010: 8.9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. EXPENDITURE COMMITMENTS (CONTINUED)

	<u>2011</u> <u>\$000</u>	<u>2010</u> <u>\$000</u>
(c) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for, payable:		
- Within one year	104,956	26,555
- After one year but not more than five years	<u>19,700</u>	<u>-</u>
	<u>124,656</u>	<u>26,555</u>

(d) Commitment to manage & operate the Mildura Base Hospital

Ramsay Health Care Australia Pty Limited has a 15 year agreement with Mildura Base Hospital Pty Limited to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Mildura Base Hospital Pty Limited and the State of Victoria. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk. The Hospital was opened on 19 September 2000.

(e) Guarantee and indemnity in relation to a hospital

In relation to one of the hospitals, Ramsay Health Care Limited has given a guarantee in favour of Australian Unity. Ramsay Health Care Limited granted a guarantee and indemnity in favour of an unrelated third party, Australian Unity ('Landlord'), the lessor of The Valley Private Hospital ('Lessee'). Ramsay has guaranteed, amongst other things, the performance of the lessees' obligations under the lease. The guaranteed obligations include the payment of all sums of money payable by the Lessee and the Landlord and prompt performance of all obligations of the tenant. Ramsay sold all of the shares in the lessee to BCN. Ramsay's obligations to guarantee the performance and payment of monies continue during the term of the lease. No liability is expected to arise.

30. SUPERANNUATION COMMITMENTS

The Group contributes to industry and individual superannuation funds established for the provision of benefits to employees of entities within the economic entity on retirement, death or disability. Benefits provided under these plans are based on contributions for each employee and for retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life insurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

31. DEFINED BENEFIT PENSION PLAN

The Group has a number of defined benefit plans. The defined benefit plans in the UK and Australia are only open to existing employees who have always been on the plan. They are not open to new employees. During this year the decision was made to wind up the UK plans.

The following tables summarise the components of net benefit expense recognised in the consolidated Income Statement and the funded status and amounts recognised in the consolidated Statement of Financial Position for the plans:

	Pension Plans	
	2011 \$000	2010 \$000
Net benefit expense (recognised in employee benefits)		
Current service cost	726	703
Interest cost on benefit obligation	1,077	764
Expected return on plan assets	(236)	(239)
Net actuarial (gains)/losses recognised in the period	(214)	518
Past service cost	-	9
Net benefit expense (note 5) (recognised in superannuation expense)	<u>1,353</u>	<u>1,755</u>
Actual return on plan assets	<u>769</u>	<u>598</u>

	2011 \$000	2010 \$000	2009 \$000	2008 \$000
Net (liability) included in the Statement of Financial Position				
Present value of defined benefit obligation	(23,600)	(18,423)	(10,636)	(10,304)
Fair value of plans assets	<u>4,537</u>	<u>4,098</u>	<u>3,990</u>	<u>5,236</u>
Net (liability) – non-current	<u>(19,063)</u>	<u>(14,325)</u>	<u>(6,646)</u>	<u>(5,068)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

31. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the present value of the defined benefit obligation are as follows:

	Pension Plans	
	2011	2010
	\$000	\$000
Opening defined benefit obligation	18,423	10,636
Acquisition of subsidiary	1,341	5,691
Current service cost	726	703
Interest cost	1,077	764
Actuarial assessment of value required to wind up UK plans	3,444	-
Benefits paid	(150)	(634)
Actuarial losses on obligation	1,418	1,745
Past service costs	-	9
Exchange differences on foreign plans	(2,679)	(491)
Closing defined benefit obligation	<u>23,600</u>	<u>18,423</u>

Changes in the fair value of plan assets are as follows:

	Pension Plans	
	2011	2010
	\$000	\$000
Opening fair value of plans assets	4,098	3,990
Expected return	238	238
Contributions by employer	402	460
Benefits paid	-	(433)
Actuarial losses	533	269
Exchange differences on foreign plans	(734)	(426)
Fair value of plans assets	<u>4,537</u>	<u>4,098</u>

The Group expects to contribute \$856,000 to its defined benefit pension plans in 2012.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension Plans	
	2011 (%)	2010 (%)
Equities	0 - 69	0 - 68
Bonds	0 - 21	0 - 24
Property	0 - 6	0 - 6
Other	0 - 14	0 - 14

	Pension Plans	
	2011	2010
	\$000	\$000
Actuarial losses recognised in the statement of comprehensive income	<u>885</u>	<u>1,476</u>
Cumulative actuarial losses recognised in the statement of comprehensive income	<u>3,223</u>	<u>2,338</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

31. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The principal actuarial assumptions used in determining pension obligations for the plans are shown below (expressed as weighted averages):

	Pension Plans	
	2011 (%)	2010 (%)
Discount rate	4.5 - 7.6	4.5 - 9.0
Expected rate of return on assets	0.0 - 6.5	0.0 - 6.3
Future salary increases	2.0 - 10.0	2.0 - 10.0
Future pension increases	0.0 - 3.7	0.0 - 3.4

The overall expected rate of return on assets is determined based on the market prices prevailing on the date, applicable to the period over which the obligation is to be settled.

2011	2010
\$	\$

32. AUDITORS' REMUNERATION

Amounts received or due and receivable by the Auditors for:

Audit of financial statements	2,329,289	1,932,922
Other audit related services	59,839	309,339
Total audit	2,389,128	2,242,261
Other services		
Taxation	1,199,931	931,821
Other	58,002	182,474
Total Other Services	1,257,933	1,114,295
	3,647,061	3,356,556

33. BORROWINGS

Terms & Conditions

(i) *Senior Debt Facility & Working Capital Facility*

On 20 November 2007 the Ramsay Group entered into a Syndicated Facility Agreement (SFA). The SFA has two A\$ tranches with a total commitment of A\$1,385,000,000 and a separate pounds sterling tranche with a commitment of £260,000,000. The SFA matures in November 2012.

The total amounts drawn down under the SFA as at 30 June 2011 were A\$770,000,000 (2010: A\$760,000,000) and £200,000,000 (2010: £219,000,000).

Apart from guarantees given by the Company and its wholly owned subsidiaries (excluding dormant subsidiaries and certain other subsidiaries) the SFA is unsecured. The SFA is a revolving facility.

As at 30 June 2011, the undrawn commitment was A\$615,000,000 (2010: A\$625,000,000) and £60,000,000 (2010: £41,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

33. BORROWINGS (CONTINUED)

Terms and Conditions (continued)

(ii) *Bilateral Facilities*

The commitment limit under the ANZ facility for working capital is comprised of an A\$6,500,000 facility limit and a separate sterling facility limit of £3,100,000. The ANZ bilateral facility currently consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both A\$ and £). A further transactional encashment facility is also provided which permits the encashment of payroll and other cheques at any ANZ bank.

The limit on the NAB facility for working capital also has 2 components, an A\$25,000,000 facility limit and a further £10,000,000 facility limit and includes a cash advance facility, overdraft facility and indemnity/guarantee facility (in both A\$ and £) together with certain transactional facilities.

Under the bilateral facilities as at 30 June 2011 the total outstanding was A\$10,411,636 (2010: A\$8,187,556) and £4,734,624 (2010: £8,973,280). The undrawn commitment across the 2 bilateral facilities as at 30 June 2011 was together A\$21,088,364 (2010: A\$23,312,444) and £8,365,376 (2010: £4,126,720).

The Ramsay Group also has other bilateral facilities (including group overdraft and set-off, corporate card and lease line facilities) with Westpac and others.

(iii) *Indonesian Bank Loan*

On 8 February 2010 PT Affinity Health Indonesia entered into a one-year revolving credit facility with PT ANZ Panin Bank with a total facility of IDR 81,610,000,000. On 4 February 2011, this facility agreement was amended whereby the term of the facility was extended to 8 February 2013 and as at 30 June 2011 an amount of IDR 81,610,000,000 (2010: 67,596,500,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with ANZ Panin Bank. The total facility limit is IDR 163,220,000,000 and as at 30 June 2011 an amount of IDR 128,220,000,000 (2010: IDR 158,315,239,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 2.5%.

Ramsay Health Care Limited and Affinity Health Pty Ltd have provided a corporate guarantee and indemnity in respect of all amounts payable under both of the above loans.

(iv) *Ramsay Santé Bank Loan*

Ramsay Santé and its controlled entities core term debt facility, bilateral capex facilities and other term debt facilities, were refinanced on 6 September 2010 under a new club facility arrangement provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2011 was €40,000,000 and the undrawn commitment was €45,000,000. The new debt facilities have a maturity of five years and 50% of the loans are term loans with the remainder being repayable as a bullet on maturity. The new debt facilities are secured against certain assets of the Ramsay Santé group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

33. BORROWINGS (CONTINUED)

Terms and Conditions (continued)

(v) *Ramsay Sante subordinated bonds*

Ramsay Sante issued to its shareholders a securitised loan in the form of bonds amounting to €11,458,036 on 15 December 2005, €11,247,717 on 14 June 2007, €13,908,483 on 23 July 2009 and €18 million on 2 October 2009.

The terms and conditions of the bonds are the same for all bond issues.

The bonds accrue interest at a rate of 8% per annum, capitalised annually. The interest is payable at the end of the term.

The bonds are due to mature 9 years following their respective subscription dates.

The bonds are reimbursable upon maturity at their normal value, namely 1 euro per bond.

As at 30 June 2011 an amount of €54,614,236 (2010: €64,582,696) and accrued interest of €15,059,985 (2010: €9,968,460) was outstanding in respect of these bonds. As at 30 June 2011, Predica, the non-controlling interest held €26,477,000 (2010: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €5,486,359 (2010: €3,186,354).

(vi) *Other Interest Bearing Loans*

At 30 June 2011 a loan to bondholders of \$26,479,013 (2010: \$29,170,666) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 20).

34. RELATED PARTY TRANSACTIONS

Subsidiaries of Ramsay Health Care Limited

The consolidated financial statements include the financial statements of Ramsay Health Care Limited and the subsidiaries listed in the following table.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held	
		2011 %	2010 %
Ramsay Health Care Limited has the following investments in controlled entities:			
RHC Nominees Pty Limited and its controlled entity: ^	Australia	100%	100%
Health Care Developments Unit Trust	-	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care Investments Pty Limited:			
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
RHC Finance Limited	Cayman Islands	100%	100%
Ramsay Aged Care Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited and its controlled entities: ^	Australia	100%	100%
Linear Medical Pty Limited and its controlled entity: ^	Australia	100%	100%
Outcome Medical Pty Limited	Australia	70%	70%
Newco Enterprises Pty Limited and its controlled entity: ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^			
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited and its controlled entity: ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited #	UK	100%	100%
Directly controlled by Benchmark Healthcare Pty Limited			
Donvale Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Donvale Private Hospital Unit Trust	-	100%	100%
The Benchmark Hospital Group Pty Limited and its controlled entities: ^	Australia	100%	100%
Beleura Holdings Unit Trust	-	100%	100%
Dandenong Valley Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Dandenong Valley Private Hospital Unit Trust	-	100%	100%
Benchmark – Surrey Pty Limited and its controlled entity: ^	Australia	100%	100%
Surrey Hospital Unit Trust	-	100%	100%
Benchmark – Peninsula Pty Limited and its controlled entity: ^	Australia	100%	100%
Peninsula Hospital Unit Trust	-	100%	100%
Benchmark – Donvale Pty Limited and its controlled entity: ^	Australia	100%	100%
Chelsea Hospital Unit Trust	-	100%	100%
Benchmark – Windermere Pty Limited and its controlled entity: ^	Australia	100%	100%
Windermere Hospital Unit Trust	-	100%	100%
Benchmark – Beleura Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Hospital Unit Trust	-	100%	100%
Beleura Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Properties Unit Trust	-	100%	100%

Audited by other member firms of Ernst & Young, and other audit firms

^ Entities included in the deed of cross guarantee as required for the Class Order

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held	
		2011 %	2010 %
Directly controlled by AH Holdings Health Care Pty Limited:			
Affinity Health Care Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%
PT Affinity Health Indonesia #	Indonesia	92%	92%
Affinity Health Holdings Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Directly controlled by Affinity Health Pty Limited:			
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited and its controlled entity: ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited	Australia	50%	50%
Votrait No. 664 Pty Limited ^	Australia	100%	100%
Votrait No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited and its controlled entities: ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
Directly controlled by AME Hospitals Pty Limited:			
AME Trust	-	100%	100%
AME Trading Trust	-	100%	100%
AME Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
AME Property Trust	-	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited and its controlled entities: ^	Australia	100%	100%
Glengarry Hospital Unit Trust No.1	-	100%	100%
Glengarry Hospital Unit Trust No.2	-	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited and its controlled entity: ^	Australia	100%	100%
Hallcraft Unit Trust	-	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Directly controlled by C&P Hospitals Holdings Pty Limited:			
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held	
		2011 %	2010 %
Directly controlled by C&P Hospitals Holdings Pty Limited (continued):			
Joondalup Hospital Pty Limited and its controlled entities: ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Health Care Trust No. 1	Australia	90%	90%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited and its controlled entities: ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
Directly controlled by HCoA Hospital Holdings (Australia) Pty Limited:			
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
HOAIF Pty Limited ^	Australia	100%	100%
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Directly controlled by Australian Hospital Care Pty Limited:			
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1998 Pty Limited and its controlled entities: ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited and its controlled entities: ^	Australia	100%	100%
Masada Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited and its controlled entity: ^	Australia	100%	100%
Australian Hospital Unit Trust	-	100%	100%
Australian Hospital Care (Pindara) Pty Limited and its controlled entities: ^	Australia	100%	100%
Pindara Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held	
		2011 %	2010 %
Directly controlled by Alpha Healthcare Pty Limited:			
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited and its controlled entities: ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Directly controlled by Alpha Pacific Hospitals Pty Limited:			
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care Australia Pty Limited:			
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care (UK) Limited:			
GHG 2008 10A (BVI Property Holdings) Limited and its controlled entity:	British Virgin Islands	100%	100%
Ramsay UK Properties Limited (formerly GHG 2008 10A Properties Limited)	UK	100%	100%
Ramsay Health Care Holdings UK Limited #	UK	100%	100%
Ramsay Santé SA#	France	57%	57%
Directly controlled by Ramsay Health Care Holdings UK Limited: #			
Independent British Healthcare (Doncaster) Limited #	UK	100%	100%
Ramsay Diagnostics UK Limited #	UK	100%	100%
Ramsay Health Care UK Operations Limited # and its controlled entity:	UK	100%	100%
Ramsay Health Care Leasing UK Limited #	Guernsey	100%	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held	
		2011 %	2010 %
Directly controlled by Ramsay Santé SA:			
Centre Médico-Chirurgical du Val de Notre Dame SA#	France	96%	96%
Centre Médico-Chirurgical et Obstetrical d'Evry SAS# and its controlled entities:	France	100%	100%
La Clinique du Mousseau SAS#	France	55%	55%
Polyclinique de Villeneuve Saint Georges SA# and its controlled entity:	France	99%	99%
SCI de la Polyclinique de Villeneuve Saint Georges#	France	70%	70%
Clinique de la Muette SAS#	France	100%	100%
Clinique Lambert SAS# and its controlled entity:	France	100%	100%
SA Clinique de la Montagne#	France	51%	51%
Hôpital Privé de Versailles SAS#	France	100%	100%
SA Clinique Convert	France	100%	-
Société Civile Immobilière la Garenne Lambert#	France	100%	100%
GIE Santé Finance et Pilotage#	France	100%	100%

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^ Entities included in the deed of cross guarantee as required for the Class Order

35. SUBSEQUENT EVENTS

There have been no significant events after the reporting date that may significantly affect the Group's operations in future years, the results of these operations in future years or the Group's state of affairs in future years.

36. CLOSED GROUP

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the entities in the table of subsidiaries in note 34, (identified by ^) from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, these entities entered into a Deed of Cross Guarantee on 22 June 2006. The effect of the deed is that Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Ramsay Health Care Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36. CLOSED GROUP (CONTINUED)

The consolidated Income Statement and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

	Closed Group	
	2011	2010
	\$000	\$000
Consolidated Income Statement		
Profit from operations before income tax	261,820	209,565
Income tax expense	(81,363)	(62,687)
Net profit for the year	180,457	146,878
Retained earnings at the beginning of the year	307,740	200,510
Actuarial gain/(loss) on defined benefit plan	(105)	193
Retained earnings adjustments for addition of entities into the class order	(1,662)	51,814
Dividends provided for or paid	(110,746)	(91,655)
Retained earnings at the end of the year	375,684	307,740
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	148,404	95,801
Trade receivables	317,500	331,392
Inventories	68,055	69,381
Derivative financial instruments	823	1,313
Other current assets	21,609	20,560
	556,391	518,447
Assets classified as held for sale	1,150	4,350
Total Current Assets	557,541	522,797
Non-current Assets		
Other financial assets	421,052	423,640
Goodwill and intangibles	583,648	591,627
Deferred tax asset	26,799	28,522
Property, plant and equipment	1,441,166	1,355,924
Other non-current assets	15,605	14,556
Total Non-current Assets	2,488,270	2,414,269
TOTAL ASSETS	3,045,811	2,937,066
LIABILITIES		
Current Liabilities		
Trade and other payables	415,267	395,289
Interest-bearing loans and borrowings	86	2,727
Provisions	127,951	117,335
Derivative financial instruments	8,948	15,719
Income tax payable	36,370	36,206
Total Current Liabilities	588,622	567,276
Non-current Liabilities		
Interest-bearing loans and borrowings	940,822	958,207
Other creditors	17	1,000
Pension liability	140	37
Derivative financial instruments	13,029	17,472
Provisions	95,524	87,508
Total Non-current Liabilities	1,049,532	1,064,224
TOTAL LIABILITIES	1,638,154	1,631,500
NET ASSETS	1,407,657	1,305,566
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(18,474)	(8,082)
CARES (convertibles Adjustable Rate Equity Securities)	252,165	252,165
Retained earnings	375,684	307,740
Other reserves	84,759	40,220
TOTAL EQUITY	1,407,657	1,305,566

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

37. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	2011 \$000	2010 \$000
Current assets	1,099,874	1,118,700
Total assets	1,241,566	1,262,366
Current liabilities	(39,892)	(39,225)
Total liabilities	(39,892)	(39,225)
Issued capital	(713,523)	(713,523)
Other equity	(488,151)	(509,618)
Total shareholders' equity	(1,201,674)	(1,223,141)
Net profit for the year after tax	<u>84,589</u>	<u>327,870</u>

As a condition of the class order (set out in note 36), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. Refer to note 36 for further information.

SECTION 3
STATUS OF AUDIT

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2011

AUDIT UPDATE

This report is based on accounts to which one of the following applies.

(Tick one)

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have *not* yet been audited or reviewed.