RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

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FINANCIAL REPORT

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CONTENTS PAGE

Your Directors submit their report for the year ended 30 June 2009. The Directors' report is not part of the financial report.

DIRECTORS

The names of the Directors of the Company in office during the financial year and until the date of this report, unless otherwise stated, are:

Names

P.J. Ramsay AO - Non-Executive Chairman
M.S. Siddle - Non-Executive Deputy Chairman
C.P. Rex - Managing Director (appointed 1 July 2008)
B.R. Soden - Finance Director
A.J. Clark AM - Non-Executive Director
P.J. Evans - Non - Executive Director
I.P.S. Grier - Non - Executive Director (appointed 1 July 2008)
R.H. McGeoch AM - Non-Executive Director
K.C.D. Roxburgh - Non-Executive Director

Particulars of each Director's experience and qualifications are set out in Attachment 1.

Interests in the shares and options of the Company and related bodies corporate

The beneficial interest of each Director in the share capital of the Company as at the date of this report was as follows:

Director	Ordinary Shares	Ramsay Health Care Limited Convertible Adjustable Rate Equity Securities	Rights over Ordinary Shares
P.J. Ramsay	73,148,372	-	-
M.S. Siddle	151,667	-	-
C.P. Rex	246,495	5,334	92,306
B.R. Soden	72,194	3,335	72,700
A.J. Clark	80,000	1,200	-
P.J. Evans	6,312	-	-
I.P.S. Grier	293,116	-	-
R.H. McGeoch	73,334	257	-
K.C.D. Roxburgh	77,391	-	-

Mr Paul Ramsay has a relevant interest in 73,148,372 (2008: 73,148,372) shares held by Paul Ramsay Holdings Pty Limited and is a director of that company.

Interests in Contracts or Proposed Contracts with the Company

Mr Rex has retention rights to receive 600,000 ordinary shares pursuant to an Executive Service Agreement with the Company. These rights will vest subject to his continuing in employment as Managing Director until 1 July 2013.

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were the owning and operating of private hospitals. There were no significant changes in the nature of these activities during the year.

OPERATING RESULTS AND DIVIDENDS

Consolidated Results

Consolidated profit attributable to members of the parent after providing for income tax was $106,473,000 (2008: profit of $92,198,000). The operating profit before tax from continuing operations was $154,270,000 (2008: $141,279,000).

Earnings per Share

Basic earnings per share (after CARES dividend) 51.3 cents (2008: 43.1 cents)
Basic earnings per share (after CARES dividend) from continuing operations 51.3 cents (2008: 44.6 cents)

Dividends

Dividends paid or recommended for payment on ordinary shares are as follows:

Final dividend recommended @ 21.5 cents per share (2008: 17.5 cents)	$37,680,010 (2008: $30,489,958)
Interim dividend paid during the year @ 16.5 cents per share (2008: 15 cents)	$28,856,000 (2008: $26,061,221)

Dividends paid or recommended for payment on CARES are as follows:

Final dividend recommended @ $2.06 per share (2008: $3.79)	$5,365,460 (2008: $9,846,449)
Interim dividend paid during the year @ $2.82 per share (2008: $3.44)	$7,347,863 (2008: $8,943,479)

REVIEW OF OPERATIONS

Group core net profit after tax from continuing operations (before specific items and amortisation of intangibles) increased 18.9% to $146.4 million for the year to 30 June 2009 and translates to core earnings per share (EPS) of 74.1 cents.

Ramsay recorded specific items and amortisation of intangibles of $39.9 million (net of tax) for the 2009 financial year which mostly relate to deferred non-cash rent expenses from the UK hospitals and include some restructuring and integration costs.

CORPORATE INFORMATION

This annual report covers both Ramsay Health Care Limited as an individual entity and the consolidated group comprising Ramsay Health Care Limited and its subsidiaries ('the Group'). The Group's functional and presentation currency is AUD ($).

Ramsay Health Care Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian stock exchange. Its ultimate parent entity is Paul Ramsay Holdings Pty Limited. The registered office is 9th Floor, 154 Pacific Highway, St Leonards NSW 2065.

The financial report of Ramsay Health Care Limited (the Company) for the year ended 30 June 2009 was authorised for issue on 4 September in accordance with a resolution of the directors.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of the Group's affairs during the financial year.

INCENTIVE RIGHTS (CASH SETTLED)

At the date of this report there were nil (2008: 6,364) Incentive Rights outstanding under the Executive Incentive Rights Plan. Refer to note 27 of the financial statements for further details of any rights outstanding.

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 654,850 (2008: 897,654) unissued ordinary shares under the Executive Performance Rights Plan. Refer to note 27 of the financial statements for further details of any rights outstanding.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 27 August 2009, Ramsay conducted an underwritten institutional placement of new shares to raise approximately $220 million and a non-underwritten share purchase plan to raise up to an additional $40 million. The capital raising will further strengthen Ramsay's balance sheet and increase its financial flexibility to continue to pursue growth initiatives. In the short term, proceeds from the capital raising will be used to reduce drawn debt under the Company's existing revolving debt facilities.

There have been no other significant events after the balance 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Directors and management of the consolidated entity will continue to seek growth in health care operations and to seek further cost efficiencies so as to optimise the returns to shareholders from existing hospitals. Directors and management are continuing to pursue opportunities, including expansion of existing facilities, further hospital acquisitions as well as other opportunities closely allied to the private hospital sector which are within the Company's core competencies and investment criteria.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the Corporations Act 2001. The premiums in respect of the policy are payable by the Company. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy and therefore the directors do not intend disclosing further particulars relating thereto.

REMUNERATION REPORT - AUDITED

The Directors of the Company present the Remuneration Report (**Report**) prepared in accordance with section 300A of the Corporations Act for Ramsay Health Care Limited (**the Company**) and the consolidated entities (**the Group**) for the year ended 30 June 2009.

The information provided in this Report has been audited as required by section 308(3C) of the Corporations Act.

This Report outlines the compensation arrangements in place for directors and executives of the Group. The Report includes specific details of the compensation arrangements for:

- non-executive directors; and
- those executives with authority and responsibility for planning, directing and controlling the activities of the Group (**Senior Executives**). This group includes the executive directors and represents the five highest remunerated executives of the Company and Group.

REMUNERATION REPORT - AUDITED

Details of the Directors and Key Management Personnel of the Company for the year ended 30 June 2009 are set out below.

Non-Executive Directors:

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

Key Management Personnel:

C.P. Rex - Managing Director
B.R. Soden - Group Finance Director
D.A. Sims - Chief Operating Officer - Australia/Indonesia
C.R. McNally - Head of Strategic Development

Compensation Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company has adopted the following principles in its compensation framework:

- Provide competitive rewards to attract higher calibre executives;
- Link executive rewards to shareholder value;
- Allocate a significant portion of executive compensation "at risk", dependant upon meeting pre-determined performance benchmarks; and
- Establish appropriate performance hurdles in relation to variable executive compensation.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the key executive management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

REMUNERATION REPORT – Audited (continued)

Compensation Structure

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition), the structure of non-executive director and senior manager compensation is separate and distinct.

Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 November 2007 when shareholders approved an aggregate compensation of $1,400,000 per year (excluding the superannuation guarantee levy).

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration the advice from external consultants as well as the fees paid to non-executive directors of comparable companies.

Each director receives a fee for being a director of the Company. An additional fee is also paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors are encouraged by the board to hold shares in the Company (purchased by the director on market).

Non-executive directors are entitled to retirement benefits after serving a minimum service period of three years with the Company. The amount of the retirement benefit will not exceed the maximum limit as set out in Section 200G of the Corporations Act 2001. The entitlement to retirement benefits, of three years remuneration, accrues on a pro-rata basis, over a period of nine years, commencing after the minimum service period of three years. The minimum service period commenced from, either the date of the Company's public listing in September 1997, or the date of the director's appointment, whichever is the later. In October 2003 the Directors Retirement Benefit Plan was 'grandfathered' to apply only to the then currently serving non-executive directors. Hence the Directors Retirement Benefit Plan does not apply to any non-executive directors appointed after the time. Cumulatively an amount of $2,836,446 (2008: $2,265,000) has been provided as at 30 June 2009 and $571,500 (2008: $127,500) expensed in the current year. Retirement benefits of $nil (2008: $nil) were paid out in the current year.

The compensation of non-executive directors for the financial year ended 30 June 2009 is detailed in Table 1 of this Report.

Executive Directors and Executive Compensation

Objective

The Company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total compensation is competitive by market standards.

REMUNERATION REPORT – Audited (continued)

Executive Directors and Executive Compensation (continued)

Structure

In determining the level and make-up of executive compensation, the Remuneration Committee has engaged the services of external consultants to provide independent advice on market levels of compensation for comparable executive roles.

An Executive Service Agreement has been entered into with Mr Chris Rex Managing Director, the details of which are provided later in this report. No other executives have written employment contracts.

Compensation consists of the following key elements:

- Fixed Remuneration;
- Variable remuneration;
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI).

The proportion of fixed compensation and variable compensation (potential short term and long term incentives) is established for each executive by the Remuneration Committee. Table 2 of this Report details the fixed and variable components of the named executives, for the financial year ended 30 June 2009.

Fixed Compensation – Base Salary

Objective

The level of fixed compensation is set so as to provide a base level of compensation, which is both appropriate to the position and competitive in the market.

Fixed compensation is reviewed annually by the Remuneration Committee with reference to each executive's Group wide, business unit, and individual performance, as well as relevant comparative compensation in the market. As noted above, the Remuneration Committee in setting and reviewing the Fixed Compensation level of each executive has access to external advice, independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Compensation – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the compensation received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is appropriate in the circumstances.

REMUNERATION REPORT – Audited (continued)

Variable Compensation – Short Term Incentive (STI) (continued)

Structure

Formal STI guidelines have been set by the Remuneration Committee for each member of the senior executive management team, including the companies key management personnel being the Managing Director, and executives reporting directly to the Managing Director, the Group Finance Director, the Chief Operating Officer of Australia/Indonesia and the Head of Strategic Development. Under these guidelines the potential STI has been set as a fixed percentage of the total compensation package. STIs for all other executives below the senior executive management team have been made on a discretionary basis.

Where formal STI guidelines have been set, STI grants are linked to an executive's actual performance as measured by specific operational targets set at the beginning of the financial year. The operational targets are selected to align executive interests with the Company's financial performance and with the management principles and cultural values of the Company. Payment of the STI grants depend upon the extent to which the specific operational targets are met. Operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance, such as actual to budget performance, contributions to net profit, team leadership, strategic development and risk management. Financial KPIs assessed quantitatively against predetermined benchmarks. Non-financial KPIs are assessed quantitatively where possible and otherwise by periodic qualitative performance appraisal. Individual performance, expressed as KPIs, is assessed against operational targets annually, as part of the performance review of the executives. Predetermined performance benchmarks must be met in order to trigger payments under the short term incentive scheme.

1) Bonuses granted in respect of the 2008 Financial Year that were paid in the 2009 Financial Year

	Maximum bonus $	Amount awarded $	% of maximum awarded
STI Bonuses			
Base KPIs			
P. Grier	329,000	329,000	100%
C. Rex	314,000	314,000	100%
B. Soden	340,000	340,000	100%
C. McNally	200,000	170,000	85%
D. Sims	200,000	200,000	100%
Stretch KPIs	n/a	n/a	n/a
Discretionary Bonuses			
C. McNally	n/a	100,000	n/a

REMUNERATION REPORT – Audited (continued)

2) Bonuses granted in respect of the 2009 Financial Year that will be paid in the 2010 Financial Year

	Maximum bonus $	Amount awarded $	% of maximum awarded
STI Bonuses			
Base KPIs			
C. Rex	750,000	750,000	100%
B. Soden	340,000	340,000	100%
C. McNally	220,000	220,000	100%
D. Sims	200,000	200,000	100%
Stretch KPIs *			
C. Rex	500,000	333,300	66.6%
Discretionary Bonuses	n/a	n/a	n/a

The Managing Director's STI bonuses were made up of both base KPIs (60% component) and stretch KPIs (40% component). *The stretch targets were established for the Managing Director designed to be met only in exceptional circumstances. They are broken down into two equal components, namely non-financial discretionary criteria and financial, non-discretionary criteria.

Under the Managing Director's Executive Service Agreement, the Company must withhold 50% of his total STI, less applicable tax, to be applied towards on market purchase of ordinary shares in the Company at market price (to be held for the earlier of termination or 3 years) and the remaining 50%, less applicable tax, to be paid in cash. Shares are to be acquired within 5 days of the cash bonus being paid (15 September 2009).

3) Estimated maximum and minimum bonuses granted in respect of the 2010 Financial Year, but not yet paid

	Maximum bonus $	Minimum bonus $
STI Bonuses		
C. Rex	783,750	0
B. Soden	374,000	0
D. Sims	300,000	0
C. McNally	250,000	0
Stretch KPIs		
C. Rex	522,500	0
Discretionary Bonuses	n/a	n/a

The annual STI payments available to senior executives are subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus. The only exception to cash bonus is the STI payable to the Managing Director, which is detailed above.

Variable Pay – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward senior executives in a manner which aligns this element of compensation with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance conditions.

Structure

LTI grants are delivered in the form of equity-based performance rights which vest subject to the satisfaction of certain performance conditions over a specified vesting period, as determined by the Board.

Prior to 30 June 2008, the primary measure of performance used by the Company was relative total shareholder return (TSR). Under this method the performance condition for the vesting of performance rights is determined by measuring and ranking the Company's TSR for the relevant vesting period against the TSR of a comparator group, made up of the last 100 companies in the ASX 200 Index. If the performance condition is not achieved on the first test date, then unvested performance rights will be rolled forward for re-testing on two more occasions at six monthly intervals.

REMUNERATION REPORT – Audited (continued)

Variable Pay – Long Term Incentive (LTI) (CONTINUED)

Structure (Continued)

The amount of rights that vest in relation to the Company's TSR ranking is set out in the table below:

Ramsay Health Care Group's TSR Performance	% of share rights available to vest
▪ Less than 50% relative to the TSR Ranking Group	- Nil
▪ 50% relative to the TSR Ranking Group	- 50%
▪ 50% to 75% relative to the TSR Ranking Group	- Between 50% and 100% increasing on a straight line basis
▪ Equal to or greater than 75%	- 100%

For performance rights granted in the 2009 financial year, the Board has adopted a combination of three separate, independently applying performance conditions:

1. Relative TSR as described above;
2. Earnings Per Share Growth (EPS); and
3. Business Unit Performance.

The EPS performance condition is measured by comparing the Company's aggregate EPS over the relevant vesting period against the aggregate threshold (or minimum) EPS target and the maximum EPS target, as set by the Board after the announcement of the full year financial results. EPS is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations.

The amount of rights that vest in relation to the Company's aggregate EPS growth is set out in the table below:

Aggregate EPS Performance	% of share rights available to vest
▪ Less than aggregate threshold EPS target	- Nil
▪ Equal to aggregate threshold EPS target	- 50%
▪ Greater than aggregate threshold EPS target but up to the aggregate maximum EPS target	- Between 50% and 100% increasing on a straight line basis
▪ Greater than aggregate maximum EPS target	- 100%

The business unit performance condition will only apply in respect of grants made to executives who have a real degree of control over a specific business unit. To satisfy this performance condition the executive must achieve 100% of the performance targets set in respect of their respective business unit over the specified vesting period.

Performance rights subject to the EPS and Business Unit performance conditions that remain unvested following testing will automatically lapse and will not be eligible for re-testing.

Table 3 of this Report provides details of the performance and incentive rights granted, to the key management personnel, the value of the rights, vesting periods and lapsed rights under the LTI Plan.

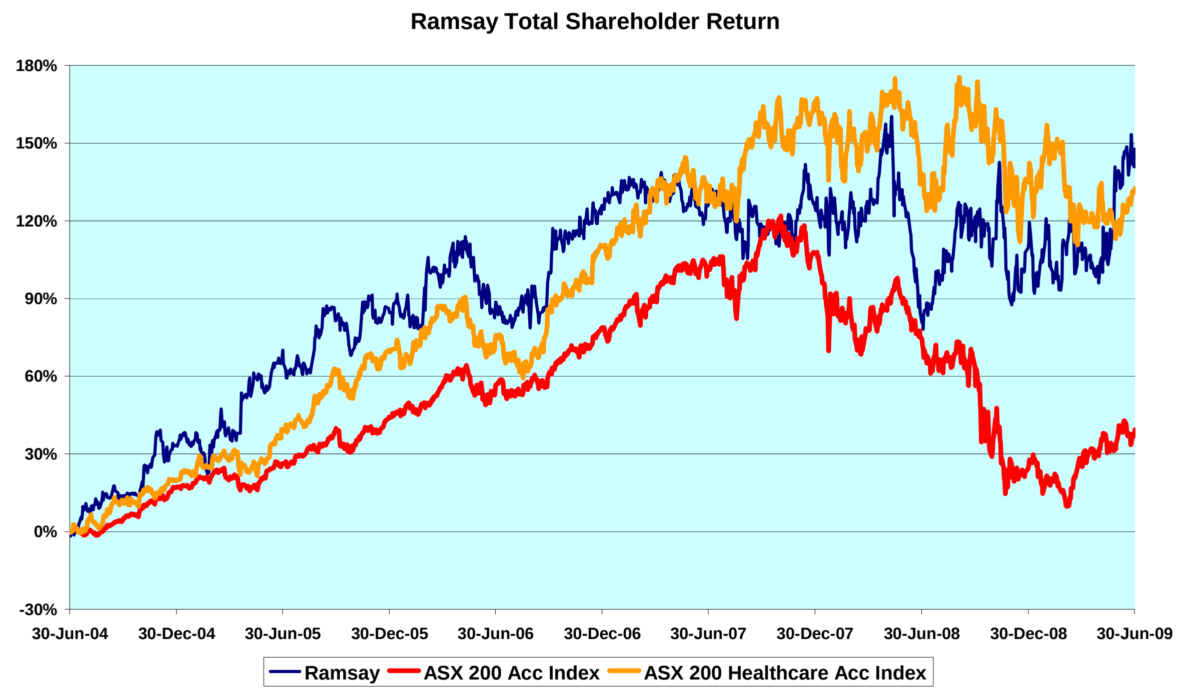
The terms and conditions of each grant made during the reporting period are specified in Notes 27 and 28 to the accounts.

Hedging of rights is prohibited by the Company.

REMUNERATION REPORT – Audited (continued)

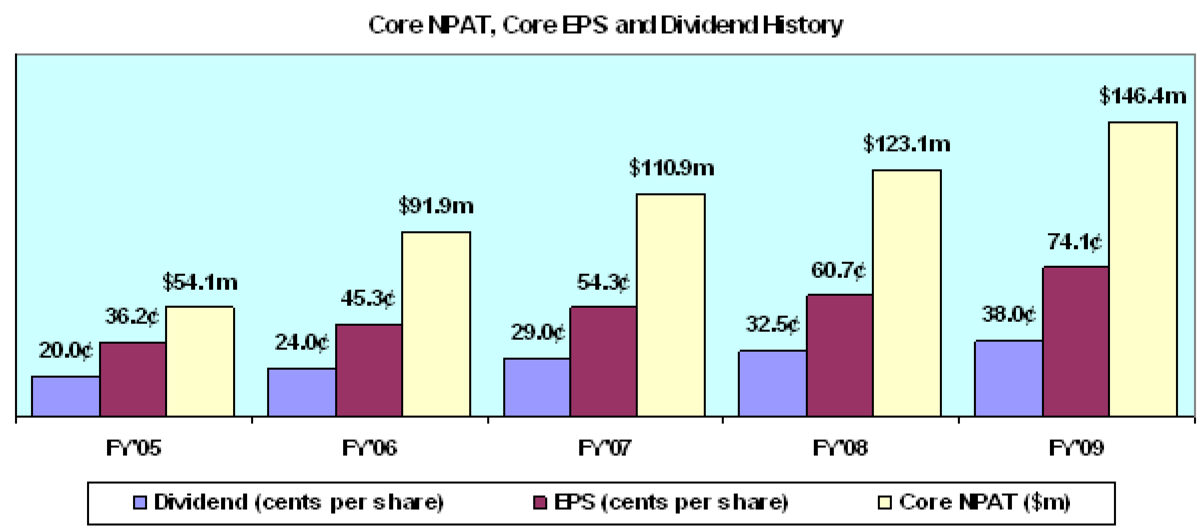
Company Performance

The Graph below shows the performance of the Company as measured by the Company's TSR, compared to the ASX 200 and ASX 200 Healthcare cumulative indices.



The performance of the Company is also reflected in the graph below which shows the **Company's Core net profit after tax (NPAT)*, Core earnings per share (EPS)* and full year Dividend History** for the past five years (including the current period).

* Core NPAT and EPS is calculated using earnings before specific items, amortisation of intangibles and divested operations.



REMUNERATION REPORT – Audited (continued)

Service Contracts

Mr Christopher Rex

The current Managing Director, Mr Rex, is employed under a five year contract which commenced on 1 July 2008. The key terms of the contract include:

<u>Term</u>

The Company must notify Mr Rex at least 3 months prior to the end of the five-year term (**Term**) whether it wishes to extend Mr Rex's appointment, however if no notice is given Mr Rex's employment will continue on the existing terms.

<u>Remuneration</u>

Consistent with the summary of remuneration set out in this Report, Mr Rex's contract outlines the key components of his remuneration package, being fixed remuneration (inclusive of superannuation and benefits), an annual short-term incentive and an equity-based retention benefit.

Mr Rex's STI bonuses are made up of both base KPIs (60% component) and stretch KPIs (40% component). Stretch targets are designed to be met only in exceptional circumstances. They are broken down into two equal components, namely non-financial discretionary criteria and financial, non-discretionary criteria.

Under Mr Rex's Executive Service Agreement, the Company must withhold 50% of his total STI, less applicable tax, to be applied towards on market purchase of ordinary shares in the Company at market price (to be held for the earlier of termination or 3 years) and the remaining 50%, less applicable tax, to be paid in cash. Shares are to be acquired within 5 days of the cash bonus being paid (15 September 2009).

<u>Equity-based Retention Benefit</u>

On 1 July 2008, Mr Rex, pursuant to the Executive Service Agreement, received equity-based retention rights to receive 600,000 ordinary shares in the Company. These rights are not dependent upon satisfaction of a performance condition but will vest subject to Mr Rex continuing in employment as Managing Director until 1 July 2013. This element of Mr Rex's remuneration was agreed to secure Mr Rex's retention in a globally competitive market.

▪ Number of rights	600,000
▪ Grant date	1 July 2008
▪ Vesting date	1 July 2013
▪ Weighted average Fair value	$8.84 [(1)]

[(1)] Fair value at grant date.

REMUNERATION REPORT – Audited (continued)

Service Contracts (Continued)

Notice periods and termination entitlements

Termination entitlements under the contract are as follows:

	Termination by Mr Rex	**Termination for illness/ disability**	**Termination upon death**	**Termination for cause**	**Other Company-initiated termination**
Notice	12 months (or payment in lieu)*	6 months (or payment in lieu)*	No notice required	No notice required	12 months (or payment in lieu)*
STI	No further STI entitlement	Pro-rata STI entitlement	Pro-rata STI entitlement	No further STI entitlement	Pro-rata STI entitlement
Equity	All unvested equity instruments (under Ramsay Executive Performance Rights Plan (**PRP**) and Retention Benefit) will lapse.	Full vesting of Retention Benefit. Unvested entitlements under PRP will lapse.	Full vesting of Retention Benefit and PRP entitlements (subject to satisfaction of performance hurdles).	All unvested equity instruments will lapse.	Full vesting of Retention Benefit. Unvested entitlements under the PRP will lapse.

* The Company may elect to make a payment to Mr Rex in lieu of serving out the notice period.

Mr Patrick Grier

Mr Grier, following his retirement as Managing Director on 30 June 2008, agreed to continue to provide on-going management consultancy services to the Company. These are in addition to his salary as a Non - Executive Director as shown in Table 1.

Under the terms of the agreement a company associated with Mr Grier has been paid a consultancy fee of $10,000 per month for a period of one year commencing on 1 July 2008. This agreement has been renewed for a further period of one year commencing 1 July 2009 (see note 34).

REMUNERATION REPORT – Audited (continued)

Table 1. Director Compensation

Non - Executive Directors

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

		Short term				Post employment		Shared based payment rights				
Name		Salary & Fees $	Non Monetary $	Leave Entitlements $	Accrued Cash Bonus (2) $	Super-annuation $	Provision for Retirement Benefits (1) $	Number of Incentive Rights Granted	Amortised Cost of incentive Rights $	Percentage of Remuneration %	Total $	Total Per-formance Related %
P. Ramsay	**2009**	**250,000**	-	-	-	**13,745**	**90,000**	-	-	0%	**353,745**	0%
	2008	220,000	-	-	-	13,129	30,000	-	-	0%	263,129	0%
A. Clark	**2009**	**120,000**	-	-	-	**10,800**	**61,500**	-	-	0%	**192,300**	0%
	2008	99,500	-	-	-	8,955	13,500	-	-	0%	121,955	0%
P. Evans	**2009**	**172,500**	-	-	-	**13,745**	**147,000**	-	-	0%	**333,245**	0%
	2008	129,000	-	-	-	11,610	34,500	-	-	0%	175,110	0%
P. Grier (1) (4)	**2009**	**120,000**	-	-	-	**10,800**	-	-	-	0%	**130,800**	0%
	2008	-	-	-	-	-	-	-	-	0%	-	0%
R. McGeoch	**2009**	**110,500**	-	-	-	**9,945**	**54,000**	-	-	0%	**174,445**	0%
	2008	99,500	-	-	-	8,955	13,500	-	-	0%	121,955	0%
K. Roxburgh	**2009**	**140,000**	-	-	-	**12,600**	**97,500**	-	-	0%	**250,100**	0%
	2008	110,000	-	-	-	9,900	22,500	-	-	0%	142,400	0%
M. Siddle	**2009**	**137,500**	-	-	-	**12,375**	**121,500**	-	-	0%	**271,375**	0%
	2008	97,000	-	-	-	8,730	13,500	-	-	0%	119,230	0%
Totals	**2009**	**1,050,500**	-	-	-	**84,010**	**571,500**	-	-	0%	**1,706,010**	0%
	2008	755,000	-	-	-	61,279	127,500	-	-	0%	943,779	0%

REMUNERATION REPORT – Audited (continued)

Table 2. Executive Compensation (including Key Management Personnel)

The five executives in the group receiving the highest compensation during the year were:

C Rex - Managing Director (Executive Director)
B Soden - Group Finance Director (Executive Director)
D Sims - Chief Operating Officer - Australia/Indonesia
C McNally - Head of Strategic Development
L Stock - Chief Operating Officer - Ramsay UK (ceased employment April 09)

		Short term					Post Employment [1]	Shared based payment rights					
Name		**Salary & Fees** $	**Non Monetary** $	**Leave Entitlements** $	**Accrued Termination benefits** $	**Accrued Cash Bonus** [2] $	**Super-annuation** $	**Number of Incentive Rights Granted**	**Amortised Cost of Incentive Share based Rights** $	**Equity Based Retention Rights** [5] $	**Percentage of Remu-neration** %	**Total** $	**Total Per-formance Related** %
P. Grier [4]	2008	1,081,182	17,953	66,859	2,198,000	329,000	13,129	-	725,348	-	16%	4,431,471	24%
C. Rex [3] [2]	**2009**	**1,250,000**	**14,025**	**254,185**	**-**	**1,083,300**	**13,745**	**50,000**	**363,329**	**1,060,800**	**35%**	**4,039,384**	**62%**
	2008	769,000	9,932	68,137	-	314,000	13,129	42,306	331,131	-	22%	1,505,329	43%
B. Soden [3]	**2009**	**800,000**	**31,736**	**142,938**	**-**	**340,000**	**13,745**	**45,000**	**275,088**	**-**	**17%**	**1,603,507**	**38%**
	2008	638,000	21,412	-	-	340,000	13,129	27,700	215,959	-	18%	1,228,500	45%
D. Sims	**2009**	**600,000**	**7,145**	**61,608**	**-**	**200,000**	**13,745**	**35,000**	**156,564**	**-**	**15%**	**1,039,062**	**34%**
	2008	400,000	16,036	19,817	-	200,000	13,129	10,073	61,548	-	9%	710,530	37%
C. McNally	**2009**	**500,000**	**14,797**	**43,743**	**-**	**220,000**	**13,745**	**25,000**	**176,625**	**-**	**18%**	**968,910**	**41%**
	2008	481,000	5,850	32,666	-	270,000	13,129	20,146	157,680	-	16%	960,325	45%
L. Stock	**2009**	**251,217**	**28,734**	**-**	**626,087**	**-**	**37,683**	**-**	**-**	**-**	**0%**	**943,721**	**0%**
Totals	**2009**	**3,401,217**	**96,437**	**502,474**	**626,087**	**1,843,300**	**92,663**	**155,000**	**971,606**	**1,060,800**	**24%**	**8,594,584**	**45%**
	2008	3,369,182	71,183	187,479	2,198,000	1,453,000	65,645	100,225	1,491,666	-	17%	8,836,155	33%

Notes:

(1) In October 2003 retirement benefits were 'grandfathered' to the then currently serving non-executive directors. Hence retirement benefits are not extended to non-executive directors appointed after that time.

(2) Accrued STI bonuses payable to Mr Rex for 2009 onwards are paid 50% in cash (less applicable tax) and the other 50% is withheld (less applicable tax) to purchase on market ordinary shares in the Company at market price, held in Mr Rex's name.

(3) Executive Directors during the financial year ended 30 June 2009.

(4) Mr Grier was an Executive Director during the financial year ended 30 June 2008. He was appointed a Non-Executive Director as from 1 July 2008.

(5) Pursuant to Mr Rex's Executive Service Agreement he received equity based retention rights to receive 600,000 ordinary shares in the Company. They will vest subject to Mr Rex continuing in employment as Managing Director until 1 July 2013.

REMUNERATION REPORT – Audited (continued)

Table 3: Performance Rights granted to Key Management Personnel as part of remuneration during the year ended 30 June 2009

(a) Cash Settled Incentive Rights

	Grant date	Fair value per right at grant date $	Number of rights granted during the year	Number of rights exercised during the year	Value of rights at exercise date $	Value of rights exercised during year $	Value of rights lapsed during year $	Total value of rights granted, exercised & lapsed during year $
P. Grier	11 Sep 04	9.016	-	4,243	9.81	41,624	-	41,624
B. Soden	11 Sep 04	9.016	-	2,121	10.89	23,098	-	23,098

(b) Equity Settled Performance Rights

	Grant date	Fair value per right at grant date $	Number of rights granted during the year	Value of rights granted during the year $	Number of rights exercised vested during the year	Value of rights exercised vested during year [3] $	Value of rights lapsed during year $	Total value of rights granted, exercised & lapsed during year $
P Grier	20-Jul-05 [1]	6.75	-	-	322,376	2,176,038	-	2,176,038
C. Rex	11-Sep-04 [1]	4.32	-	-	2,829	12,221	-	12,221
	20-Jul-05 [1]	6.75	-	-	53,097	358,405	-	358,405
	30-Dec-08 [1]	9.05	25,000	226,250	-	-	-	226,250
	30-Dec-08 [2]	9.15	25,000	228,750	-	-	-	228,750
			50,000	455,000	55,926	370,626	-	825,626
B. Soden	20-Jul-05 [1]	6.75	-	-	34,387	232,112	-	232,112
	30-Dec-08 [1]	9.05	22,500	203,625	-	-	-	203,625
	30-Dec-08 [2]	9.15	22,500	205,875	-	-	-	205,875
			45,000	409,500	34,387	232,112	-	641,612
D. Sims	11-Sep-04 [1]	4.32	-	-	554	2,393	-	2,393
	20-Jul-05 [1]	6.75	-	-	4,956	33,453	-	33,453
	30-Dec-08 [1]	9.05	17,500	158,375	-	-	-	158,375
	30-Dec-08 [2]	9.15	17,500	160,125	-	-	-	160,125
			35,000	318,500	5,510	35,846	-	354,346
C. McNally	11-Sep-04 [1]	4.32	-	-	1,414	6,108	-	6,108
	20-Jul-05 [1]	6.75	-	-	25,284	170,667	-	170,667
	30-Dec-08 [1]	9.05	12,500	113,125	-	-	-	113,125
	30-Dec-08 [2]	9.15	12,500	114,375	-	-	-	114,375
			25,000	227,500	26,698	176,775	-	404,275

(c) Equity Based Retention Rights

	Grant date	Fair value per right at grant date $	Number of rights granted during the year	Value of rights granted during the year $	Number of rights exercised vested during the year	Value of rights exercised vested during year $	Value of rights lapsed during year $	Total value of rights granted, exercised & lapsed during year $
C. Rex	1-Jul-08	8.84	600,000	5,304,000	-	-	-	5,304,000

(1) Performance rights subject to a Relative TSR performance condition. If these are not met these will be rolled forward for further tests at two further dates of six monthly intervals and then lapse.
(2) Performance Rights are subject to an EPS performance condition. If these conditions are not met they will automatically lapse and will not be eligible for re-testing.
(3) Fair value of the exercise price is the fair value disclosed at grant date

For details on the valuation of the rights, including models and assumptions used, please refer to note 27 of the financial statements. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Board Meetings		Committee Meetings		
	Scheduled	**Special**	**Audit**	**Risk Management**	**Remuneration**
Number of Meetings held:	**10**	**Nil**	**8**	**7**	**6**
Number of Meetings attended:					
P. J. Ramsay	9	-	-	-	-
M. S. Siddle	10	-	-	-	6
C. P. Rex	10	-	-	3*	-
B. R. Soden	9	-	-	4*	-
A. J. Clark	10	-	8	-	-
P. J. Evans	10	-	8	7	6
I. P. S. Grier	10	-	-	6	-
R. H. McGeoch	9	-	-	-	6
K. C. D. Roxburgh	10	-	8	6	-

COMMITTEES

As at the date of this report, the Company had the following three committees:

Committee	Directors who are members
Audit Committee	Messrs Evans (c), Roxburgh, Clark
Risk Management Committee	Messrs Evans (c), Grier, Rex*, Roxburgh, Soden*
Remuneration Committee	Messrs McGeoch (c), Evans, Siddle

(c) : Designates the chairman of the committee

* Mr C P Rex (Managing Director) and Mr B R Soden (Group Finance Director) were formally appointed to the re-structured Risk Management Committee under the new Risk Management Framework adopted by the Board on 19 August 2008. In accordance with the new Risk Management Committee Charter there have been key executives appointed to the Risk Management Committee. Details of these appointments, including further information on the Risk Management Committee and on the other Committees noted above are disclosed in the Corporate Governance Statement included in the Annual Report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded off to the nearest thousand unless otherwise specified under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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Auditor's Independence Declaration to the Directors of Ramsay Health Care Limited

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Neil Wykes
Partner
Sydney
Date: 4 September 2009

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity holds licences from the Environment Protection Regulatory Bodies applicable to Hospitals for the maintenance of a safe environment. The Directors are not aware of any breaches of these licences.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax services	\$555,446
Other services	\$162,694

CORPORATE GOVERNANCE

In recognition of the need for the highest standards of corporate behaviour and accountability, the Directors of Ramsay Health Care have reviewed the Company's current corporate governance policies in the light of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) published in 2007. Further information in relation to corporate governance is disclosed in the corporate governance statement included in the Annual Report.

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Non-Executive Deputy Chairman

C.P. REX
Managing Director

Sydney, 4 September 2009

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Independent auditor's report to the members of Ramsay Health Care Limited

Report on the Financial Report

We have audited the accompanying financial report of Ramsay Health Care Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expenses and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Ramsay Health Care Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Ramsay Health Care Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 16 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

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

Ernst & Young

Neil Wykes
Partner
Sydney
Date: 4 September 2009

RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ramsay Health Care Limited, we state that:

In the opinion of the directors:

(a) the financial report and the additional disclosures included in the Directors' Report designated as "audited", of the Company and of the consolidated entity, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

(d) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 16 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

M.S. SIDDLE
Non-Executive Deputy Chairman

C.P. REX
Managing Director

Sydney, 4 September 2009

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Continuing operations					
Revenue and other income					
Revenue from services		3,222,307	2,673,730	1,257	905
Profit on disposal of assets		1,555	-	-	-
Interest income		5,742	4,570	-	-
Other income		43	921	-	110,002
Total revenue and other income	4	**3,229,647**	**2,679,221**	**1,257**	**110,907**
Employee benefits costs	5	(1,566,286)	(1,361,872)	(3,543)	(2,031)
Occupancy costs		(214,704)	(154,527)	-	-
Service costs		(215,626)	(144,971)	(2,307)	(1,988)
Medical consumables and supplies		(815,624)	(671,194)	-	-
Depreciation	5	(108,336)	(86,447)	-	-
Amortisation		(1,736)	(1,733)	-	-
Total expenses, excluding finance costs		**(2,922,312)**	**(2,420,744)**	**(5,850)**	**(4,019)**
Profit/(Loss) from continuing operations before tax, specific items and finance costs		**307,335**	**258,477**	**(4,593)**	**106,888**
Finance costs	5	(97,360)	(80,416)	-	-
Specific items					
Finance cost - Borrowing costs associated with re-financing	5	-	(7,513)	-	-
Finance cost - Ineffectiveness of interest rate hedge		(111)	15	-	-
Service cost - Restructuring and integration costs		(3,826)	(3,264)	-	-
Service cost - Development projects costs		(4,707)	(4,454)	-	-
Service cost - Unrealised foreign exchange gain on unhedged portion of GBP loan		622	273	-	-
Depreciation - Impairment of non - current assets		(6,423)	-	-	-
Occupancy cost - Non-cash rent expense relating to UK leased hospitals	5	(41,260)	(21,839)	-	-
Profit/(Loss) before income tax from continuing operations		**154,270**	**141,279**	**(4,593)**	**106,888**
Income tax (expense)/benefit	6	(47,765)	(46,384)	1,378	308
Profit/(Loss) after tax from continuing operations		**106,505**	**94,895**	**(3,215)**	**107,196**
Discontinued operations					
Loss after tax from discontinued operations		-	(2,659)	-	-
Profit/(Loss) for the year		**106,505**	**92,236**	**(3,215)**	**107,196**
Profit attributable to minority interests		(32)	(38)	-	-
Profit/(Loss) attributable to members of the parent		**106,473**	**92,198**	**(3,215)**	**107,196**
Earnings per share (cents per share)					
- basic for profit (after CARES dividend) for the year	8	**51.3**	**43.1**		
- diluted for profit (after CARES dividend) for the year	8	**51.2**	**42.9**		
- basic for profit (after CARES dividend) from continuing operations	8	**51.3**	**44.6**		
- diluted for profit (after CARES dividend) from continuing operations	8	**51.2**	**44.5**		
Franked dividends paid per ordinary share (cents per share)	9	34.0	31.0		

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
ASSETS					
Current Assets					
Cash and cash equivalents	10	89,295	93,268	158	101
Trade receivables	13	418,592	365,284	593,027	656,297
Inventories	14	63,885	60,258	-	-
Derivative financial instruments	26	-	12,437	-	-
Other current assets	15	50,789	51,079	2	239
		622,561	582,326	593,187	656,637
Assets classified as held for sale	7(a)	3,200	5,240	-	-
Total Current Assets		625,761	587,566	593,187	656,637
Non-current Assets					
Other financial assets	16	1,383	1,422	139,997	139,997
Property, plant and equipment	17	1,626,045	1,490,409	-	-
Goodwill and intangible assets	18	854,461	844,383	-	-
Deferred tax asset	6	48,133	35,386	1,117	1,846
Derivative financial instruments	26	-	14,549	-	-
Non-current receivables	20	31,345	33,007	-	-
Total Non-current Assets		2,561,367	2,419,156	141,114	141,843
TOTAL ASSETS		3,187,128	3,006,722	734,301	798,480
LIABILITIES					
Current Liabilities					
Trade and other payables	21	452,117	415,934	2,885	2,290
Interest-bearing loans and borrowings	22	12,437	6,929	-	-
Derivative financial instruments	26	23,438	-	-	-
Provisions	23	114,008	108,034	-	-
Income tax payable	6	17,650	10,466	16,866	14,679
Total Current Liabilities		619,650	541,363	19,751	16,969
Non-current Liabilities					
Interest-bearing loans and borrowings	24	1,420,532	1,359,350	-	-
Provisions	23	207,451	160,547	-	-
Pension liability	31	6,646	5,068	-	-
Derivative financial instruments	26	14,129	-	-	-
Deferred income tax liability	6	9,558	26,230	-	-
Total Non-current Liabilities		1,658,316	1,551,195	-	-
TOTAL LIABILITIES		2,277,966	2,092,558	19,751	16,969
NET ASSETS		909,162	914,164	714,550	781,511
EQUITY					
Issued capital	25	447,774	437,622	447,774	437,622
Treasury shares	25	(10,210)	(13,599)	-	-
Convertible Adjustable Rate Equity Securities (CARES)	25	252,165	252,165	252,165	252,165
Net unrealised gains reserve	25	(25,379)	21,342	-	-
Equity based payment reserve	25	9,776	7,184	9,776	7,154
Vested employee equity	25	(11,890)	(6,495)	-	-
Other reserves	25	(4,795)	(6,673)	-	-
Retained earnings	25	251,334	222,263	4,835	84,570
Parent interests		908,775	913,809	714,550	781,511
Minority interests		387	355	-	-
TOTAL EQUITY		909,162	914,164	714,550	781,511

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF RECOGNISED INCOME AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
Currency translation differences	1,878	(5,344)	-	-
Actuarial (loss) on Defined Benefit Plan	(862)	-	-	-
Net (loss)/gain on cash flow hedges (net of tax)	(51,205)	15,341	-	-
Transfer to the profit and loss – cash flow hedges (net of tax)	4,484	(5,334)	-	-
Total (expense)/income for the year recognised directly in equity	(45,705)	4,663	-	-
Profit/(loss) for the year	106,505	92,236	(3,215)	107,196
Total recognised income and (expense) for the year	**60,800**	**96,899**	**(3,215)**	**107,196**
Attributed to:				
Equity Holders of the parent	60,768	96,861	(3,215)	107,196
Minority Interest	32	38	-	-
	60,800	96,899	(3,215)	107,196

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Ramsay Health Care Limited	
		2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		3,167,565	2,629,781	1,256	905
Payments to suppliers and employees		(2,775,275)	(2,326,186)	(2,196)	(1,709)
Income tax paid		(51,266)	(57,828)	-	-
Finance costs		(99,278)	(79,053)	-	3
Net cash flows from/(used in) operating activities	10	241,746	166,714	(940)	(801)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(267,279)	(198,044)	-	-
Proceeds from sale of property, plant and equipment		10,624	-	-	-
Interest received		5,742	4,595	-	-
Acquisition of businesses	11	-	(5,189)	-	-
Acquisition of subsidiary, net of cash received	11	-	(469,851)	-	-
Net cash flows used in investing activities		(250,913)	(668,489)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(66,389)	(59,060)	(66,368)	(59,060)
Repayment of principal to Bondholders		(2,367)	(2,256)	-	-
Repayment of finance lease - principal		(1,786)	(2,777)	-	-
Purchase of ordinary shares		(2,006)	(9,340)	-	-
Proceeds from borrowings		77,790	655,455	-	-
Advances from related parties		-	-	67,365	59,861
Net cash flows from financing activities		5,242	582,022	997	801
Net (decrease)/increase in cash and cash equivalents		(3,925)	80,247	57	-
Net foreign exchange differences on cash held		(48)	(1,820)	-	-
Cash and cash equivalents at beginning of year		93,268	14,841	101	101
Cash and cash equivalents at end of year	10	89,295	93,268	158	101

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited ('the Company') for the year ended 30 June 2009 was authorised for issue on 4 September 2009, in accordance with a resolution of the directors.

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The ultimate parent of Ramsay Health Care Limited is Paul Ramsay Holdings Pty Limited.

The nature of operations and principal activities of the Group are described in the Directors' Report.

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 and Australian Accounting Standards. 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 2008, with the exception of the implementation of IFRIC 12 Service Concession Arrangements ("IFRIC 12") and adjustments to the acquisition accounting balances. The implementation of IFRIC 12 resulted in a reclassification of $3,315,302 from property, plant and equipment to intangibles and a reclassification of $3,547,450 from property plant and equipment to receivables on the 1 July 2007 balance sheet. There was no material impact to the income statement as a result of implementation of IFRIC 12. There was no impact on basic or diluted earnings per share for the year ended 30 June 2008. The adjustments to the acquisition accounting balances resulted in an increase in deferred tax assets and a reduction of goodwill of $3,146,000. There was no impact on the basic or diluted earnings per share for the year ended 30 June 2008. Where the company has a legally enforceable right of set off between tax balances, in accordance with AASB 112 deferred tax assets and deferred tax liabilities have been netted down by $84,476,000, reducing both non current assets and non current liabilities as at 30 June 2008. There were other immaterial balance sheet reclassifications within current assets and current liabilities. There was no impact on the basic or diluted earnings per share for the year ended 30 June 2008.

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 provide 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 AIFRS and may not be directly comparable with core net profit after tax from continuing operations measures used by other companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	Consolidated	
	2009 $000	**2008 $000**
Core profit after tax from continuing operations		
Profit from continuing operations before tax, specific items and finance costs	307,335	258,477
Less: Finance costs	(97,360)	(80,416)
Profit from continuing operations before tax and specific items	209,975	178,061
Add: Amortisation	1,736	1,733
Profit from continuing operations before tax, specific items and amortisation	211,711	179,794
Profit attributable to minority interests	(32)	(38)
Income tax expense on continuing operations	(65,284)	(56,670)
Core profit after tax from continuing operations	146,395	123,086
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	146,395	123,086
Less: CARES Dividend	(17,194)	(17,681)
Core profit after tax from continuing operations used to calculate Core earnings per share continuing operations	129,201	105,405
Weighted average number of ordinary shares adjusted for effect of dilution	174,356,259	173,621,853
Core earnings per share from continuing operations	74.10 c	60.71c
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)	146,395	123,086
(Loss) net of tax - divested operations	-	(2,659)
Specific items and amortisation of intangibles (net of tax)		
- Non - cash rent expense relating to leased UK hospitals	(29,707)	(15,724)
- Other	(10,215)	(12,505)
Profit attributable to members of the parent	106,473	92,198

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2009, are outlined in the table on the following pages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	The interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	This is unlikely to have any impact on the Group.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	This is unlikely to have any impact on the Group.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	This may have a disclosure impact but is unlikely to have any financial impact on the Group.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	This is unlikely to have any impact on the Group.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group currently capitalises borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The most significant change will be an increase in the expenses in the income statement in any year a business combination is undertaken as transaction costs are now required to be expensed.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB3 (Revised) and AASB127 (Revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 (refer below AASB 2008-6).	1 January 2009	The Group has not yet determined the extent of the impact of these amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments are unlikely to have any impact on the Group.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: ► quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ► 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 2); and ► inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AASB 138 and AASB Interpretations 9 & 16)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	These amendments are unlikely to have any impact on the Group.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing 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 or property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has not yet determined the extent of the impact of these amendments, if any.	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-Y	Amendments to Australian Accounting Standards (AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17)	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These amendments are unlikely to have any impact on the Group.	1 July 2009
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: ► the scope of AASB 2; and ► the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group has not yet determined the extent of the impact of these amendments, if any.	1 July 2010

** Designates the beginning of the applicable annual reporting period unless otherwise stated.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The consolidated financial information comprises the financial information of Ramsay Health Care Limited ('the Company') and its subsidiaries ('the Group') as at 30 June each year. The financial information of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial information, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Minority interests represent the interests in Sydney Central Coast Linen Service Pty Ltd, Health Care Trust No. 1, Glenferrie Private Hospital Pty Limited and PT Affinity Health Indonesia, not held by the Group.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) 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 assumption used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 19.

(ii) 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 model, using the assumptions detailed in note 27. The Group measures the cost of cash settled share based payments at fair value at the grant date using a Monte Carlo simulation model taking into account the terms and conditions upon which the instruments were granted.

(iii) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 balance sheet 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 balance sheet 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 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 balance sheet 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.

(f) Property, plant and equipment

Property, plant and equipment are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(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 and 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.

(g) 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.

(h) 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 a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 "Segment Reporting".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Goodwill (continued)

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.

(i) Impairment of non – financial assets other than goodwill and 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.

(j) Investments and 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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets (continued)

Loans and 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 profit or loss 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.

(k) 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.

(l) Trade and 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 uncollectible 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.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and restricted cash.

(n) Interest-bearing loans and 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 balance sheet date.

(o) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 the cash equivalent of shares ('cash-settled transactions'), shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- the Executive Incentive Rights Plan (Cash-settled transactions), which provides benefits to executive directors, and
- the Executive Performance Rights Plan (Equity-settled transactions), which provides benefits to senior executives and executive directors.

The cost of these cash and equity settled transactions with employees is measured by reference to the fair value at the 30 June 2009 and the date at which they were granted, respectively. The fair value is determined by an external valuer using the Monte Carlo model.

In valuing cash and 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, 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.

Cash-settled transactions
The cost of the cash-settled transactions is measured initially at fair value at grant date using the Monte Carlo model, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

No expense is recognised for awards that do not ultimately vest, except for awards where the vesting is conditional upon a market condition.

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.

(q) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

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.

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.

(r) 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 services 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.

(s) Government grants

Government grants are recognised in the balance sheet 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.

(t) 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 balance sheet date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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 balance sheet 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 balance sheet 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 balance sheet 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.

(u) 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Derivative financial instruments and 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 profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) 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 (2008: Finite)
Amortisation method used
Amortised over the period of the lease (2008: 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 (2008: When an indication of impairment exists. The amortisation method is reviewed at each financial year end).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Intangible assets (continued)

Development Costs
Useful lives
Finite (2008: Finite)
Amortisation method used
Amortised over the period of expected future benefit from the related project on a straight line basis (2008: 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 (2008: 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.

(y) Trade and 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.

(z) Employee leave benefits

(i) Wages, salaries, annual leave and 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.

(aa) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) 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.

(ac) Earnings per share (EPS)

Basic EPS for profit 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 for profit 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.

(ad) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are required. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange, unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non - current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(ae) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(af) Non-current assets and disposal groups held for sale and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Non-current assets and disposal groups held for sale and discontinued operations (continued)

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 balance sheet.

(ag) Pensions and 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.

The defined benefit pension asset or liability in the balance sheet 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.

(ah) Service Concession Assets – Right to operate hospitals

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 8 to 28 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.

In previous periods, some of the Group's expenditure on concession assets was classified as Property, Plant and Equipment and depreciated over the term of the lease. On initial adoption of IFRIC 12 Service Concession Arrangements, the company used the carrying amounts of concession assets previously classified as Property, Plant and Equipment as the carrying amounts of Intangible Assets as allowed by the transitional provisions of IFRIC 12 Service Concession Arrangements.

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 AND 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.

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 and forward currency 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.

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.

Risk Exposures and Responses

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:

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
Financial Assets				
Cash and cash equivalents	89,295	93,268	158	101
Financial Liabilities				
Bank Loans	(454,343)	(332,608)	-	-
Net exposure	(365,048)	(239,340)	158	101

Interest rate swap contracts are outlined in note 26, with a negative fair value of $37,567,000 (2008: positive $26,986,000), 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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)
Interest rate risk (continued)

An agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 67% (2008: 76%) 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.

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

At 30 June 2009, 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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Consolidated				
+1% (100 basis points)	(3,397)	(2,824)	12,860	14,974
-1% (100 basis points)	3,401	3,807	(13,351)	(16,572)
Ramsay Health Care Limited				
+1% (100 basis points)	1	1	-	-
-1% (100 basis points)	(1)	(1)	-	-

The 1% sensitivity is based on reasonable possible changes, 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 2009, higher for profit and lower for equity, compared to 2008 is due to the decrease of the level of hedging in 2009. There was an increase of borrowings and a decrease of interest rate swaps engaged.

Foreign currency risk

As a result of significant operations in the United Kingdom, the Group's balance sheet 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 2009, the Group had the following exposure to GBP that is not designated in net investment hedges:

	Consolidated		Ramsay Health Care Limited	
	2009	**2008**	**2009**	**2008**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Cash and cash equivalents	117	4	-	-
Financial Liabilities				
Interest bearing loans and borrowings	(9,500)	(3,000)	-	-
Net exposure	(9,383)	(2,996)	-	-

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Reponses (continued)
Foreign currency risk (continued)

The Group has a GBP borrowing of £107,500,000 (2008: £114,000,000) 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 balance sheet date.

At 30 June 2009, 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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower) *	
	2009	2008	2009	2008
	$000	$000	$000	$000
Consolidated				
AUD/GBP +10%	1,014	422	19,965	21,568
AUD/GBP -10%	(1,239)	(516)	(24,401)	(26,361)
Parent				
AUD/GBP +10%	-	-	-	-
AUD/GBP -10%	-	-	-	-

The 10% sensitivity is based on reasonable possible changes, 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.

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.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Reponses (continued)
Liquidity risk (continued)

Maturity analysis of financial assets and liabilities based on undiscounted contractual maturity.

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2009. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

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. These assets are considered in the Group's overall liquidity risk.

The remaining undiscounted contractual maturities of the Group's and Ramsay Health Care Limited's financial assets and financial liabilities are:

Year ended 30 June 2009	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Consolidated					
Financial assets					
Cash and cash equivalents	92,251	-	-	-	92,251
Trade and other receivables	392,619	5,024	15,072	17,762	430,477
Other financial assets	-	-	-	1,383	1,383
	484,870	5,024	15,072	19,145	524,111
Consolidated					
Financial liabilities					
Trade and other payables	(452,117)	-	-	-	(452,117)
Interest-bearing loans and borrowings	(68,967)	(79,756)	(1,552,510)	(36,307)	(1,737,540)
Derivatives	(26,339)	(10,233)	(4,008)	-	(40,580)
	(547,423)	(89,989)	(1,556,518)	(36,307)	(2,230,237)
Net maturity	(62,553)	(84,965)	(1,541,446)	(17,162)	(1,706,126)

Year ended 30 June 2009	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Ramsay Health Care Limited					
Financial assets					
Cash & cash equivalents	158	-	-	-	158
Ramsay Health Care Limited					
Financial liabilities					
Trade & other payables	(2,885)	-	-	-	(2,885)
Net maturity	(2,727)	-	-	-	(2,727)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Reponses (continued)
Liquidity risk (continued)

Year ended 30 June 2008	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Consolidated					
Financial assets					
Cash and cash equivalents	100,140	-	-	-	100,140
Trade and other receivables	352,905	5,024	15,072	22,786	395,787
Other financial assets	-	-	-	1,422	1,422
Derivatives	13,705	11,433	5,263	-	30,401
	466,750	16,457	20,335	24,208	527,750
Consolidated					
Financial liabilities					
Trade and other payables	(415,934)	-	-	-	(415,934)
Interest-bearing loans and borrowings	(101,607)	(127,208)	(1,624,121)	(43,142)	(1,896,078)
	(517,541)	(127,208)	(1,624,121)	(43,142)	(2,312,012)
Net maturity	(50,791)	(110,751)	(1,603,786)	(18,934)	(1,784,262)

Year ended 30 June 2008	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Ramsay Health Care Limited					
Financial assets					
Cash & cash equivalents	101	-	-	-	101
Ramsay Health Care Limited					
Financial liabilities					
Trade & other payables	(2,290)	-	-	-	(2,290)
Net maturity	(2,189)	-	-	-	(2,189)

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.

Fair value
The methods for estimating fair value are outlined in the relevant notes to the financial statements.

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
4. REVENUE				
Revenue from Continuing Operations				
Revenue from patients	3,127,273	2,610,602	-	-
Management fees				
Controlled entities (fully owned)	-	-	1,257	905
Rental income				
Other persons/corporations	22,348	20,478	-	-
Dividends				
Controlled entities (fully owned)	-	-	-	110,000
Bad debts recovered	13	2,022	-	-
Income from ancillary services	72,673	40,628	-	-
Net gain on foreign exchange	-	903	-	-
Other income	43	18	-	-
Interest				
Controlled entities (fully owned)	-	-	-	2
Other persons/corporations	5,742	4,570	-	-
Profit on sale of property, plant and equipment	1,555	-	-	-
Total revenues from continuing operations	3,229,647	2,679,221	1,257	110,907
Revenue from Discontinued Operations				
Revenue from patients	-	3,129	-	-
Total revenue from discontinuing operations	-	3,129	-	-

5. EXPENSES

Expenses from Continuing Operations

	2009 $000	2008 $000	2009 $000	2008 $000
(a) Depreciation included in income statement				
- Plant and equipment	78,413	66,645	-	-
- Buildings	29,923	19,802	-	-
Total depreciation	108,336	86,447	-	-
(b) Operating lease costs and incentive				
Lease costs included in occupancy costs expenses in the income statement	110,378	73,299	-	-

The amount charged to the income statement in respect of operating lease costs for the Group under AIFRS 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:

	2009 $000	2008 $000	2009 $000	2008 $000
Deferred rent from leases with fixed annual increments in rent	41,260	21,839	-	-
Reduction in operating profit resulting from accounting in accordance with AASB 117 "Leases" and UIG 115 "Operating leases - incentives"	(41,260)	(21,839)	-	-

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 2009 was lower than the rent expensed by $41,260,000 (2008: $21,839,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000

5. EXPENSES (CONTINUED)

	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
(c) Employee benefits expense				
Wages and salaries	1,300,916	1,122,694	70	53
Leave provision	143,866	125,857	4	19
Workers' compensation costs	13,721	18,165	-	-
Superannuation expense	82,456	73,159	84	56
Termination benefits	857	2,653	-	-
Other employment costs	21,656	17,544	571	103
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	2,814	1,800	2,814	1,800
	1,566,286	1,361,872	3,543	2,031
Specific items - termination benefits	3,166	-	-	-
	1,569,452	1,361,872	3,543	2,031
(d) Finance costs				
- Interest expense				
Other persons/corporations	101,737	82,980	-	-
- Finance charges - lease liability	1,656	956	-	-
- Finance charges - hire purchase	-	17	-	-
	103,393	83,953	-	-
Finance costs disclosed as specific items:				
- Finance costs related to refinancing	-	7,513	-	-
Total Finance costs	103,393	91,466	-	-
Less: Finance costs capitalised	(6,033)	(3,548)	-	-
Finance costs - discontinued operations	-	11	-	-
Total finance costs expensed for continuing operations (including specific items)	97,360	87,929	-	-

Expenses from Discontinued Operations

	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
(e) Expenses				
Employee benefits costs	-	3,033	-	-
Occupancy costs	-	419	-	-
Service costs	-	661	-	-
Medical consumables and supplies	-	986	-	-
Depreciation	-	253	-	-
Total expenses from discontinuing operations	-	5,352	-	-

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
6. INCOME TAX				
(a) Income tax expense The major components of income tax expense/(benefit) are: **Income Statement**				
Continuing operations:				
Current income tax				
Current income tax charge/(benefit)	58,162	46,583	(1,916)	(1,251)
Deferred income tax				
Relating to origination and reversal of temporary differences	(11,944)	1,214	538	943
Adjustments relating to tax returns	1,547	(1,413)	-	-
Income tax expense/(benefit) reported in the income statement	**47,765**	**46,384**	**(1,378)**	**(308)**
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense/(benefit) calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of the accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit/(loss) before tax from continuing operations	154,270	141,279	(4,593)	106,888
Accounting loss before tax from discontinued operations	-	(3,723)	-	-
Accounting profit/(loss) before income tax	154,270	137,556	(4,593)	106,888
At the Parent Entity's statutory income tax rate of 30% (2008: 30%)	46,281	41,267	(1,378)	32,067
Expenditure not allowable for income tax purposes	3,110	3,743	-	625
Foreign tax rate adjustment	1,104	-	-	-
Income not assessable for tax purposes	-	-	-	(33,000)
Other	(2,730)	310	-	-
	47,765	**45,320**	**(1,378)**	**(308)**
Income tax expense/(benefit) reported in the consolidated income statement attributable to continuing operations	47,765	46,384	(1,378)	(308)
Income tax attributable to discontinued operations	-	(1,064)	-	-
	47,765	**45,320**	**(1,378)**	**(308)**
(c) Amounts charged or credited directly to equity				
Deferred income tax related to items charged or credited directly to equity				
Net unrealised gains	(19,855)	(746)	-	-
Treasury shares	191	198	191	198
	(19,664)	**(548)**	**191**	**198**

6. INCOME TAX (CONTINUED)

Recognised deferred tax assets and liabilities

	Consolidated				Ramsay Health Care Limited			
	2009 $000 Current income tax	**2009 $000 Deferred income tax**	**2008 $000 Current income tax**	**2008 $000 Deferred income tax**	**2009 $000 Current income tax**	**2009 $000 Deferred income tax**	**2008 $000 Current income tax**	**2008 $000 Deferred income tax**
Opening balance	(10,466)	9,156	(24,188)	(1,189)	(14,679)	1,846	(23,544)	2,591
(Charged)/credited to income	(58,162)	10,397	(44,106)	(1,214)	1,916	(538)	1,251	(943)
(Charged)/credited to equity	-	19,664	-	(548)	-	(191)	-	198
Payments/(Refunds)	50,859	-	57,828	-	(4,103)	-	7,614	-
Exchange differences	119	(642)	-	(1,194)	-	-	-	-
Acquisition/Disposals	-	-	-	13,301	-	-	-	-
Closing balance	(17,650)	38,575	(10,466)	9,156	(16,866)	1,117	(14,679)	1,846
Tax (expense)/benefit in the income statement		(47,765)		(45,320)		1,378		308
Amounts recognised in the balance sheet								
Deferred tax asset		48,133		35,386		1,117		1,846
Deferred tax liability		(9,558)		(26,230)		-		-
		38,575		9,156		1,117		1,846

6. INCOME TAX (CONTINUED)

Deferred income tax at 30 June relates to the following:

CONSOLIDATED
(i) Deferred tax liabilities

	2009 $000	2008 $000
Inventory	(8,754)	(9,048)
Recognition of revenue	(9,460)	(8,385)
Depreciable assets	(48,161)	(62,630)
Other	(7,324)	(10,897)
Other provisions & lease liabilities	(11,656)	(11,655)
Provision financial instruments	-	(8,091)
Gross deferred tax liabilities	**(85,355)**	**(110,706)**
Set - off deferred tax assets	75,797	84,476
Net deferred tax liabilities	**(9,558)**	**(26,230)**

CONSOLIDATED
(ii) Deferred tax assets

	2009 $000	2008 $000
Employee provisions	51,502	45,401
Other provisions & lease liabilities	54,332	52,254
Unearned income	2,963	1,673
Other	3,863	19,559
Provision financial instruments	11,270	-
Share placement costs	-	975
Gross deferred tax assets	**123,930**	**119,862**
Set - off deferred tax assets	(75,797)	(84,476)
Net deferred tax assets	**48,133**	**35,386**

6. INCOME TAX (CONTINUED)

RAMSAY HEALTH CARE LIMITED

	2009 $000	2008 $000
Deferred tax assets		
Share rights	273	198
Employee provisions	844	672
Share placement costs	-	976
Net deferred tax assets	**1,117**	**1,846**

At 30 June 2009, there is $53,192,994 (2008: $41,222,929) 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.

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 stand alone 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. At the balance date there was no default.

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 stand alone 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 $4,103,000 (2008: decreased $8,865,000).

7. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	2009 $000	2008 $000
Property classified as available for sale		
– written down to fair value	3,200	5,240

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.

	2009 $000	**2008 $000**
Net profit for the year attributable to the members of the parent	106,473	92,198
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(17,194)	(17,681)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	89,279	74,517
Add: Loss from discontinued operations	-	2,659
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	89,279	77,176

	2009 Number of Shares	**2008 Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	173,935,078	173,013,536
Effect of dilution – share rights	421,181	608,317
Weighted average number of ordinary shares adjusted for the effect of dilution	174,356,259	173,621,853

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 (Note 27) have the potential to dilute earnings per share.

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
9. DIVIDENDS PAID OR PROPOSED				
(a) Dividend on ordinary shares paid during the year:				
(i) Interim dividend paid				
Franked dividends - ordinary (16.5 cents per share) (2008: 15.0 cents per share)	28,856	26,061	28,856	26,061
(ii) Previous year final dividend paid				
Franked dividends - ordinary (17.5 cents per share) (2008: 16.0 cents per share)	30,490	27,688	30,490	27,688
	59,346	53,749	59,346	53,749
(b) Dividend proposed and not recognised as a liability:				
Current year final dividend proposed				
Franked dividends - ordinary (21.5 cents per share) (2008: 17.5 cents per share)	37,680	30,490	37,680	30,490
(c) Dividends on CARES paid during the year	17,194	17,681	17,194	17,681
(d) Dividends on CARES proposed and not recognised as a liability	5,365	9,846	5,365	9,846
(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% (2008: 30%)			93,675	72,666
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *			12,215	13,350
			105,890	86,016
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.			(18,448)	(17,287)
			87,442	68,729

* 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% (2008: 30%). $43,045,000 (2008: $40,336,000) of the proposed dividends will be franked at the rate of 30% (2008: 30%).

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000

10. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	89,295	93,268	158	101

Reconciliation to Cash Flow Statement
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June

Cash at bank and in hand	89,295	93,268	158	101

Reconciliation of net profit/(loss) after tax to net cash flows from operations

Profit/(Loss) after tax	106,505	92,236	(3,215)	107,196
Adjustments for:				
Depreciation	108,336	86,700	-	-
Amortisation	1,736	1,733	-	-
Decrement in value of non - current assets	-	289	-	-
Interest received	(5,742)	(4,595)	-	-
Net gain on sale of non - current assets	(1,555)	-	-	-
Dividends received from related entity	-	-	-	(110,000)
Changes in assets and liabilities				
Deferred tax	(19,551)	(5,570)	729	483
Receivables	(50,315)	(48,434)	(1)	-
Other assets	(1,294)	(19,064)	239	(40)
Creditors and accruals	36,112	20,660	23	49
Provisions	58,080	56,654	1,285	1,511
Inventory	(3,897)	(5,656)	-	-
Tax provisions	13,331	(8,239)	-	-
Net cash from/(used in) operating activities	241,746	166,714	(940)	(801)

Disclosure of financing facilities
Refer to note 33.

Disclosure of non-cash financing and investing activities

Under the terms of the dividend reinvestment plan ('the plan') $10,152,489 (2008: $12,370,000) dividends were paid via the issue of 1,027,530 (2008: 1,179,179) shares during the year. The dividend re-investment plan was re-activated for the October 2007 dividend, by the Directors in August 2007.

11. BUSINESS COMBINATIONS

(a) Acquisition of The Capio Group – 2008

On 23 November 2007, Ramsay acquired 100% of the share capital of The Capio Group. The fair value of identifiable assets and liabilities of The Capio Group as at the date of acquisition were:

	$000
Accounts Receivable	76,787
Inventory	15,492
Other assets	19,908
Property, plant and equipment	237,231
Deferred Income tax asset	36,657
Creditors	(26,536)
Accruals and provisions	(57,163)
Non-current provisions	(114,294)
Deferred Income tax liability	(23,356)
Fair value of net assets	164,726
Goodwill arising on acquisition	287,547
	452,273
Consideration	
Cash	435,135
Costs associated with the acquisition	17,138
	452,273
The cash outflow on acquisition is	452,273

The fair value of the identifiable assets and liabilities of The Capio Group approximated the carrying value at the date of acquisition, with the exception of the fair value adjustment on consolidation for the provision for future lease payments of GBP 37.8 million and the fair value adjustment to fixed assets of GBP 16.7 million.

The acquisition of The Capio Group included a commitment relating to operating leases for 20 medical facilities. The net present value of these future payments was GBP 660 million using a discount rate of 6.6%.

The results of The Capio Group from acquisition to 30 June 2008 are disclosed separately in the segment note.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2008, as though The Capio Group was acquired on 1 July 2007, are impractical to calculate due to the significant change in the Group's funding structure on acquisition of The Capio Group.

11. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of Nottingham Private Hospital (UK) and Cairns and Bowral Day Surgeries - 2008

On 31 March 2008, Ramsay acquired Nottingham Private Hospital. On 1 November 2007, Ramsay acquired the assets of Cairns Day Surgery. On 22 April 2008, Ramsay acquired the assets of Bowral Day Surgery. The fair value of identifiable assets and liabilities of this hospital and these day surgeries as at the dates of acquisition were:

	$000
Property, plant and equipment	18,290
Other assets	734
	19,024
Employee entitlements and other liabilities	(295)
Fair value of identifiable net assets	18,729
Goodwill arising on acquisition	4,038
	22,767
Cost of combination:	
Cash	22,229
Costs associated with the acquisition	538
	22,767
The cash outflow on acquisition of businesses is:	5,189
The cash outflow on acquisition of subsidiaries, net of cash received is:	17,578
	22,767

The fair value of the identifiable assets and liabilities of Nottingham Private Hospital and Cairns and Bowral Day Surgeries approximated their carrying value at the dates of acquisition.

The results of Nottingham Private Hospital and the Day Surgeries from acquisition to 30 June 2008 were not disclosed separately as they are not significant to the total Group results.

The revenue and results of the total Ramsay Group for the year ended the 30 June 2008, as though Nottingham Private Hospital and the Day Surgeries had been acquired on 1 July 2007, would not be significantly different to the Group results as were reported.

12. SEGMENT INFORMATION

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by the fact that it operates in different countries. Secondary segment information is reported by business. There is only one business segment, being the provision of healthcare services.

The operating businesses are organised and managed separately according to the geographical location with each segment representing a strategic business unit that serves different markets.

Transfer prices between segments are set 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. Those transfers are eliminated on consolidation.

Geographical Segments

Although the consolidated entity's divisions are managed on a global basis they operate in three main geographical areas:

Australia
This segment consists of the operations of the home country of the parent entity and is also the main operating entity. The area of operation is in the private health care sector.

United Kingdom (UK)
This segment consists of the United Kingdom operations. The area of operation is in the private health care sector.

Indonesia
This segment consists of the Indonesian operations. The area of operation is in the private health care sector.

12. SEGMENT INFORMATION (CONTINUED)

	Total operations			
	Australia $000	**UK $000**	**Indonesia $000**	**Total $000**
Year ended 30 June 2009				
Revenue				
Revenue from services	2,469,208	689,931	63,168	3,222,307
Other revenue	1,531	-	67	1,598
Total revenue before intersegment revenue	2,470,739	689,931	63,235	3,223,905
Intersegment Revenue	3,072	-	-	3,072
Total segment revenue	2,473,811	689,931	63,235	3,226,977
Intersegment revenue elimination				(3,072)
Total consolidated revenue				3,223,905
Results				
Segment results before tax, specific items, amortisation of intangibles, finance costs and before intersegment revenue and expenses	248,912	44,443	9,942	303,297
Specific Items				
- Impairment of non – current assets	-	(6,423)	-	(6,423)
- Ineffectiveness of interest rate hedge	(111)	-	-	(111)
- Restructuring, disposal and integration costs	(370)	(3,456)	-	(3,826)
- Development projects costs	(3,227)	(1,480)	-	(4,707)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	622	-	-	622
- Non-cash rent expense relating to UK leased hospitals	-	(41,260)	-	(41,260)
- Amortisation of intangibles	(1,500)	-	(236)	(1,736)
- Intersegment charges	3,072	(2,712)	(360)	-
Segment results	247,398	(10,888)	9,346	245,856
Finance costs				(97,360)
Interest income				5,742
Profit before income tax				154,238
Income tax expense				(47,765)
Net profit for the year				106,473

12. SEGMENT INFORMATION (CONTINUED)

	Total operations			
	Australia $000	UK $000	Indonesia $000	Total $000
Year ended 30 June 2009				
Assets and liabilities				
Segment assets	2,425,757	664,438	48,800	3,138,995
Unallocated assets				48,133
Total assets				3,187,128
Segment liabilities	(1,753,914)	(478,911)	(17,933)	(2,250,758)
Unallocated liabilities				(27,208)
Total liabilities				(2,277,966)
Other segment information				
Capital expenditure	187,168	81,599	5,926	274,693
Depreciation	(72,073)	(32,571)	(3,692)	(108,336)
Amortisation	(1,500)	-	(236)	(1,736)
Deferred lease with fixed annual rent increment (non-cash)	-	(41,260)	-	(41,260)
Cash flow information				
Net cash flows from operating activities	165,733	61,052	14,961	241,746
Net cash flow from investing activities	(167,042)	(75,478)	(8,393)	(250,913)
Net cash flow from financing activities	(12,718)	17,960	-	5,242

12. SEGMENT INFORMATION (CONTINUED)

	Continuing operations				Discontinued operations			Total operations
	Australia $000	UK $000	Indonesia $000	Total $000	Australia $000	UK $000	Total $000	$000
Year ended 30 June 2008								
Revenue								
Revenue from services	2,232,049	385,244	56,437	2,673,730	2,429	700	3,129	2,676,859
Other revenue	921	-	-	921	-	-	-	921
Total revenue before intersegment revenue	2,232,970	385,244	56,437	2,674,651	2,429	700	3,129	2,677,780
Intersegment Revenue	1,464	-	-	1,464	-	-	-	1,464
Total segment revenue	2,234,434	385,244	56,437	2,676,115	2,429	700	3,129	2,679,244
Intersegment revenue elimination				(1,464)				(1,464)
Total consolidated revenue				2,674,651				2,677,780
Results								
Segment results before tax, specific items, amortisation of intangibles, finance costs and before intersegment revenue and expenses	226,441	19,687	9,474	255,602	(1,672)	(551)	(2,223)	253,379
Specific Items								
- Borrowings costs associated with re-financing	(7,513)	-	-	(7,513)	-	-	-	(7,513)
- Ineffectiveness of interest rate hedge	15	-	-	15	-	-	-	15
- Restructuring, disposal and integration costs	(1,498)	(1,766)	-	(3,264)	(1,511)	-	(1,511)	(4,775)
- Development projects costs	(4,454)	-	-	(4,454)	-	-	-	(4,454)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	273	-	-	273	-	-	-	273
- Deferred rent from leases with fixed annual rent increment (non –cash)	-	(21,839)	-	(21,839)	-	-	-	(21,839)
- Amortisation of intangibles	(1,500)	-	(233)	(1,733)	-	-	-	(1,733)
- Intersegment charges	1,464	(1,384)	(80)	-	-	-	-	-
Segment results	213,228	(5,302)	9,161	217,087	(3,183)	(551)	(3,734)	213,353
Finance costs				(80,416)	(14)	-	(14)	(80,430)
Interest income				4,570	25	-	25	4,595
Profit/(loss) before income tax				141,241	(3,172)	(551)	(3,723)	137,518
Income tax expense				(46,384)	898	166	1,064	(45,320)
Net profit/(loss) for the year				94,857	(2,274)	(385)	(2,659)	92,198

12. SEGMENT INFORMATION (CONTINUED)

	Continuing operations				Discontinued operations			Total operations
	Australia $000	UK $000	Indonesia $000	Total $000	Australia $000	UK $000	Total $000	$000
Year ended 30 June 2008								
Assets and liabilities								
Segment assets	2,290,573	645,258	37,884	2,973,715	-	-	-	2,973,715
Unallocated assets				33,007			-	33,007
Total assets				3,006,722			-	3,006,722
Segment liabilities	1,609,673	432,383	13,806	2,055,862	-	-	-	2,055,862
Unallocated liabilities				36,696			-	36,696
Total liabilities				2,092,558			-	2,092,558
Other segment information								
Capital expenditure	158,949	48,283	4,649	211,881	-	-	-	211,881
Depreciation	(65,043)	(17,868)	(3,536)	(86,447)	(253)	-	(253)	(86,700)
Amortisation	(1,500)	-	(233)	(1,733)	-	-	-	(1,733)
Deferred lease with fixed annual rent increment (non-cash)	-	(21,839)	-	(21,839)	-	-	-	(21,839)
Cash flow information								
Net cash flows from operating activities	172,413	(16,115)	10,416	166,714	-	-	-	166,714
Net cash flow from investing activities	(597,609)	(66,415)	(4,465)	(668,489)	-	-	-	(668,489)
Net cash flow from financing activities	519,033	68,655	(5,666)	582,022	-	-	-	582,022

13. RECEIVABLES

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
Trade Debtors	424,055	370,079	-	-
Allowances for impairment	(5,463)	(4,795)	-	-
	418,592	365,284	-	-
Amounts receivable from related parties	-	-	593,027	656,297
	418,592	365,284	593,027	656,297

(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 $5,463,000 (2008: $4,795,000) has been recognised by the Group and $nil (2008: $nil) by the Company in the current year. These amounts have been included in the service costs item, in the profit and loss.

Movements in the provision for impairment loss were as follows:

At 1 July	(4,795)	(2,648)	-	-
Charge for the year	(2,331)	(1,546)	-	-
Acquisition of subsidiary	-	(1,485)	-	-
Foreign exchange translation	66	194	-	-
Amounts written off (included in service costs)	1,597	690	-	-
At 30 June	(5,463)	(4,795)	-	-

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
2009 - Consolidated	424,055	319,796	37,735	28,206	22,944	9,911	5,463
Ramsay Health Care Limited	593,027	593,027	-	-	-	-	-
2008 - Consolidated	370,079	286,139	40,002	18,226	15,248	5,669	4,795
Ramsay Health Care Limited	656,297	656,297	-	-	-	-	-

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: Consolidated $98,796,000 (2008: $79,145,000); Parent $nil (2008:$nil). 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.

(ii) Related party receivables

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

(iii) Fair value and 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 and interest rate risk

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

14. INVENTORIES

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Amount of medical and food supplies to be consumed in providing future patient services - at cost		63,885	60,258	-	-

(i) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 totalled $815,624,000 (2008: $671,194,000) for the Group and $nil (2008:$nil) for the company. This expense has been included in the medical consumables and supplies expense.

15. OTHER CURRENT ASSETS

	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Prepayments	31,109	31,041	2	239
Other current assets	19,680	20,038	-	-
	50,789	51,079	2	239

(i) Fair values

Due to short term nature of these other current assets, their carrying value approximates fair value.

16. OTHER FINANCIAL ASSETS (NON – CURRENT)

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
(a) Investments comprise:					
Ordinary Shares:					
- Listed on a prescribed stock exchange		4	4	-	-
- Other		1,237	1,276	-	-
		1,241	1,280	-	-
Units in unit trust:					
- Listed on a prescribed stock exchange		77	77	-	-
- Unsecured notes – unlisted		65	65	-	-
		142	142	-	-
		1,383	1,422	-	-
Investment in controlled entities:					
- Unlisted shares and units	16 (b)	-	-	139,997	139,997
		1,383	1,422	139,997	139,997

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the entities in the table below (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 either 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.

The consolidated income statement and consolidated balance sheet of the closed group are set out in Note 36.

16. OTHER FINANCIAL ASSETS (CONTINUED)

16 (b) Investments in controlled entities

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2009 %	2008 %	2009 $000	2008 $000
Investments in controlled entities comprise:					
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%	139,997	139,997
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%		
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%	-		
Outcome Medical Pty Limited	Australia	70%	-		
NewCo Enterprises Pty Limited and its controlled entity:	Australia	91%	91%		
Sydney & Central Coast Linen Services Pty Limited	Australia	91%	91%		
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%		
Balance carried forward				**139,997**	**139,997**

* *Denotes $2.00*
\# *Audited by other member firms of Ernst & Young*
^ *Entities included in the deed of cross guarantee as required for the Class Order*

16. OTHER FINANCIAL ASSETS (CONTINUED)

16 (b) Investments in controlled entities

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2009	2008	2009	2008
		%	%	$000	$000
Balance brought forward				**139,997**	**139,997**
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 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%		
Votraint No. 664 Pty Limited ^	Australia	100%	100%		
Votraint 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%		
Balance carried forward				**139,997**	**139,997**

Audited by other member firms of Ernst & Young

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

16. OTHER FINANCIAL ASSETS (CONTINUED)

16 (b) Investments in controlled entities

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2009	2008	2009	2008
		%	%	$000	$000
Balance brought forward				**139,997**	**139,997**
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%		
Balance carried forward				**139,997**	**139,997**

\# *Audited by other member firms of Ernst & Young*
^ *Entities included in the deed of cross guarantee as required for the Class Order*

16. OTHER FINANCIAL ASSETS (CONTINUED)

16 (b) Investments in controlled entities

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2009 %	2008 %	2009 $000	2008 $000
Balance brought forward				**139,997**	**139,997**
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%		
E Hospital 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%	-		
Ramsay Diagnostics (No. 2) Pty Limited	Australia	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%		
GHG 2008 10A Propco Limited	UK	100%	100%		
Ramsay Health Care Holdings UK Limited #	UK	100%	100%		
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%		
				139,997	**139,997**

\# *Audited by other member firms of Ernst & Young*

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

	CONSOLIDATED			Ramsay Health Care Limited		
	Land & buildings $000	Plant & Equipment $000	Total $000	Land & buildings $000	Plant & Equipment $000	Total $000
17. PROPERTY, PLANT AND EQUIPMENT						
At 1 July 2008, net of accumulated depreciation and impairment	1,160,078	330,331	1,490,409	-	-	-
Additions	168,714	89,472	258,186	-	-	-
Disposals	(726)	(4,351)	(5,077)	-	-	-
Assets reclassified from held for sale	2,040	-	2,040	-	-	-
Impairment	(6,153)	(77)	(6,230)	-	-	-
Exchange differences	(2,890)	(2,057)	(4,947)	-	-	-
Depreciation for the year	(29,923)	(78,413)	(108,336)	-	-	-
At 30 June 2009, net of accumulated depreciation and impairment	1,291,140	334,905	1,626,045	-	-	-
At 1 July 2008						
Cost	1,302,418	760,414	2,062,832	-	-	-
Accumulated depreciation and impairment	(142,340)	(430,083)	(572,423)	-	-	-
Net carrying amount	1,160,078	330,331	1,490,409	-	-	-
At 30 June 2009						
Cost	1,469,556	843,478	2,313,034	-	-	-
Accumulated depreciation and impairment	(178,416)	(508,573)	(686,989)	-	-	-
Net carrying amount	1,291,140	334,905	1,626,045	-	-	-

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2009 is $17,068,025 (2008:$ 17,953,691). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

		CONSOLIDATED			Ramsay Health Care Limited		
		Land & buildings $000	Plant & Equipment $000	Total $000	Land & buildings $000	Plant & Equipment $000	Total $000
17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	Note						
At 1 July 2007, net of accumulated depreciation and impairment as reported in the 2008 financial report		977,571	184,700	1,162,271	-	-	-
Adjustment relating to IFRIC 12	2a	(3,315)	(3,547)	(6,862)	-	-	-
Adjusted opening balance		974,256	181,153	1,155,409	-	-	-
Additions		99,772	112,109	211,881	-	-	-
Disposals		-	(1,292)	(1,292)	-	-	-
Assets reclassified as held for sale		(2,040)	-	(2,040)	-	-	-
Assets reclassified as intangibles		(7,962)	-	(7,962)	-	-	-
Impairment - discontinued operations		(289)	-	(289)	-	-	-
Acquisition of a subsidiaries		130,952	124,562	255,514	-	-	-
Exchange differences		(14,809)	(19,303)	(34,112)	-	-	-
Depreciation for the year		(19,802)	(66,898)	(86,700)	-	-	-
At 30 June 2008, net of accumulated depreciation and impairment		1,160,078	330,331	1,490,409	-	-	-
At 1 July 2007							
Cost as reported in the 2008 financial report		1,099,820	547,885	1,647,705	-	-	-
Adjustment relating to IFRIC 12	2a	(3,315)	(3,547)	(6,862)	-	-	-
Adjusted opening balance		1,096,505	544,338	1,640,843	-	-	-
Accumulated depreciation and impairment		(122,249)	(363,185)	(485,434)	-	-	-
Net carrying amount		974,256	181,153	1,155,409	-	-	-
At 30 June 2008							
Cost		1,302,418	760,414	2,062,832	-	-	-
Accumulated depreciation and impairment		(142,340)	(430,083)	(572,423)	-	-	-
Net carrying amount		1,160,078	330,331	1,490,409	-	-	-

18. GOODWILL AND INTANGIBLE ASSETS

	Consolidated				Ramsay Health Care Limited
	Goodwill	**Right to operate hospitals**	**Development Cost ^**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
At 1 July 2008					
Cost (gross carrying amount)	809,659	39,457	-	849,116	-
Accumulated amortisation	-	(4,733)	-	(4,733)	-
Net carrying amount	809,659	34,724	-	844,383	-
Year ended 30 June 2009					
At 1 July 2008, net of amortisation	809,659	34,724	-	844,383	-
Exchange differences	(4,591)	(102)	-	(4,693)	-
Additions	-	291	16,216	16,507	-
Amortisation	-	(1,736)	-	(1,736)	-
At 30 June 2009, net of amortisation	805,068	33,177	16,216	854,461	-
At 30 June 2009					
Cost (gross carrying amount)	805,068	39,646	16,216	860,930	-
Accumulated amortisation	-	(6,469)	-	(6,469)	-
Net carrying amount	805,068	33,177	16,216	854,461	-

^ Internally generated, including software costs

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, ‘right to operate hospitals’, has been acquired through business combinations and subsequent additions at cost. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 8 and 28 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 10 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.

18. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	Note	Consolidated Goodwill $000	Consolidated Right to operate hospitals $000	Consolidated Development Cost ^ $000	Consolidated Total $000	Ramsay Health Care Limited Total $000
At 1 July 2007						
Cost (gross carrying amount) as reported in the 2008 financial report		550,995	28,600	-	579,595	-
Adjustment relating to IFRIC 12	2a	-	3,315	-	3,315	-
Adjusted opening balance		550,995	31,915	-	582,910	-
Accumulated amortisation		-	(3,000)	-	(3,000)	-
Net carrying amount		550,995	28,915	-	579,910	-
Year ended 30 June 2008						
At 1 July 2007, net of amortisation as reported in the 2008 financial report		550,995	25,600	-	576,595	-
Adjustment relating to IFRIC 12	2a	-	3,315	-	3,315	-
Adjusted opening balance		550,995	28,915	-	579,910	-
Transfer from fixed assets		-	7,962	-	7,962	-
Acquisition of a business		4,038	-	-	4,038	-
Exchange differences		(32,921)	(420)	-	(33,341)	-
Acquisition of subsidiaries		287,547	-	-	287,547	-
Amortisation		-	(1,733)	-	(1,733)	-
At 30 June 2008, net of amortisation		809,659	34,724	-	844,383	-
At 30 June 2008						
Cost (gross carrying amount)		809,659	39,457	-	849,116	-
Accumulated amortisation		-	(4,733)	-	(4,733)	-
Net carrying amount		809,659	34,724	-	844,383	-

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; 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 2009 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2010 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 (2008: 3%).

The pre tax discount rate applied to cash flow projections is 10.58% (2008: 12.60 %). The post tax discount rate is 8.35% (2008: 9.6%).

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 2009 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 9.88% (2008: 10%). The post tax discount rate applied to cash flow projections is 8.0% (2008: 8.88%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2008: 3%).

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

The carrying amounts of goodwill allocated to the Australian business and to the UK business are significant in comparison with the total carrying amounts of goodwill.

	Australian / Indonesian Segment		UK Segment		Total		Ramsay Health Care Limited Total	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
Carrying amount of goodwill	555,033	555,033	250,035	254,626	805,068	809,659	-	-

19. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2009 and 30 June 2008

- 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 28% 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 the aggregated Australian and Indonesian segments, 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 aggregated United Kingdom segment, management has considered that a 2% change to the discount rate would result in approximately $12m 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.

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
20. NON-CURRENT RECEIVABLES				
Receivable from the Government in respect of the availability charge for the operation of a private hospital	27,852	30,438	-	-
Other	3,493	2,569	-	-
	31,345	33,007	-	-

(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 (2008: 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 majority of the receivable balance is due from the Government, this is assessed as low risk.

(v) Terms and Conditions
This receivable will be fully repaid by June 2018**.**

21. TRADE AND OTHER PAYABLES

	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Trade payable	194,824	166,720	72	-
Sundry creditors and accrued expenses	160,599	158,719	-	-
Employee and director entitlements	96,694	90,495	2,813	2,290
	452,117	415,934	2,885	2,290

(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 and liquidity risk

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

22. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

		Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Secured:					
- Loan – bondholders	(i)	2,484	2,367	-	-
- Lease liabilities	(ii)	2,952	3,585	-	-
- Loan – insurance funding	(iii)	-	498	-	-
- Bank Loan	(iv)	7,001	-	-	-
- Other		-	479	-	-
		12,437	6,929	-	-

(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.
(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.

23. PROVISIONS

	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
Current				
Restructuring provision	7,675	9,637	-	-
Unfavourable contracts	6,551	6,943	-	-
Insurance provision	99,782	91,454	-	-
	114,008	108,034	-	-
Non-current				
Non-current employee and director entitlements	84,670	69,071	-	-
Deferred lease provision	79,604	41,149	-	-
Unfavourable contracts	43,177	50,327	-	-
	207,451	160,547	-	-
Total	321,459	268,581	-	-

	Consolidated Deferred lease $000	Consolidated Restructuring provision $000	Consolidated Insurance $000	Consolidated Unfavour-able Contracts $000	Consolidated Total $000	Ramsay Health Care Limited Total $000
At 1 July 2008	41,149	9,637	91,454	57,270	199,510	-
Arising during the year	39,946	-	10,901	-	50,847	-
Utilised during the year	-	(1,962)	(2,529)	(6,663)	(11,154)	-
Exchange differences	(1,491)	-	(44)	(879)	(2,414)	-
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2009	79,604	7,675	99,782	49,728	236,789	-
Current 2009	-	7,675	99,782	6,551	114,008	-
Non-current 2009	79,604	-	-	43,177	122,781	-
	79,604	7,675	99,782	49,728	236,789	-
Current 2008	-	9,637	91,454	6,943	108,034	-
Non-current 2008	41,149	-	-	50,327	91,476	-
	41,149	9,637	91,454	57,270	199,510	-

23. PROVISIONS (CONTINUED)

Restructuring provision

The restructuring provision primarily related to:

- the restructuring of the Group subsequent to the purchase of the Capio and Affinity Group in the 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 the facilities during 2008 and 2009.

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 uncertainly 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 5-10% 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.

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty nine 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.

		Consolidated		Ramsay Health Care Limited	
		2009 $000	2008 $000	2009 $000	2008 $000
24. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)					
Unsecured liabilities:					
- Bank loans	(i)	1,374,285	1,309,956	-	-
Secured liabilities:					
- Lease liabilities	(ii)	17,076	17,739	-	-
- Loan - bondholders	(iii)	29,171	31,655	-	-
		1,420,532	1,359,350	-	-

(i) Further information on bank loans is set out in note 33.
(ii) Lease liabilities are effectively secured by the leased asset.
(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).

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

(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 3.15% to 6.07% (2008: 7.13% to 8.09%) for Australia, 0.65% to 4.42% for UK (2008: 5.20% to 6.31%) and 7.32% to 10.10% (2008: 8.86% to 11.65%) for Indonesia respectively.

	2009		2008	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	1,381,286	1,397,565	1,309,956	1,328,381
Lease liabilities	20,028	23,146	21,324	21,324
Bond holders	31,655	35,108	34,022	34,821
	1,432,969	1,455,819	1,365,302	1,384,526

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

(b) Interest rate, foreign exchange and liquidity risk

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

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non – current interest bearing liabilities are:

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Fixed and Floating charge				
Receivables	2,586	2,387	-	-
Total current assets pledged as security	2,586	2,387	-	-
Non-current				
Finance lease				
Leased assets	17,068	17,954	-	-
Fixed and Floating charge				
Receivables	27,852	30,438	-	-
Total non-current assets pledged as security	44,920	48,392	-	-
Total assets pledged as security	47,506	50,779	-	-

(d) Defaults and 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

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
25.1 Ordinary Shares				
(a) Issued and paid up capital				
175,255,862 ordinary shares fully paid (30 June 2008: 174,228,332 ordinary shares fully paid)	447,774	437,622	447,774	437,622

(b) Movements in share issue	Number of shares	$000
Balance at beginning of the period	174,228,332	437,622
Issued during the period		
- Share Placement (DRP)	1,027,530	10,152
Balance at end of the period	175,255,862	447,774

(c) Terms and 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 Net Unrealised Gains Reserve

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the period	21,342	11,335	-	-
Gross (charge)/benefit to equity for movement in the cash flow hedge	(73,150)	21,916	-	-
Tax benefit/(charge) to equity relating to gross movement in the cash flow hedge during the period	21,945	(6,575)	-	-
Transfer to the profit and loss – cash flow hedges	6,406	(7,620)	-	-
Transfer of tax (charge)/benefit to the profit and loss – cash flow hedges	(1,922)	2,286	-	-
Balance at end of the period	(25,379)	21,342	-	-

Nature and 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 charge to equity during the year to 30 June 2009 represent the fall in interest rates over this period.

25.3 Equity Based Payment Reserve

Nature and 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. Refer note 27 for further details of these plans.

25.4 Vested Employee Equity

Nature and 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.

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)				
25.5 Convertible Adjustable Rate Equity Securities (CARES)				
(a) Issued and paid up capital				
2,600,000 CARES shares fully paid (30 June 2008: 2,600,000 CARES shares fully paid)	252,165	252,165	252,165	252,165

(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 = $\frac{\text{Dividend Rate x Face Value x N}}{365}$ 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 is 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. If Ramsay does not convert or exchange by 20 October 2010 the Margin will be increased by a one time step up of 2.00% (200 basis points) per annum.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	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: • 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.

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

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

(b) Terms and conditions of CARES (Continued)

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.

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
25.6 Treasury Shares				
928,878 ordinary shares (30 June 2008: 1,245,653)	10,210	13,599	-	-

Movements in shares	Number of shares	$000
Balance at beginning of the period	1,245,653	13,599
Vested during the year	(516,775)	(5,395)
Purchased during the year	200,000	2,006
Balance at end of the period	928,878	10,210

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

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

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 (AUD$260 million).

During 2009, dividends of $76,540,000 (2008: $71,430,000) were paid. For the year ended 30 June 2009 fully franked ordinary dividends of 38.0c per share (2008: 32.5c) were declared (Interim dividend of 16.5c, Final dividend of 21.5c). These dividends represented a payout ratio of approximately 50% of Core Earnings per Share of 74.1c. Management's target for dividends for 2010 - 2014, 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 company that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 3.3 times for the year ended 30 June 2009 (2008: 3.7 times).

Additionally under the current senior debt facility which was executed in Nov 07, the Group has committed funding until the expiry of the facility in Nov 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.

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

25.8 Movements in retained earnings

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
At 1 July	222,263	201,495	84,570	48,804
Net profit/(loss)	106,473	92,198	(3,215)	107,196
Equity dividends – cash	(49,194)	(41,379)	(49,174)	(41,379)
Equity dividends – shares	(10,152)	(12,370)	(10,152)	(12,370)
CARES dividends – cash	(17,194)	(17,681)	(17,194)	(17,681)
Actuarial (loss) on Defined Benefit Plan	(862)	-	-	-
At 30 June	251,334	222,263	4,835	84,570

25.9 Movements in share capital and other reserves

	Attributable to equity holders of the parent							
CONSOLIDATED	Issued Capital $000	Treasury Shares $000	Convertible Preference Shares - CARES $000	Equity Based Payment Reserve $000	Net Unrealised Gains Reserve $000	Vested Employee Equity $000	Other Reserves $000	Total $000
At 1 July 2007	425,289	(7,624)	252,165	5,156	11,335	(3,167)	(1,329)	681,825
Currency translation differences	-	-	-	-	-	-	(5,344)	(5,344)
Net gains on cash flow hedges (net of tax)	-	-	-	-	15,341	-	-	15,341
Transfer to the profit and loss – cash hedges (net of tax)	-	-	-	-	(5,334)	-	-	(5,334)
Equity issue costs	(37)	-	-	-	-	-	-	(37)
Shares purchased for Executive Performance Share Plan	-	(9,303)	-	-	-	-	-	(9,303)
Equity dividends – shares	12,370	-	-	-	-	-	-	12,370
Treasury shares vesting to employees in the period	-	3,328	-	-	-	(3,328)	-	-
Cost of share based payment	-	-	-	2,028	-	-	-	2,028
At 30 June 2008	437,622	(13,599)	252,165	7,184	21,342	(6,495)	(6,673)	691,546

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

25.9 Movements in share capital and other reserves (continued)

	Attributable to equity holders of the parent							
CONSOLIDATED	**Issued Capital $000**	**Treasury Shares $000**	**Convertible Preference Shares - CARES $000**	**Equity Based Payment Reserve $000**	**Net Unrealised Gains Reserve $000**	**Vested Employee Equity $000**	**Other Reserves $000**	**Total $000**
At 1 July 2008	437,622	(13,599)	252,165	7,184	21,342	(6,495)	(6,673)	691,546
Currency translation differences	-	-	-	-	-	-	1,878	1,878
Net (loss) on cashflow hedges (net of tax)	-	-	-	-	(51,205)	-	-	(51,205)
Transfer to the profit and loss - cash flow hedges (net of tax)	-	-	-	-	4,484	-	-	4,484
Shares purchased for Executive Performance Share Plan	-	(2,006)	-	-	-	-	-	(2,006)
Equity dividends - shares	10,152	-	-	-	-	-	-	10,152
Treasury shares vesting to employees in the period	-	5,395	-	-	-	(5,395)	-	-
Cost of share based payment	-	-		2,592	-	-	-	2,592
At 30 June 2009	447,774	(10,210)	252,165	9,776	(25,379)	(11,890)	(4,795)	657,441

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

25.9 Movements in share capital and other reserves (continued)

RAMSAY HEALTH CARE LIMITED	Issued Capital $000	Convertible Preference Shares - CARES $000	Equity Based Payment Reserve $000	Total $000
At 1 July 2007	425,289	252,165	5,156	682,610
Equity issue costs	(37)	-	-	(37)
Equity dividends - shares	12,370	-	-	12,370
Cost of share based payment	-	-	1,998	1,998
At 30 June 2008	437,622	252,165	7,154	696,941

RAMSAY HEALTH CARE LIMITED	Issued Capital $000	Convertible Preference Shares - CARES $000	Equity Based Payment Reserve $000	Total $000
At 1 July 2008	437,622	252,165	7,154	696,941
Equity dividends - shares	10,152	-	-	10,152
Cost of share based payment	-	-	2,622	2,622
At 30 June 2009	447,774	252,165	9,776	709,715

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
Current assets				
Interest rate swap contracts - cash flow hedges	-	12,437	-	-
Non - Current assets				
Interest rate swap contracts - cash flow hedges	-	14,549	-	-
Current liabilities				
Interest rate swap contracts - cash flow hedges	23,438	-	-	-
Non - Current liabilities				
Interest rate swap contracts - cash flow hedges	14,129	-	-	-

(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 4.45% (2008: 8.84%). Interest bearing loans in British Pound of the Group currently bear an average variable interest rate of 2.43% (2008: 6.99%).

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 and British Pound 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 67% (2008: 76%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 4.08% and 6.43% (2008: 5.73% and 6.43%) and the variable rates are the 90-day and 180-day bank bill swap bid rate, which at balance date were 3.24% and 3.36% (2008: 7.89% and 8.01%). The British Pound interest rate swap contracts fixed interest rate was 5.44% (2008: 5.46%) and the variable rate is the 90-day London inter-bank offered rate, which at balance date was 1.19% (2008: 5.95%).

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

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
0-1 years	531,401	21,630	-	-
1-2 years	100,000	566,399	-	-
2-3 years	150,000	-	-	-
3-5 years	408,580	416,233	-	-
	1,189,981	1,004,262	-	-

The interest rate swaps 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 into profit and loss when the interest expense is recognised.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

Movement in interest rate swaps cash flow hedge reserve:

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
Opening balance	21,342	11,335	-	-
Transferred to interest expense	4,484	(5,334)	-	-
Credited to equity	(51,205)	15,341	-	-
			-	-
Closing balance	(25,379)	21,342	-	-

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
(Loss)/gain on cash flow hedge ineffectiveness recognised immediately in profit and loss	(111)	15	-	-

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2009 is a GBP borrowing of £107,500,000 (2008: £114,000,000) 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 gain on the hedge of the net investment of $3,855,000 (2008: net gain $29,955,000) 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 instrument 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 mange its credit risk.

27. SHARE BASED PAYMENT PLANS

27.1 Recognised share-based payment expenses

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

	Consolidated		Ramsay Health Care Limited	
	2009	2008	2009	2008
	$000	$000	$000	$000
Expense arising from equity - settled share based payment transactions	2,814	1,800	2,814	1,800
Total expense arising from share – based payment transactions (note 5 (c))	2,814	1,800	2,814	1,800

27. SHARE BASED PAYMENT PLANS (CONTINUED)

27.2 Executive Incentive Rights Plan (Cash Settled)

An executive incentive rights plan was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to Executive directors of the consolidated entity. These rights, entitled the holder to the cash equivalent of one fully paid ordinary share in the entity for nil consideration. The rights are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive incentive rights plan is as follows:

	2009		2008	
	Number of Rights	**Weighted Average Fair Value**	**Number of Rights**	**Weighted Average Fair Value**
Balance at beginning of year	6,364	\$8.71 [1]	160,714	\$11.21 [1]
- rights cash settled	(6,364)	\$10.17 [2]	(154,350)	\$11.17 [2]
Balance at end of year	-		6,364	\$8.71 [1]
Exercisable at end of year	-		-	

[1] Fair value at reporting date
[2] Average fair value at settlement

Fair Values of Incentive Rights (Cash Settled)
The fair value of each incentive right was estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for grants made on 12 September 2004:

	Granted 12-Sep-04
Dividend yield	3.13%
Expected volatility	20% to 30%
Historical volatility	25%
Risk-free interest rate	5.84%
Effective life of incentive right	3 years

The dividend yield reflected the assumption that the current dividend payout would continue with no anticipated increases. The expected life of the rights was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily have been the actual outcome.

The services received and a liability to pay for those services was recognised over the expected vesting period. The liability was remeasured at each reporting date, with changes in fair value recognised in profit or loss, until it was settled.

27. SHARE BASED PAYMENT PLANS (CONTINUED)

27.3 Executive Performance Rights Plan (Equity)

An executive performance rights scheme has been established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to executives of the consolidated entity. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive performance rights plan is as follows:

	2009		2008	
	Number of rights	**Weighted Average Fair Value**	**Number of Rights**	**Weighted Average Fair Value**
Balance at beginning of year	897,654	$6.81	1,065,063	$6.13
- granted	310,000	$9.10 (1)	175,774	$6.50 (1)
- vested	(531,209)	$6.69	(311,674)	$4.32
- forfeited	(21,595)	$7.00	(31,509)	$4.32
Balance at end of year	654,850		897,654	
Exercisable at end of year	-		-	

The following table summarises information about rights held by specified executives as at 30 June 2009:

Number of rights	Grant date	Vesting date	Weighted average Fair value
179,149	31 Oct 2006	31 Jul 2009	$7.44 (1)
165,701	23 Oct 2007	31 Jul 2010	$6.50 (1)
310,000	30 Dec 2008	31 Aug 2011	$9.10 (1)
654,850			

(1) Fair value at grant date

27. SHARE BASED PAYMENT PLANS (CONTINUED)

27.3 Executive Performance Rights Plan (Equity) (continued)

Fair Values of Performance Rights (Equity)

The fair value of each performance right is estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for grants made on 31 October 2006, 23 October 2007 and 30 December 2008.

	Granted 30-Dec-08	**Granted 23-Oct-07**	**Granted 31-Oct-06**
Dividend yield	3.68%	3.15%	2.70%
Expected volatility	20% to 25%	20% to 25%	20% to 25%
Historical volatility	35%	25%	27%
Risk-free interest rate	3.39% - 3.14%	6.53%	5.97%
Effective life of incentive right	3 years	3 years	3 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

27.4 Recognised cash – settled share based payment liability

The carrying amount of the liability related to the cash – settled share based payment at 30 June 2009 is $nil (2008:$70,000).

27.5 Retention rights to receive ordinary shares

On 1 July 2008, Mr Rex, received equity-based retention rights to receive 600,000 ordinary shares pursuant to an Executive Service Agreement with the Company. These rights are not dependent upon satisfaction of a performance condition but will vest subject to Mr Rex continuing in employment as Managing Director until 1 July 2013.

Number of rights	**Grant date**	**Vesting date**	**Weighted average Fair value**
600,000	1 Jul 2008	1 Jul 2013	$8.84[(1)]

(1) Fair Value at grant date.

28. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) 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	Finance Director
A.J. Clark AM	Non-Executive Director
P.J. Evans	Non-Executive Director
I.P.S. Grier	Non-Executive Director
R.H. McGeoch AM	Non-Executive Director
K.C.D. Roxburgh	Non-Executive Director

(ii) Executives

D. Sims	Chief Operating Officer – Australia/Indonesia
C. McNally	Head of Strategic Development

There were no changes of the key management personnel after reporting date and the date the financial report was authorised for issue, with exception of the changes noted above.

(b) Compensation of Key Management Personnel

Further details regarding the compensation of key management personnel have been disclosed in the Remuneration Report.

	CONSOLIDATED		RAMSAY HEALTH CARE LIMITED *	
	2009 $	2008 $	2009 $	2008 $
Non-Executive Directors				
Short term	1,050,500	755,000	1,050,500	755,000
Post employment	655,510	188,779	655,510	188,779
	1,706,010	943,779	1,706,010	943,779
Executive Directors				
Short term	3,916,185	4,692,406	3,916,185	4,692,406
Post employment	27,490	26,258	27,490	26,258
Shared based payment options	1,699,218	941,307	1,699,218	941,307
	5,642,893	5,659,571	5,642,893	5,659,971
Executives				
Short term	1,647,293	2,586,437	-	-
Post employment	27,490	39,388	-	-
Shared based payment options	333,188	550,359	-	-
	2,007,971	3,176,184	-	-
Total				
Short term	6,613,978	8,033,843	4,966,685	5,447,406
Post employment	710,490	254,425	683,000	215,037
Shared based payment options	2,032,406	1,491,666	1,699,218	941,307
	9,356,874	9,779,934	7,348,903	6,603,750

* Remuneration of the Executives is paid by a related party and is not re-charged to the parent entity.

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(c) Compensation Performance Rights: granted and vested during the year (consolidated)

During the financial year, performance rights were granted as equity compensation benefits under the long-term incentive plan to certain key management personnel as disclosed above. Performance rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan. The performance rights vest in accordance with the performance criteria described in the Directors Report. No exercise price is payable upon their vesting. Hedging of Compensation Performance Rights is forbidden.

30 June 2009	Vested	Granted	Grant Date	Fair Value $ (note 27)	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
P. Grier (1)	4,243	-	11/09/04	9.81	30/06/07	31/12/07	31/07/08
P. Grier (2)	322,376		20/07/05	6.75	30/06/08	31/12/08	30/06/09
C. Rex (2)	2,829	-	11/09/04	4.32	30/06/07	31/12/07	1/07/08
C. Rex (2)	53,097	-	20/07/05	6.75	30/06/08	31/12/08	30/06/09
C. Rex (2)	-	25,000	30/12/08	9.05	30/06/11	31/12/11	30/06/12
C. Rex (3)	-	25,000	30/12/08	9.15	30/06/11	N/A	N/A
C. Rex (4)	-	600,000	01/07/08	8.84	N/A	N/A	N/A
B. Soden (1)	2,121	-	11/09/04	10.89	30/06/07	31/12/07	31/07/08
B. Soden (2)	34,387	-	20/07/05	6.75	30/06/08	31/12/08	30/06/09
B. Soden (2)	-	22,500	30/12/08	9.05	30/06/11	31/12/11	30/06/12
B. Soden (3)	-	22,500	30/12/08	9.15	30/06/11	N/A	N/A
Executives							
C. McNally (2)	1,414	-	11/09/04	4.32	30/06/07	31/12/07	1/07/08
C. McNally (2)	25,284	-	20/07/05	6.75	30/06/08	31/12/08	30/06/09
C. McNally (2)	-	12,500	30/12/08	9.05	30/06/11	31/12/11	30/06/12
C. McNally (3)	-	12,500	30/12/08	9.15	30/06/11	N/A	N/A
D. Sims (2)	554	-	11/09/04	4.32	30/06/07	31/12/07	1/07/08
D. Sims (2)	4,956	-	20/07/05	6.75	30/06/08	31/12/08	30/06/09
D. Sims (2)	-	17,500	30/12/08	9.05	30/06/11	31/12/11	30/06/12
D. Sims (3)	-	17,500	30/12/08	9.15	30/06/11	N/A	N/A

30 June 2008	Vested	Granted	Grant Date	Fair Value $ (note 27)	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
P. Grier (1)	102,900	-	11/09/04	11.17	30/06/07	31/12/07	30/06/08
B. Soden (1)	51,450	-	11/09/04	11.17	30/06/07	31/12/07	30/06/08
B. Soden (2)	-	27,700	23/10/07	6.50	30/06/10	31/12/10	30/06/11
Executives							
C. Rex (2)	68,600	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
C. Rex (2)	-	42,306	23/10/07	6.50	30/06/10	31/12/10	30/06/11
C. McNally (2)	34,300	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
C. McNally (2)	-	20,146	23/10/07	6.50	30/06/10	31/12/10	30/06/11
D. Sims (2)	13,446	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
D. Sims (2)	-	10,073	23/10/07	6.50	30/06/10	31/12/10	30/06/11

(1) Cash settled incentive rights
(2) Equity based performance rights subject to satisfaction of relative TSR performance condition
(3) Equity based performance rights subject to satisfaction of EPS Growth performance condition
(4) Equity based retention rights (Refer Note 27.5 for further information).

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(d) Shares issued under the Performance Rights Plan

30 June 2008	No. of shares issued
Executives	
C. Rex	68,600
C. McNally	34,300
D. Sims	13,446
	116,346

30 June 2009	No. of shares issued
Executives	
C. McNally	26,698
D. Sims	5,510
	32,208

No amount was paid by the above executives to exercise vested performance rights. Refer Note 27.

(e) Performance and Incentive Right holdings of Key Management Personnel (consolidated)

30 June 2009	Performance/ Incentive Right	Balance at beginning of period 01 Jul 08	Granted as Remuner-ation	Exercised	Balance at end of period 30 Jun 09	Vested at 30 Jun 09
Directors						
C. Rex	Equity Performance Rights	146,619	50,000	(55,926)	140,693	-
C. Rex	Equity Based Retention Rights	-	600,000	-	600,000	-
B. Soden	Equity Performance Rights	93,769	45,000	(34,387)	104,382	-
B. Soden	Cash settled Incentive Rights	2,121	-	(2,121)	-	-
Executives						
C. McNally	Equity Performance Rights	69,885	25,000	(26,698)	68,187	-
D. Sims	Equity Performance Rights	27,104	35,000	(5,510)	56,594	-

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(e) Performance and Incentive Right holdings of Key Management Personnel (consolidated) (continued)

30 June 2008	Performance/ Incentive Right	Balance at beginning of period 01 Jul 07	Granted as Remuner-ation	Exercised	Balance at end of period 30 Jun 08	Vested at 30 Jun 08
Directors						
P. Grier	Equity Performance Rights	322,376	-	-	322,376	-
B. Soden	Equity Performance Rights	66,069	27,700	-	93,769	-
P. Grier	Cash settled Incentive Rights	107,143	-	(102,900)	4,243	-
B. Soden	Cash settled Incentive Rights	53,571	-	(51,450)	2,121	-
Executives						
C. Rex	Equity Performance Rights	172,913	42,306	(68,600)	146,619	-
C. McNally	Equity Performance Rights	84,039	20,146	(34,300)	69,885	-
D. Sims	Equity Performance Rights	30,477	10,073	(13,446)	27,104	-

(f) Shareholding of Key Management Personnel (consolidated)

30 June 2009	Balance 01 Jul 08		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 09	
	Ord.	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*
Directors										
C. Rex	142,110	5,334	-	-	55,926	-	72	-	198,108	5,334
B. Soden	6,125	1,030	-	-	34,387	-	-	2,305	40,512	3,335
Executives										
C. McNally	104,258	-	-	-	26,698	-	1,191	-	132,147	-
D. Sims	13,446	-	-	-	5,510	-	-	-	18,956	-

30 June 2008	Balance 01 Jul 07		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 08	
	Ord.	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*
Directors										
P. Grier	85,740	-	-	-	-	-	(75,000)	-	10,740	-
B. Soden	6,125	-	-	-	-	-	-	1,030	6,125	1,030
Executives										
C. Rex	71,429	-	-	-	68,600	-	2,081	5,334	142,110	5,334
C. McNally	68,971	-	-	-	34,300	-	987	-	104,258	-
D. Sims	-	-	-	-	13,446	-	-	-	13,446	-

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
29. EXPENDITURE COMMITMENTS					
(a) Finance leases and hire purchase commitments – Group as lessee					
- not later than one year		3,093	3,740	-	-
- later than one year but not later than five years		10,222	10,610	-	-
- later than five years		16,032	17,842	-	-
Total minimum lease payments		29,347	32,192	-	-
- future finance charges		(9,319)	(10,868)	-	-
- lease liability		20,028	21,324	-	-
- current liability	22	2,952	3,585	-	-
- non-current liability	24	17,076	17,739	-	-
		20,028	21,324	-	-
Total lease liability accrued for:					
Current					
- Finance leases	22	2,952	3,585	-	-
		2,952	3,585	-	-
Non-current					
- Finance leases	24	17,076	17,739	-	-
		17,076	17,739	-	-
		20,028	21,324	-	-

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings and other equipment. The leases have lease terms of between two years and fifteen years and the average discount rate implicit in the leases is 12.6% (2008: 12.6%). The security over finance leases is disclosed in note 22 and 24.

29. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Ramsay Health Care Limited 2009 $000	Ramsay Health Care Limited 2008 $000
(b) Lease expenditure commitments - Group as lessee					
Operating leases (non-cancellable):					
Minimum lease payments					
- not later than one year		104,578	103,767	-	-
- later than one year but not later than five years		422,915	429,098	-	-
- later than five years		3,007,697	3,148,166	-	-
Aggregate lease expenditure contracted for at balance date		3,535,190	3,681,031	-	-
Amounts provided for:					
- deferred lease - non-current	23	79,604	41,149	-	-
- unfavourable contract - current	23	6,551	6,943	-	-
- non-current	23	43,177	50,327	-	-
		129,332	98,419	-	-
Amounts not provided for:					
- rental commitments		3,405,858	3,582,612	-	-
Aggregate lease expenditure contracted for at balance date		3,535,190	3,681,031	-	-

Operating leases have lease terms of between one and twenty nine years and an average implicit interest rate of 8.9% (2008: 9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

29. EXPENDITURE COMMITMENTS (CONTINUED)

	Consolidated		Ramsay Health Care Limited	
	2009 $000	2008 $000	2009 $000	2008 $000
(c) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for, payable:				
- not later than one year	49,267	65,610	-	-
- later than one year but not later than two years	-	1,428	-	-
	49,267	67,038	-	-

(d) Commitment to manage and 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 assurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

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.

The parent entity, Ramsay Health Care Limited does not have any defined benefit plans.

The following tables summarise the components of net benefit expense recognised in the consolidated income statements and the funded status and amounts recognised in the consolidated balance sheet for the plans:

	Consolidated Pension Plan	
	2009 $000	2008 $000
Net benefit expense (recognised in employee benefits)		
Current service cost	620	431
Interest cost on benefit obligation	832	470
Expected return on plan assets	(337)	(193)
Net actuarial losses recognised in the period	79	-
Past service cost	9	9
Net benefit expense (note 5) (recognised in superannuation expense)	1,203	717
Actual return on plan assets	(830)	104

	2009 $000	2008 $000
Benefit (liability) included in the balance sheet		
Present value of defined benefit obligation	(10,636)	(10,304)
Fair value of plans assets	3,990	5,236
Net (liability) - non-current	(6,646)	(5,068)

The asset recognised does not exceed the present value of any economic benefits available in the form of reductions in future contributions to the plan.

31. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Consolidated Pension Plan 2009 $000	Consolidated Pension Plan 2008 $000
Opening defined benefit obligation	10,304	2,711
Acquisition of subsidiaries	-	8,792
Current service cost	620	431
Interest cost	832	470
Benefits paid	(905)	(684)
Actuarial losses on obligation	(303)	(8)
Past service costs	9	9
Exchange differences on foreign plans	79	(1,417)
Closing defined benefit obligation	10,636	10,304

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

	Consolidated Pension Plan 2009 $000	Consolidated Pension Plan 2008 $000
Opening fair value of plans assets	5,236	-
Acquisition of subsidiary	-	6,298
Expected return	335	188
Contributions by employer	346	143
Benefits paid	(733)	(491)
Actuarial losses	(1,165)	(8)
Exchange differences on foreign plans	(29)	(894)
Fair value of plans assets	3,990	5,236

The Group expects to contribute $469,000 to its defined benefit pension plans in 2010.

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

	Consolidated Pension Plan 2009 (%)	Consolidated Pension Plan 2008 (%)
Equities	0 - 73	0 - 77
Bonds	0 - 23	0 - 23
Property	0 - 6	0 - 6
Other	0 - 14	0 - 14

	Consolidated Pension Plan 2009 $000	Consolidated Pension Plan 2008 $000
Actuarial losses recognised in the statement of recognised income and expenses	862	-
Cumulative actuarial losses recognised in the statement of recognised income and expense	862	-

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):

	Consolidated Pension Plan	
	2009 (%)	2008 (%)
Discount rate	3.5 - 11.1	5.6 - 12.0
Expected rate of return on assets	0.0 - 7.2	0.0 - 7.4
Future salary increases	4.0 -10.0	4.0 - 10.0
Future pension increases	0.0 - 3.4	0.0 - 3.6

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.

	Consolidated		Ramsay Health Care Limited	
	2009 $	2008 $	2009 $	2008 $
32. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
Audit of financial statements	1,979,033	1,877,591	-	-
Audit of other reports	-	53,500	-	-
Other audit related services	244,606	304,186	-	-
Total audit	2,223,639	2,235,277	-	-
Other services				
Taxation	555,446	781,969	-	-
Other	162,694	729,917	-	-
Total Other Services	718,140	1,511,886	-	-
	2,941,779	3,747,163	-	-

33. BORROWINGS

Terms and Conditions

i. Senior Debt Facility and Working Capital Facility

On 20 November 2007 the Ramsay Group entered into a Syndicated Facility Agreement (SFA). The SFA has three AUD$ tranches with a total commitment of AUD$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 2009 were AUD$913,370,000 (2008: AUD$850,000,000) and £232,000,000 (2008: £226,000,000).

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 2009, the undrawn commitment was AUD$471,630,000 (2008: AUD$535,000,000) and £28,000,000 (2008: £34,000,000).

33. BORROWINGS (continued)

Terms and Conditions (continued)

ii. Bilateral Facilities

The commitment limit under the ANZ facility for working capital is comprised of an AUD$25,000,000 facility limit and a separate sterling facility limit of £10,000,000. The ANZ bilateral facility currently consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD$ 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 AUD$25,000,000 facility limit and a further £10,000,000 facility limit and includes a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD$ and £) together with certain transactional facilities.

Under the bilateral facilities as at 30 June 2009 the total outstanding was AUD$25,783,122 (2008: AUD$29,448,661) and £12,656,936 (2008: £13,285,592). The undrawn commitment across the 2 bilateral facilities as at 30 June 2009 was together AUD$24,216,878 (2008: AUD$20,551,339) and £7,343,064 (2008: £16,714,408).

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

There is a bank loan with PT ANZ Panin Bank in place in relation to the three Indonesian hospitals. The total facility limit is IDR 107,596,500,000 (2008: IDR 107,596,500,000) AUD$13,078,461 (2008: AUD$12,192,295). At 30 June 2009 an amount of IDR 57,597,000,000 (AUD$7,000,972) was drawn under this loan facility (2008: IDR 57,597,000,000 (AUD$6,526,573)).

The interest rate is JIBOR plus 0.5% per annum. The loan termination date is 2 November 2009.

Security given under these facilities consists of:

Standby Letters of credit in the amount of AUD$16.5 million, IDR 107,596,500,000 (AUD$16.5 million equivalent at the first advance of 1 March 2004) and AUD$125,000 both issued by the ANZ Banking group Limited.

iv. Other Interest Bearing Loans

At 30 June 2009 a loan to bondholders of AUD$31,654,948 (2008: AUD$34,002,106) 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

Directors

Directors of Ramsay Health Care Limited during the year ended 30 June 2009 were:
P.J. Ramsay
M.S. Siddle
C.P. Rex (Managing Director)
A.J. Clark
P.J. Evans
I.P.S. Grier
B.R. Soden (Group Finance Director)
R.H. McGeoch
K.C.D. Roxburgh

Non-Director key management personnel of Ramsay Health Care Limited at 30 June 2009 were:
D. Sims - Chief Operating Officer - Australia/Indonesia
C. McNally - Head of Strategic Development

Ultimate Parent

Paul Ramsay Holdings Pty Limited is the ultimate Australian controlling entity.

Equity Instruments of Directors

The beneficial and direct interest of each director in the equity of the Company as at the date of this report (2008: 23 September 2008) was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities (CARES)				Performance Rights(2)	
	2009		2008		2009		2008		2009	2008
	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Direct
P.J. Ramsay	-	73,148,372	-	73,148,372	-	-	-	-	-	-
M.S. Siddle	151,667	-	151,667	-	-	-	-	-	-	-
C.P. Rex	244,342	2,153	187,608	2,081	-	5,334	-	5,334	92,306	99,040
B.R. Soden	68,958	3,236	31,870	3,236	-	3,335	-	2,070	72,700	64,788
A.J. Clark	80,000	-	80,000	-	-	1,200	-	1,000	-	-
P.J. Evans	6,312	-	6,312	-	-	-	-	-	-	-
I.P.S. Grier	293,116	-	333,116	-	-	-	-	-	-	-
R.H. McGeoch	-	73,334	-	133,334	-	257	-	257	-	-
K.C.D. Roxburgh	55,952	21,439	75,149	-	-	-	-	-	-	-

(1) Shares in which the director does not have a direct interest including shares held in director related entities and shares held by family members.

(2) The terms and vesting conditions over these rights are as disclosed in note 27.

Mr Ramsay has a relevant interest in 73,148,372 (2008: 73,148,372) shares held by Paul Ramsay Holdings Pty Limited and is a director of that Company. Mr Siddle, Mr Clark and Mr Evans are also directors of Paul Ramsay Holdings Pty Limited.

The Managing Director, Mr Rex, is employed under a five year Executive Service Agreement (ESA) which commenced on 1 July 2008. In accordance with the terms of the ESA, Mr Rex has been granted equity based retention rights to receive 600,000 ordinary shares, subject to his continuing in employment as Managing Director until 1 July 2013.

In accordance with the terms of his ESA the company will withhold 50% of Mr Rex's STI bonus (after applicable tax) to purchase shares in the company on market. These shares will be bought within 5 days of the cash bonuses being paid (15 September 2009). These shares may not be sold or transferred before the earlier of termination or 3 years.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Movements in Directors' equity holdings

During the year until the date of this report:

- Mr Rex was appointed Managing Director on 1 July 2008. Mr Rex acquired 56,734 ordinary shares through the Executive Performance Rights Plan and indirectly acquired 72 ordinary shares through the Dividend Reinvestment Plan.
- Mr Soden acquired 37,088 ordinary shares through the Executives Performance Rights Plan and indirectly acquired 1,265 CARES on market.
- Mr Clark indirectly acquired 200 CARES on market.
- Mr Grier sold 40,000 ordinary shares.
- Mr McGeoch indirectly sold 60,000 ordinary shares on market.
- Mr Roxburgh acquired 2,242 ordinary shares through the Dividend Reinvestment Plan and transferred 21,439 ordinary shares to an indirectly associated entity.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Transactions with Directors of Ramsay Health Care Limited and the Group

- Entities associated with Mr Ramsay, Mr Siddle, Mr Clark and Mr Evans:

Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at cost recovery plus a 5% margin.

During the year costs of $24,586 (2008: $100,000) were charged by and an amount of $19,452 (2008: $180,000) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

- Entities associated with Mr Grier:

Mr Grier was paid $120,000 (2008: $Nil) for consulting services rendered to the group.

Other related party transactions within the wholly owned group

	2009 $000	2008 $000
Loans to Subsidiaries:		
- Interest free	593,027	656,297

35. SUBSEQUENT EVENTS

On 27 August 2009, Ramsay conducted an underwritten institutional placement of new shares to raise approximately $220 million and a non-underwritten share purchase plan to raise up to an additional $40 million. The capital raising will further strengthen Ramsay's balance sheet and increase its financial flexibility to continue to pursue growth initiatives. In the short term, proceeds from the capital raising will be used to reduce drawn debt under the Company's existing revolving debt facilities.

There have been no other significant events after the balance 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. CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET OF THE CLOSED GROUP

The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

	Closed Group	
	2009	2008
Consolidated Income Statement	$000	$000
Profit from operations before income tax	155,602	131,198
Income tax expense	(48,176)	(43,224)
Net profit for the period	107,426	87,974
Retained earnings at the beginning of the year	169,937	159,988
Actuarial loss on defined benefit plan	(313)	-
Retained earnings adjustments for addition of entities into the class order	-	(6,595)
Dividends provided for or paid	(76,540)	(71,430)
Retained earnings at the end of the year	200,510	169,937
Consolidated Balance Sheet		
ASSETS		
Current Assets		
Cash and cash equivalents	64,129	83,455
Trade receivables	360,226	311,736
Inventories	44,150	42,187
Derivative financial instruments	-	12,437
Other current assets	20,721	18,090
	489,226	467,905
Assets classified as held for sale	3,200	5,240
Total Current Assets	492,426	473,145
Non-current Assets		
Other financial assets	270,925	270,975
Goodwill and intangibles	566,245	550,028
Derivative financial instruments	-	14,549
Deferred tax asset	30,258	7,717
Property, plant and equipment	1,288,144	1,194,878
Total Non-current Assets	2,155,572	2,038,147
TOTAL ASSETS	2,647,998	2,511,292
LIABILITIES		
Current Liabilities		
Trade and other payables	382,566	354,125
Interest-bearing loans and borrowings	503	2,067
Provisions	105,671	99,045
Derivative financial instruments	23,438	-
Income tax payable	16,866	14,679
Total Current Liabilities	529,044	469,916
Non-current Liabilities		
Interest-bearing loans and borrowings	1,139,360	1,077,364
Pension liability	229	23
Derivative financial instruments	14,129	-
Provisions	78,254	69,265
Total Non-current Liabilities	1,231,972	1,146,652
TOTAL LIABILITIES	1,761,016	1,616,568
NET ASSETS	886,982	894,724
EQUITY		
Issued capital	437,228	427,075
Treasury shares	(10,210)	(13,599)
CARES (convertibles Adjustable Rate Equity Securities)	252,165	252,165
Retained earnings	200,510	169,937
Other reserves	7,289	59,146
TOTAL EQUITY	886,982	894,724

Paul Ramsay, AO
Chairman – Appointed 26/05/75

Mr Paul Ramsay is Chairman of the Paul Ramsay Group of Companies.

Mr Ramsay has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman and major shareholder of Ramsay Health Care Limited, he has developed Ramsay Health Care into the largest Australian private hospital owner with extensive operations overseas. In 2002, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organizations. In 2009, Mr Ramsay was appointed Chairman of Sydney Football Club.

During the last three years Mr Ramsay has also served as a director on the following listed companies:

- Prime Media Group Limited (Appointed April 1985) (Currently Chairman)
- Becker Group Limited (Resigned May 2008)

Michael S Siddle
Deputy Chairman – Appointed 26/05/75

Mr Michael Siddle is Deputy Chairman of Ramsay Health Care Limited, having formerly been Chief Executive. He has extensive experience in the management of private hospitals as well as having been closely involved in the company's expansion through construction, mergers and acquisitions.

He is Deputy Chairman of Prime Media Group Limited, one of Australia's largest regional television and radio operators, with media experience in Australia, New Zealand and overseas.

Mr Siddle has also been Deputy Chairman of The Paul Ramsay Group of Companies for over 30 years and has extensive experience in property development.

During the last three years Mr Siddle has also served as a director on the following listed company:

- Prime Media Group Limited (Appointed April 1985) (Currently Deputy Chairman)

Christopher P Rex
Managing Director – Appointed 01/07/08

After 13 years as Chief Operating Officer (COO) for Ramsay Health Care Limited, Chris Rex took over the role of Managing Director and Chief Executive Officer of Ramsay Health Care on 1 July 2008. Chris has played a key role in developing the Company's excellent record in hospital management. As COO, Chris was responsible for hospital operations, human resources, corporate support services and health fund negotiations. He has played a pivotal role in building Ramsay's management expertise and his ability to run hospitals efficiently and effectively is widely acknowledged. Chris has been instrumental in setting Ramsay's growth strategy, a strategy which has seen the company's revenues expand more than 10-fold over the past decade and included the transforming acquisitions of Affinity Healthcare and Ramsay's first major offshore acquisition of Capio UK, the UK's fourth largest independent hospital provider.

Prior to joining Ramsay Health Care in 1995, Chris worked as a manager in the public health service in the United Kingdom and subsequently moved into the private sector where he worked for BUPA the UK's largest Health Insurer. In 1988, he moved to Australia, as General Manager of Macquarie Hospital Services.

Chris is the current President of the Australian Private Hospitals Association (APHA) the peak body representing private hospitals in Australia. He is a Board member of the Schizophrenia Research Institute, a non-profit, National Health and Medical Research Council accredited, independent research institute undertaking world-class studies to understand the causes of schizophrenia. He is also a Director of Sydney Football Club.

Bruce R Soden B.Comm CA MAICD
Finance Director – Appointed 02/01/97

As Group Finance Director, Mr Soden is responsible for the capital management, financial reporting, tax, treasury, and investor relations activities of Ramsay Health Care. Mr Soden's 30 years of finance experience includes a number of years with a major global accounting firm and over 20 years in the private health care industry at an executive level. He has guided Ramsay Health Care's capital management strategy through its IPO, all of its acquisitions, as well as its debt and equity raisings. Mr Soden was appointed Finance Director of Ramsay Health Care's operating entities in 1994 leading up to the float of Ramsay Health Care in 1997 and his appointment as Group Finance Director. Prior to this, he spent four years based in New Orleans as Senior Vice President and Director of Ramsay Health Care, Inc. a listed United States health care company.

Anthony J Clark AM FCA FAICD
Non-Executive Director – Appointed 06/10/98

Mr Tony Clark is a Chartered Accountant and was formerly Managing Partner of KPMG NSW. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

During the last three years Mr Clark has also served as a director on the following listed companies:

- Carlton Investments Limited (Appointed June 2000)
- Amalgamated Holdings Limited (Appointed October 1998)
- Resource Pacific Holdings Limited (Resigned May 2008)
- Cumnock Coal Limited (Resigned September 2007)

Peter J Evans FCA
Non-Executive Director – Appointed 25/06/90

Mr Peter Evans is a Chartered Accountant who was in public practice for over 20 years with precedent firms of KPMG. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 35 years.

During the last three years Mr Evans has also served as a director on the following listed companies:

- Prime Media Group Limited (Appointed March 1991)
- Becker Group Limited (Appointed July 2007)
- Destra Corporation Limited (Appointed April 2008)

I Patrick S Grier MAICD
Non-Executive Director – Appointed 01/07/08

Mr Pat Grier has been employed as an executive in the private health care industry for more than 20 years. In June 2008, he retired as Managing Director of Ramsay Health Care Limited after joining the Company in 1988 and serving at the helm since 1994. During this time, he oversaw the successful float of Ramsay Health Care Limited on the Australian Stock Exchange in 1997 and growth in annual revenues from approximately $200 million to more than $3 billion (2008 financial year). He oversaw a series of successful transforming acquisitions which saw Ramsay Health Care Limited grow to becoming one of Australia's most respected and largest private hospital operators.

Prior to joining Ramsay, he was with Hospital Corporation Australia.

He has served as both President and Chairman of the Australian Private Hospitals Association and sits on a number of industry committees. He has been one of the main architects of the balanced health care System in Australia. Pat served as an Executive Director on the Ramsay Health Care Board for 12 years and from 1 July 2008 continues as a non-executive Director of the Ramsay Health Care Board. In July 2008, Mr Grier was appointed as a director of Careers Australia Group Limited.

During the last three years Mr Grier has also served as a director on the following listed company:

- Prime Media Group Limited (Appointed June 2008)

Rod H McGeoch AM LLB MAICD
Non-Executive Director – Appointed 03/07/97

Mr Rod McGeoch is immediate past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 34 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Currently, Mr McGeoch is Chairman of Vantage Private Equity Group Limited and a Trustee of the Sydney Cricket & Sports Ground Trust. Mr McGeoch also holds a number of honorary positions and in 1990 was awarded membership of the Order of Australia for services to Law and the Community. Mr McGeoch is Co-Chairman of the Australian New Zealand Leadership Forum.

During the last three years Mr McGeoch has also served as a director on the following listed companies:

- Sky City Entertainment Group Limited (Appointed September 2002) (Currently Chairman)
- Telecom Corporation of New Zealand Limited (Appointed April 2001)
- Lipa Pharmaceuticals Limited (Resigned November 2007)
- Gullivers Travel Group Limited (Resigned September 2006)

Kerry C D Roxburgh B.Comm MBA SDIAM
Non-Executive Director – Appointed 03/07/97

Mr Kerry Roxburgh is a SDIA Practitioner Member - Stockbroking. In 2000 he completed a term as CEO of E*TRADE Australia becoming non-executive Chairman until June 2007, when the company was acquired by the ANZ Bank. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group where for 10 years he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. He is also non-executive chairman of Charter Hall Limited, Eircom Holdings Limited (previously Babcock & Brown Capital Limited) and Tasman Cargo Airlines Pty Limited. He is a non-executive director of Money Switch Limited, The Medical Indemnity Protection Society Group, LawCover Insurance Pty Limited, Professional Insurance Australia Pty Limited and of two private investment companies. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

During the last three years Mr Roxburgh has also served as a director of the following listed companies:

- Charter Hall Limited (Appointed April 2005) (Currently Chairman)
- Eircom Holdings Limited (Appointed February 2006) (Current Chairman)
- Everest Financial Group Limited (Resigned May 2009)
- E*trade Australia Limited (Resigned June 2007)
- Everest Capital Investment Management Limited (Resigned December 2006)

John D C O'Grady LLB FAICD
Group General Counsel & Company Secretary – Appointed 23/01/07

Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales and the High Court of Australia. Prior to joining Ramsay, he was in private practice with a strong corporate governance focus and experience in contract negotiation, finance and corporate law.

He heads up the Legal Services team within the Company and has responsibility for coordinating the Risk Management Strategy throughout the Ramsay Group. Mr O'Grady also provides input into all major transactions of the Ramsay Group and advises the Board and Executive on corporate governance.

Mr O'Grady also has Group responsibility for all company secretarial functions, including liaising with the ASX, ASIC and other regulatory bodies.