



SHAPING THE FUTURE

People caring for people

people caring for people



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People caring for people & the environment



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Celebrating 10 Years

2007 is 10 years since Ramsay Health Care floated on the Australian Stock Exchange. At the time of floating, the Company had 11 hospitals with 1351 hospital beds and, in 1997, recorded \$193 million in revenue. Since that time, the Company has transformed into a \$2 billion company and a leading provider of private hospital services, with 64 hospitals and day surgery facilities located across Australia and three hospitals in Indonesia.

Ramsay Health Care is now set to embark on an expansion strategy that will make it a global health care company following the recent acquisition announcement of Capió UK and its 22 hospitals and nine treatment facilities located in the United Kingdom.

The achievements of the last 10 years can be credited to sound strategy and good management and provide a solid platform for further growth into the global health care market.





2007 Highlights

2007 FINANCIAL YEAR HIGHLIGHTS

- Core net profit from continuing operations up 21% to \$110.9 million
- Core Earnings Per Share (EPS) up 21% to 54.9c
- Revenue from continuing operations up 6% to \$2.1 billion
- Strong earnings performance by hospitals across Australia
- Integration of Affinity hospitals and realisation of synergies on track
- Brownfields expansion programme is well advanced and progressing well
- Final dividend 16 cents, making 29 cents (fully franked) for the year, up 21%

2007 FINANCIAL YEAR HIGHLIGHTS

SUMMARY OF FINANCIAL PERFORMANCE	Year ended 30 June 2007 (\$ millions)	Year ended 30 June 2006 (\$ millions)	% increase
Continuing Operations			
Operating revenue	\$2,105.9	\$1,978.0	6%
EBITDA	\$273.4	\$252.3	8%
EBIT	\$212.5	\$194.2	9%
Core Net Profit after tax - continuing operations	\$110.9	\$91.9	21%
Net (Loss)/Profit after tax - <i>divested operations</i>	(\$0.8)	\$1.3	
<i>Specific items & amortisation of intangibles (net of tax)</i>	(\$3.1)	(\$5.7)	
Net Profit after tax	\$107.1	\$87.6	22%
EARNINGS PER SHARE (cents per share)			
Core EPS - Continuing Operations	54.9	45.3	21%
Basic EPS	52.6	42.7	23%
DIVIDENDS (cents per share)			
Total dividend, fully franked	29.0	24.0	21%

'CORE NET PROFIT AFTER TAX - CONTINUING OPERATIONS' & 'CORE EARNINGS PER SHARE - CONTINUING OPERATIONS' ARE BEFORE SPECIFIC ITEMS, AMORTISATION OF INTANGIBLES & DIVESTED OPERATIONS.





Chairman's Report

PAUL RAMSAY AO CHAIRMAN

It is with great pleasure that I present Ramsay Health Care's 2007 Annual Report, recapping a year of strong profit growth as we mark the 10th anniversary of Ramsay's listing on the Australian Stock Exchange.

Ramsay delivered an outstanding financial result in the 2007 financial year. The 21 percent rise in core earnings per share not only surpassed our guidance to the market but was achieved on top of the significant profit growth recorded in the prior year.

It was also an exciting year for our expansion plans. During the past year, Ramsay accelerated these plans for some of its existing hospitals to cope with the growing demand for beds, theatre time and hospital services.

Ramsay has committed \$550 million capital expenditure on improvements and capacity expansion at some of our existing hospitals - what we refer to as our brownfields expansion programme - and we expect this investment to deliver earnings growth progressively towards the end of the 2008 financial year and beyond.

Also, Ramsay continued to actively explore offshore opportunities in the financial year, a strategy which bore fruit in September 2007 with the announcement of our agreement to acquire Capio UK, the fourth-largest operator of private hospitals in the United Kingdom. This acquisition is expected to complete in the second quarter of fiscal 2008, subject to closing conditions, including regulatory and government approvals and consents.

Our acquisition of the UK operation is exciting for Ramsay on many fronts. It provides us with a platform for significant expansion in the UK healthcare sector and the wider European market and allows Ramsay to export its proven hospital management model to drive efficiency gains.

While we are firmly focused on the future and enhancing our growth prospects, I would like to reflect briefly on Ramsay's performance since listing on the Australian Stock Exchange 10 years ago.

Ramsay's transformation and growth over the past decade has been remarkable.

From a portfolio of 11 hospitals with 1,351, Ramsay has grown to become Australia's largest operator of private hospitals.

We now have 67 private hospitals and day care facilities across Australia and Indonesia and more than 7,000 beds. Adding Capio UK's 22 private hospitals, nine Independent Sector Treatment Centres and its other facilities to the group, further enhances our top-line and operating earnings growth profile.

Ramsay's staff - our most important asset - has also expanded dramatically over the past 10 years, growing 10 fold to more than 20,000 people.

Ramsay is extremely proud of its staff, their excellent relationships with doctors and their commitment to the improvement of patient care in all areas.

There have been many milestones since Ramsay's listing but key among them are the:

- construction of the 164 bed North Shore Private Hospital in 1998 (now 184 beds);
- \$64 million acquisition of Alpha Healthcare Limited in May 2001;
- major expansions of Hollywood Private Hospital (increasing capacity from 300 to 416 beds);
- major expansions of Greenslopes Private Hospital (increasing capacity from 350 to 574 beds);
- \$125 million acquisition of the Benchmark Group in July 2004;
- \$1.4 billion acquisition of Affinity in 2005; and
- £193M (approximately \$474M) acquisition of Capio UK's operations recently (subject to conditions).

Affinity was a company transforming acquisition for Ramsay. It almost doubled our size and made us Australia's largest private hospital operator.

It is now two-and-a-half years since we acquired Affinity and we continue to be very pleased with its progress. The benefits of the acquisition are on track to be fully realised by the end of this financial year.



WHEN YOU LOOK AT RAMSAY'S PERFORMANCE OVER THE PAST 10 YEARS, ONE OF THE KEY DRIVERS OF OUR SUCCESS IS OUR CLEAR STRATEGY. OUR FOCUS ON THE MANAGEMENT OF THE CORE HOSPITAL BUSINESS, OUR BROWNFIELDS EXPANSION PROGRAMME & GROWTH THROUGH ACQUISITIONS, HAVE GUIDED OUR STRATEGIC PATH & DELIVERED STRONG RESULTS.

When you look at Ramsay's performance over the past 10 years, one of the key drivers of our success is our clear strategy. Our focus on the management of the core hospital business, our brownfields expansion programme and growth through acquisitions, have guided our strategic path and delivered strong results.

A nearly six-fold increase in Ramsay's share price since listing is a key indicator of how far we have come and testament to our strategy and discipline of only targeting assets and pursuing expansion programmes that are value-enhancing for shareholders.

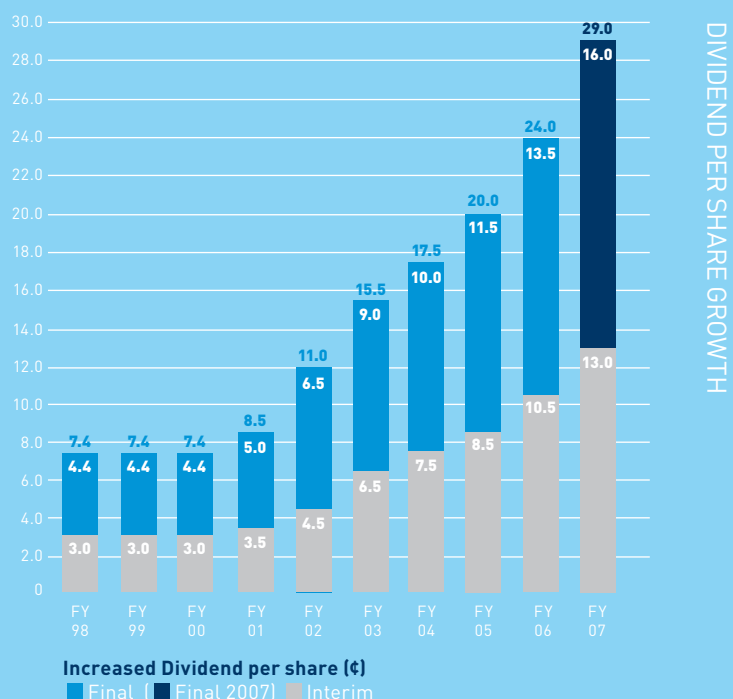
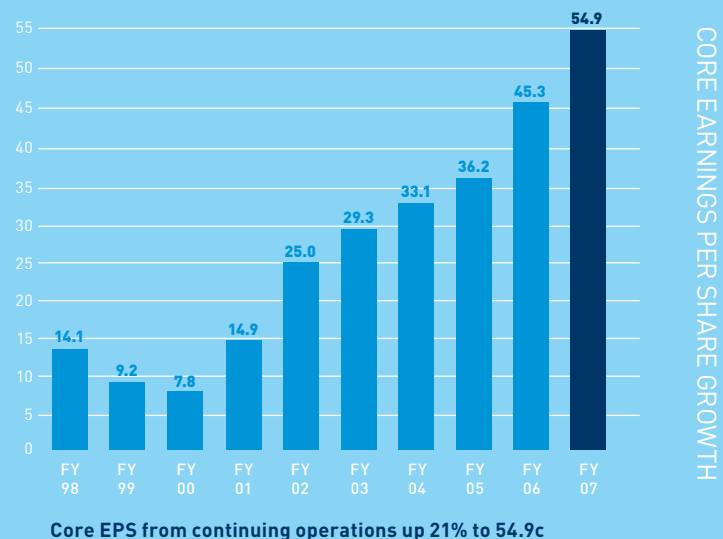
The other key driver of Ramsay's success is the development and encouragement of a corporate culture which we call "The Ramsay Way", which recognises that our staff members are an integral part of the Company.

Looking ahead, I am optimistic and excited about Ramsay's future. Our growth potential is underpinned by very strong industry fundamentals, led by growing private health insurance, an ageing population, and a high quality suite of assets at home and abroad.

The Company will continue to investigate growth and additional acquisition opportunities in the private hospital sector, as well as actively explore ways to leverage our management expertise in related markets within the wider health care environment.

I would like to thank my fellow Directors, the Ramsay Health Care management team and all employees for their support over the past year as well as our visiting medical practitioners for their outstanding contributions.


PAUL RAMSAY AO | Chairman





Managing Director's Report

PAT GRIER MANAGING DIRECTOR

I am very pleased to report that 2007 was another year of strong operational and financial performance for Ramsay Health Care.

Our core net profit after tax exceeded Company guidance for the third consecutive year, debt levels were contained to relatively low levels and we made strong headway on our capacity expansion programme.

We are now in our third year of operating the Affinity hospitals under Ramsay management and the synergies and benefits of this acquisition are on track to be fully realised by the end of the 2008 financial year. This has been a very beneficial, strategic acquisition for Ramsay and I am pleased that the integration process has been achieved so smoothly and productively, and that the benefits have come through in line with our expectations.

Importantly, for our shareholders, Ramsay Directors declared a final, fully franked dividend of 16.0 cents per share which lifted the full-year dividend to 29 cents or 21 percent above last year's dividend payment.

Operational Highlights

In what was another record for the Company, Ramsay reported a 21 percent rise in net profit after tax from continuing operations (before specific items and amortisation of intangibles) of \$110.9 million.

This translates to core earnings per share (EPS) growth of 21 percent, beating our forecast for growth of between 15 and 20 percent. This very strong result was achieved despite treating fewer veterans at our Hollywood and Greenslopes hospitals after the phasing out of our contract with the Department of Veterans' Affairs.

It is also important to note that we achieved this strong EPS growth over and above a fantastic prior year, when profit rose 85%.

The impact of losing the DVA contract was a little greater than we anticipated but our veterans' hospital business is still solid and our transition strategy to manage the contract expiry should see growth return to both Hollywood and Greenslopes toward the end of fiscal 2008.

Ramsay achieved strong EBIT growth across all states over the past year and our EBIT margin improved to 10.1 percent from 9.8 percent, reflecting ongoing cost containment and realisation of synergies from the Affinity integration.

As I mentioned, we are on track to realise or slightly exceed the \$50 million cost and revenue synergies target we set over the three-year integration period of Affinity, which ends in fiscal 2008.

The number of patients admitted to our Australian hospitals rose 4.2 percent over the year. As you may be aware, a number of our major hospitals are operating at capacity and are currently unable to meet our high demand, which is why we have a major expansion plan in place. This programme is proceeding well.

Growth through Expansion & Acquisition

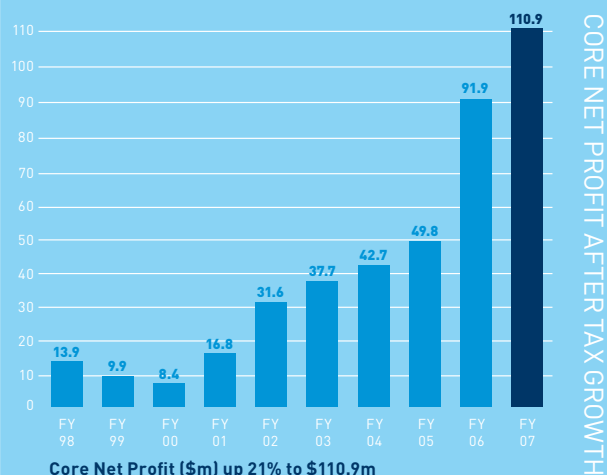
Ramsay has committed \$550 million of capital expenditure to expand and upgrade Ramsay's existing hospitals. This brownfields expansion programme will see investment in facilities such as new theatres, cardiac catheter laboratories, consulting suites and additional beds across seven Ramsay hospitals. As well as addressing unmet demand, this expansion plan is aimed at attracting increased referrals in major metropolitan areas.

We expect that this investment to expand our hospitals, will start to yield earnings growth progressively towards the end of fiscal 2008 and beyond.

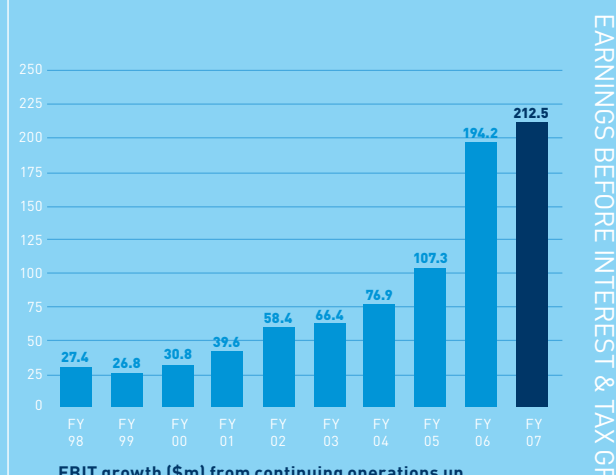
A key part of Ramsay's brownfield expansion programme is the redevelopment of the Joondalup Health Campus in Perth which we announced in April. Ramsay has committed around \$145 million to the redevelopment which will see the construction of a new stand-alone private hospital with 165 beds, more than doubling Joondalup's current private bed capacity, in addition to the State-funded \$135 million for the expansion and development of the public hospital.

In addition to the \$550 million expansion programme, Ramsay is developing proposals to potentially expand a number of other key hospitals. These plans are at an advanced feasibility stage.

WHILE
BROWNFIELDS
EXPANSION IS A
KEY PLANK IN
RAMSAY'S GROWTH
STRATEGY, SO IS
GROWTH THROUGH
ACQUISITION &
LAST MONTH WE
WERE THRILLED
TO ANNOUNCE A
MAJOR OFFSHORE
ACQUISITION
IN CAPIO UK.



Core Net Profit (\$m) up 21% to \$110.9m



EBIT growth (\$m) from continuing operations up 9% to \$212.5m

While brownfields expansion is a key plank in Ramsay's growth strategy, so is growth through acquisition and last month we were thrilled to announce a major offshore acquisition in Capio UK.

Ramsay has spent a lot of time searching for the right offshore acquisition and Capio UK, the fourth-largest operator of private hospitals in the UK, is right for many reasons.

Fundamental changes to the UK market mean opportunities for expansion are significant. The National Health Service (NHS) - the UK's publicly funded health care system - is outsourcing more and more of its patients to the private market. Capio UK gives Ramsay access to that market and the huge growth potential it offers.

The UK's private health insurance business, whilst having a relatively low penetration of health insurance coverage, is stable and the similarities between the Australian and UK markets make exporting Ramsay's proven, strong management expertise, much easier.

While Ramsay has excellent growth opportunities in Australia, both organically and through brownfield expansion, market-leading Capio UK provides a solid platform for expansion in the UK and Europe and in no way detracts from our existing business.

While the acquisition is fully debt-funded, we have retained significant flexibility for more acquisitions and brownfield expansions. Subject to various regulatory and government approvals, we expect the Capio UK acquisition to complete in the second quarter of the 2008 fiscal year.

Corporate Social Responsibility (CSR)

Ramsay Health Care is serious about its responsibilities to the community at large and to the environment and sustainable development.

With respect to our community investment, Ramsay continues to commit philanthropic dollars to several charitable groups and we are proud to be aligned with some major Australian medical research groups. This year we have chosen to focus our support on some select organizations in the areas of intensive care and schizophrenia research.

On the environment and sustainable development, Ramsay recognises that protecting the environment is a critical issue and a key responsibility of the business and corporate community. Many of our hospitals are recording excellent results in the area of water and energy conservation and we are encouraging all of our facilities to get behind these important initiatives.

Outlook

When you consider the strong fundamentals of Australia's private hospital industry; Ramsay's pipeline of expansion projects and its quality portfolio of assets both at home and abroad, Ramsay is very well positioned for future growth.

Australia's ageing population and historically high and growing private health insurance membership bode well for our sector and will continue to underpin Ramsay's growth prospects.

In fiscal 2008, we see our existing hospitals continuing to perform well and expect to see our brownfield projects to deliver earnings growth progressively toward the end of the year and beyond.

We are especially looking forward to applying Ramsay's proven management skills to our UK business and to the earnings growth we forecast it will generate once the benefits of the move to outsourcing NHS services to the private sector flow through.

I would like to thank the Ramsay Management Team and all Ramsay employees for their hard work and commitment during the year. I would also like to thank all our doctors and visiting medical practitioners for their ongoing support of Ramsay Health Care.

PAT GRIER | Managing Director



THE YEAR PRESENTED A
NUMBER OF CHALLENGES & SO
THE RESULTS ACHIEVED WERE
PARTICULARLY PLEASING.

Operations Report

Operationally, the 2007 fiscal year was pleasing with all States showing solid EBIT growth thanks to strong performances by most hospitals. This growth was achieved despite the dilutionary impact of the changes to the Department of Veterans' Affairs contracts at Greenslopes and Hollywood Private Hospitals. In Indonesia, EBIT was flat due to a once-off disruption effect at Mitra Hospital caused by construction in an adjacent building.

For the full year, admissions in the Australian hospitals were up 4.2% and net patient revenue was ahead of budget. This was a good result given that a number of hospitals are now at capacity and cannot meet further demand until brownfield developments come on line over the next few years.

The synergies identified at the time of the Affinity acquisition have largely been achieved and are expected to slightly exceed the target of \$50 million over three years.

The year presented a number of challenges and so the results achieved were particularly pleasing. The big challenges of the year were the management of the transition at Greenslopes and Hollywood; securing health fund price increases in Queensland to offset the effect of the nurses pay increase; deriving the budgeted synergies from the Affinity acquisition; continuing to merge Affinity into 'The Ramsay Way'; and, searching for alternative growth opportunities. For the most part, we addressed these challenges successfully and this is reflected in the positive underlying results across all States.

New South Wales recorded a good increase in EBIT (on the previous year) with some particularly solid results recorded at the rural, regional and outer metropolitan hospitals. Victoria also had an excellent year with a number of outstanding performances amongst the hospitals in particular Albert Road Clinic, The Avenue, Frances Perry and Warringal Hospitals.

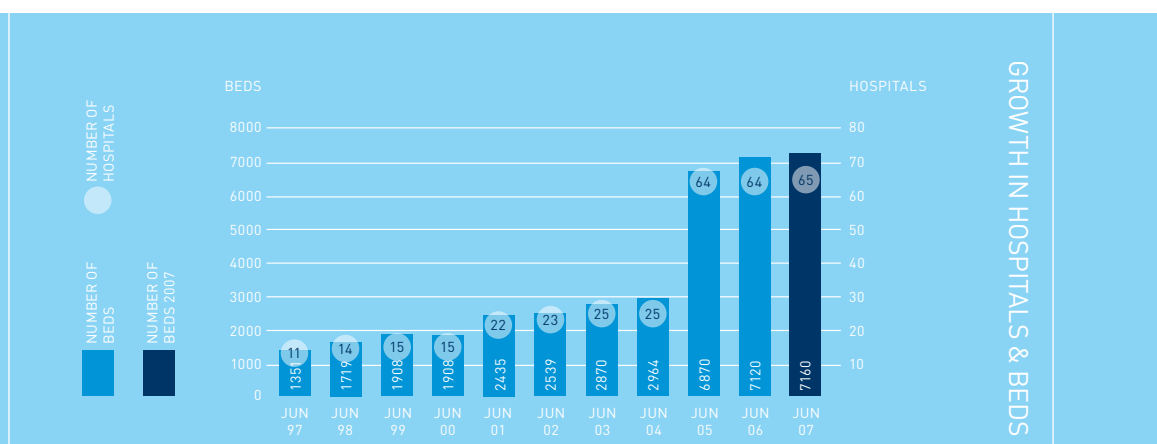
Given the twin issues of the DVA contract changes and the nurses pay increase, Queensland had a pleasing year. Greenslopes had a good result despite the decline in veteran patients that occurred during the year which was partially offset by growth in private admissions.

Western Australia and South Australia both recorded a solid year. The two largest facilities in the West, Hollywood and Joondalup Private Hospitals, have major development projects underway which will see them become large multi-service hospitals servicing their respective catchment areas.

In Indonesia, EBIT was flat compared to the previous year. The flat result can be attributed to Mitra Hospital, which had a very poor first half due to a variety of unavoidable environmental issues.

This year we continued to explore further business initiatives to leverage off our scale and market presence particularly in the areas of pharmacy and procurement. In the area of pharmacy, we are rolling out a program of in-sourcing our hospital pharmacy dispensary services in order to ensure a uniformity of service provision and to access the opportunity of utilising the purchasing power of the group. In procurement generally, our scale provides us with improved opportunities and this continues to be an important area of focus for our business.

In 2008, we look forward to growing our newly acquired hospital business in the United Kingdom. This business has a lot of upside due to the shift in outsourcing by the National Health Service to the private sector, the increasing private health insurance market and the potential for efficiency gains using Ramsay's strong management skills. A strong management team exists in the UK and we will work with this team in growing this business in the coming year.





Our Organisation

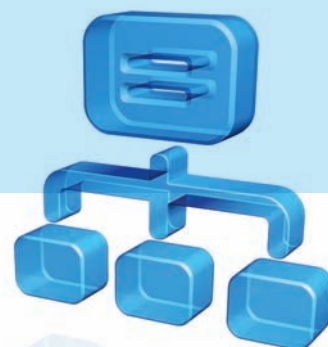
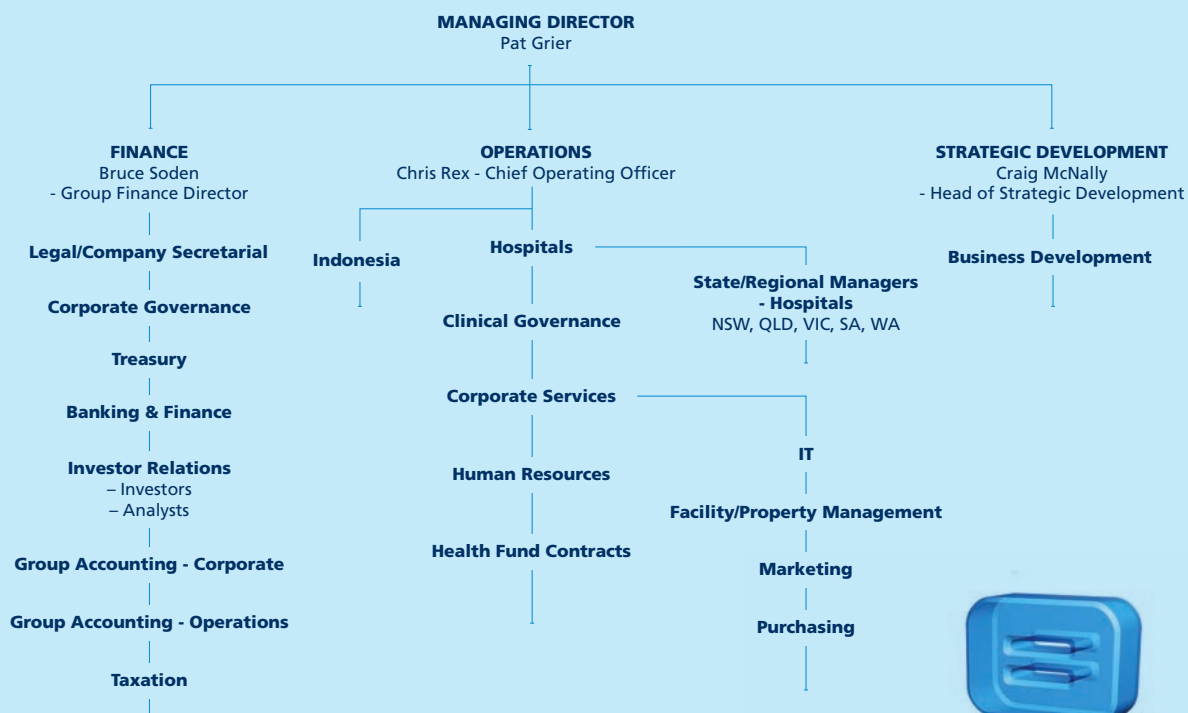
THE EXECUTIVE

THE RAMSAY EXECUTIVE TEAM
HAVE WORKED TOGETHER
FOR OVER 13 YEARS & HAVE
OVERSEEN SIGNIFICANT REVENUE
& PROFIT GROWTH FOR THE
BUSINESS OVER THIS TIME.



LEFT TO RIGHT:
CRAIG MCNALLY, PAT GRIER,
CHRIS REX & BRUCE SODEN

ORGANISATION STRUCTURE





Board of Directors

:01



:01 Paul J Ramsay AO

CHAIRMAN - APPOINTED 26/05/75

Mr Paul 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 of Ramsay Health Care, he has overseen the building of nine private hospitals and has developed Ramsay Health Care to its present strong position in Australian health care. 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.

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

- Prime Television Limited (Current Chairman)
- Becker Group Limited (Current)

:02



:02 Michael S Siddle

DEPUTY CHAIRMAN - APPOINTED 26/05/75

Michael Siddle has been Deputy Chairman of The Paul Ramsay Group of Companies for over 30 years.

He is now Deputy Chairman of Ramsay Health Care Ltd 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 Television Ltd, one of Australia's largest regional television and radio operators, with media experience in Australia, New Zealand and overseas.

Michael also has extensive experience in property development and is currently a member of the Loreto Kirribilli School Council.

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

- Prime Television Limited (Current Deputy Chairman)

:03



:04



:03 Anthony J Clark AM FCA FAICD

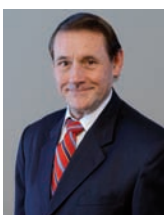
NON-EXECUTIVE DIRECTOR - APPOINTED 06/10/98

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:

- Cumnock Coal Limited (Resigned September 2007)
- Carlton Investments Limited (Current)
- Amalgamated Holdings Limited. (Current)
- Telstra Corporation Limited (Resigned August 2005)

:05



:06



:07



:08



:04 Peter J Evans FCA

NON-EXECUTIVE DIRECTOR - APPOINTED 25/06/90

Mr Peter Evans is a Chartered Accountant who has been in public practice for over 20 years with precedent firms of KPMG and as a sole practitioner since 1989. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 25 years.

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

- Prime Television Limited (Current)
- Becker Group Limited (Appointed 3 July 2007)

**:06 Patrick S Grier MAICD**

MANAGING DIRECTOR – APPOINTED 25/06/97

Pat Grier has been employed as an executive in the private health care industry for more than 20 years and has been Managing director of Ramsay Health Care since 1995. During his time as Managing Director, he has overseen the successful float of Ramsay Health Care on the Australian Stock Exchange in 1997 and growth in annual revenues from approximately \$200 million to more than \$2 billion (2007 financial year). He has overseen a series of successful acquisitions which has seen Ramsay Health Care grow to become Australia's largest private hospital operator.

Mr Grier moved to Ramsay Health Care in 1988 as manager of the group's operating entities and was appointed Managing Director in 1994.

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

He is Chairman of the Australian Private Hospitals Association, and has been on the Board for 12 years. He also sits on a number of industry committees.

:05 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 Growth Limited and a director of Frontiers Group (UK) Limited. He is Chairman of Saatchi & Saatchi's Trans Tasman Advisory Board and a Trustee of the Sydney Cricket and 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.

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

- LIPA Pharmaceuticals Limited (Current)
- Sky City Entertainment Group Limited (Current Chairman)
- Telecom Corporation of New Zealand Limited (Current)
- Australian Growth Properties Limited (Resigned December 2003)
- Gullivers Travel Group Limited (Resigned September 2006)

Kerry C D Roxburgh B.Comm MBA SDIAM :07

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 Hongkong Bank Australia 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 Group, Babcock & Brown Capital Limited and Asian Express Airlines Pty Limited. He is a non-executive director of Everest Babcock & Brown Group, PNG Sustainable Energy Limited, The Medical Indemnity Protection Society Group, LawCover Insurance Pty Limited, Professional Insurance Australia Pty Limited and of a two private investment companies. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

In addition to Ramsay Health Care Limited, during the last three years Mr Roxburgh also served as a director of the following listed Companies:

- Charter Hall Group (Current Chairman)
- Babcock & Brown Capital Limited (Current Chairman)
- Everest Babcock & Brown Group (Current)
- Etrade Australia Limited (Retired as Chairman in June 2007)
- Everest Capital Investment Management Limited (Resigned in December 2006)

Bruce R Soden B.Comm CA MAICD :08

GROUP FINANCE DIRECTOR – APPOINTED 02/01/97

As Group Finance Director, Mr Soden is responsible for the capital management, financial reporting, tax, treasury, legal, corporate governance, 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 20 years in the 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.

**John D C O'Grady LLB FAICD**

GENERAL COUNSEL & COMPANY SECRETARY – APPOINTED 23/01/07

Mr O'Grady is a highly experienced corporate and commercial lawyer, 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, corporate law and property.

He has responsibility for legal support for Ramsay Health Care's corporate, divisional and facility business activities, and manages the legal risk profile of the Ramsay Health Care Group. He provides input into all major transactions of the Group and has responsibility for advising the Board and Executive on governance and major legal risks and issues.

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





Realising our growth strategy

AT RAMSAY HEALTH CARE WE HAVE BEEN FOCUSED ON OPERATING OUR BUSINESS WELL & IDENTIFYING OPPORTUNITIES WHICH WILL DELIVER GROWTH IN BOTH THE SHORT TERM & OVER THE LONGER TERM. IN 2007, WE MADE SIGNIFICANT HEADWAY IN FURTHER DELIVERING ON OUR GROWTH STRATEGY. WE CONTINUED TO GROW EARNINGS ORGANICALLY AT A HOSPITAL LEVEL; WE ACCELERATED OUR \$550 MILLION PLAN TO INVEST IN CAPACITY EXPANSION AT OUR EXISTING HOSPITALS; & WE CONTINUED TO EXPLORE ACQUISITION OPPORTUNITIES. IN SEPTEMBER, WE WERE PLEASED TO ANNOUNCE THAT WE HAD REALISED ANOTHER KEY PLANK OF OUR GROWTH STRATEGY WITH THE PURCHASE OF MARKET-LEADING UK PRIVATE HOSPITAL OPERATOR, CAPIO UK, OUR FIRST MAJOR OFFSHORE ACQUISITION. OUR GROWTH STRATEGY IS ALREADY DELIVERING RETURNS TO SHAREHOLDERS & IT WILL CONTINUE TO DO SO AS THE BENEFITS OF THIS EXPANSION FLOW THROUGH.



Expansion into the United Kingdom

After an extensive search for the right offshore acquisition, Ramsay announced on 7 September 2007 it had agreed to purchase the operations of Capiro UK - the fourth-largest private hospital operator in the United Kingdom - for £193 million (approximately \$474 million).

At the time of going to print, this is still subject to conditions, including regulatory and government approvals and consents, and is expected to complete in the second quarter of the 2008 fiscal year.

This acquisition is a compelling one for Ramsay on many fronts.

Why is Capiro UK right for Ramsay?

- Capiro UK offers a solid platform for expansion in the UK and the wider European market and allows Ramsay to export its proven management model which will drive efficiency gains.
- Forecasts for future growth are strong with substantial improvement in margins expected.
- Capiro UK provides an entry into the UK market where the publicly-funded National Health Services (NHS) is progressively opening up to private investment. Up to £1 billion per annum of NHS outsourcing is expected to be available to the private sector by 2008 and Capiro UK is well positioned to capitalise on this.
- The UK's stable private health insurance market (11 percent of the population has private medical insurance or PMI) and Capiro UK's strong relationships with PMI providers were also key attractions of Capiro UK.

The acquisition will be totally debt funded with an underwritten facility of over \$2 billion, which provides funding for our \$550 million brownfields expansion programme in Australia and also funding headroom and significant flexibility for further expansion and acquisitions.

Capiro UK profile:

Capiro UK (which will be re-branded under the Ramsay name) is a nationwide operation which comprises:

- 22 private hospitals across England with 854 beds and 48 operating theatres;
- 9 independent treatment centres;
- 2 neurological rehabilitation homes;
- A 22-apartment retirement village on a private hospital campus;
- In-hospital pathology services;
- Fixed & mobile radiology units;
- A day surgery unit; and
- A London-based ophthalmology clinic.



- Private Hospitals
- NHS Treatment centres
- Day treatment centre
- Neuro rehabilitation homes





Realising our growth strategy...



Brownfields Expansion

Ramsay's brownfields expansion programme – growing Ramsay's existing hospital franchise – is a key plank in the Company's growth strategy and is aimed at expanding those hospitals in our portfolio which are operating at or near capacity or where demand remains unsatisfied.

Ramsay has committed approximately \$550 million in improvements and capacity expansion at several facilities, to meet demand.

In addition, capacity expansion programmes are either in the pipeline for assessment, or are at an advanced feasibility stage for a further six hospitals: Pindara Private Hospital on the Gold Coast, North Shore Private, Westmead Private, St George Private and Kareena Private Hospitals in Sydney and Warringal Private in Melbourne.

Ramsay applies the same financial discipline to brownfields expansion as it does for acquisitions in order to optimise shareholder value.

Capital allocation and projects are strictly prioritised by strategic benefit and Ramsay targets a rate of a return on these investments of around 15 percent approximately three years after the expansion is completed.





Corporate Social Responsibility

Our Approach

Ramsay Health Care adapts all of its practices to ensure that it operates in ways that exceed the ethical, legal, commercial and public expectations that society has of its business. Corporate social responsibility is integrated into the Company's daily operations and through our policies and practices we make a genuine attempt to improve the quality of life of our employees, their families, the local community and society at large.

In 2007, Ramsay Health Care made a conscious effort to invest more resources in the areas of corporate community investment and the environment and sustainable development.

Supporting the Community

Ramsay Health Care commits significant funds each year to health and medical teaching and research. As Australia's largest operator of private hospitals, Ramsay Health Care recognizes that it has an important role to play in the training and development of the future medical and nursing workforce. To this end, through its hospitals, the Company works closely with universities around the country in the training of nursing and medical staff and commits major support to this vital area.

In 2007, Ramsay Health Care also chose to align itself more closely with some key Australian medical research groups – the Intensive Care Foundation and the Schizophrenia Research Institute. Both these organizations are doing extensive research in their fields and Ramsay Health Care has made significant funding commitments to assist them with their important work.

This year, Ramsay Health Care also signed on as major event partner of the National Triathlon Pink series. The Ramsay Health Care Triathlon Pink series event charity is the National Breast Cancer Foundation. With females making up the largest proportion of Ramsay Health Care staff and as many Ramsay hospitals have a focus on women's health – sponsoring the Triathlon Pink series was seen as a perfect fit for the organization. Ramsay is proud to be associated with something that promotes health and fitness in the community as well as contributing funds towards a worthwhile cause.

Intensive Care
FOUNDATION
making miracles happen


**SCHIZOPHRENIA
RESEARCH
INSTITUTE**

Ramsay Health Care
TRIATHLON
pink All Female Triathlon Series

Environment & Sustainable Development

Ramsay Health Care recognises that protecting the environment is a critical issue and a key responsibility of the business and corporate community. The benefits of environmental protection for current and future generations are clear, but Ramsay Health Care also acknowledges that reducing unnecessary waste and minimizing consumption of scarce resources is consistent with ongoing financial sustainability in terms of meeting the expectations of our customers, reducing costs and minimizing risks.

In 2007, Ramsay Health Care has invested significant resources into this area and is currently working on several important environmental initiatives that will lead to better outcomes for all.

Through its operations, Ramsay Health Care and all its hospitals are committed to:

- Eliminating unnecessary waste
- Resource conservation
- Reducing energy (all forms) consumption
- Water efficiency management
- Monitoring, reporting and reducing emissions of all pollutants
- Evaluating whole-of-life savings of investing in new buildings and plant infrastructure
- Complying with regulations and standards

Many Ramsay Health Care hospitals are already recording excellent results particularly in the area of water and energy conservation and Ramsay is encouraging all facilities to get behind these important initiatives.



People caring for people & the environment



Corporate Governance Statement

Corporate governance is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled by corporations. This statement outlines Ramsay Health Care's main corporate governance practices during the year ended 30 June 2007. The Board has reviewed the Company's corporate governance policies in the light of the current *Principles of Good Corporate Governance and Best Practice Recommendations* published in 2003 by the Australian Stock Exchange Corporate Governance Council (the 'ASX Recommendations'). The Company has adopted a governance framework that is designed to meet good practice. The Board recognises that an effective culture is critical to success. The Company has considered and generally followed the ASX Recommendations during the past financial year. Departures from the Recommendations, together with the reasons for the departure, are disclosed in this statement.

Management & oversight

The role of the Board of Directors, as the governing body of the Company, is to effectively represent and promote the interests of the Company's shareholders. The Board is accountable to the shareholders for the management of the Company's business affairs, and as such, is responsible for the overall strategy, governance and performance of the Company.

The Board's specific responsibilities include:

- setting the strategic direction for the Company, by establishing, developing, modifying and monitoring the Company's strategic objectives;
- monitoring the performance of the Company's management and ensuring that appropriately skilled management is employed to implement the Board's decisions;
- ensuring that appropriate compliance frameworks are in place and are operating effectively;
- identifying areas of significant business risk; and
- approving decisions concerning the capital of the Company and approving and monitoring the Company's financial and other reporting requirements.

The respective roles and responsibilities of the Board and of management are outlined in detail in the Ramsay Health Care Limited Board Charter, available under the Corporate Governance section on the Company's website.

To ensure efficient and effective management and oversight the Board normally holds 11 scheduled meetings each financial year, with one of those scheduled meeting dedicated to an annual review with senior management of the Company's strategic direction. The Board may also meet on other occasions between scheduled meetings to deal with specific matters as the need arises.

In the financial year ended 30 June 2007, the Board held one special board meeting in addition to the 11 scheduled board meetings. Details of Directors' attendance at Board and committee meetings are set out in the Directors' Report.

The Board undertakes an annual review of the performance of senior executives, assessed against a selection of financial and non-financial performance indicators. The senior executive performance review occurred in June and July 2007. This performance review was conducted by the Remuneration Committee with recommendations from the Managing Director and with advice from an external remuneration consultant experienced in advising publicly listed companies.

Structure of the Board

Composition

The Board currently comprises eight Directors, being six non-executive Directors (including the Chairman and Deputy Chairman) and two executive Directors. The composition of the Board and dates of appointment of each member are set out on pages 10 and 11.

The appointment and removal of Directors is governed by the Company's Constitution. The Board is responsible for selecting and approving its own candidates to fill any casual vacancies that may arise from time to time. Directors who have been appointed to fill casual vacancies must then offer themselves for election at the next annual general meeting of the Company.

In addition, at each Annual General Meeting, one third of the Directors (excluding the Managing Director) must offer themselves for re-election subject to the proviso that no Director shall serve more than three years without being a candidate for re-election.

The Board as a whole serves as an informal Nominations Committee, in lieu of a separate Nominations Committee (as recommended by recommendation 2.4). The Board continually assesses the balance of executive and non-executive Directors and the composition of the Board in terms of skills, expertise and diversity required to ensure that the Board is equipped to meet the needs of the Company in the current environment.

The Directors have a broad range of skills and experience. Details of the background and particular qualifications and expertise of each Director are set out under the heading 'Board of Directors' in this Annual Report.

There are no share qualifications for any Directors.

Independence

The Board acknowledges the importance of each Director bringing independent judgement to bear in decision making. Robust discussion of issues is encouraged by the Chairman. It has considered the comments on assessing the independence of directors in the ASX Recommendations. The Board is satisfied that no Director is hindered in his or her ability to exercise unfettered and independent judgement.

The Board considers that Mr Kerry Roxburgh and Mr Rod McGeoch are independent Directors on the basis that they are not members of management and are free of any business or other affiliation that could materially interfere with, or could reasonably be perceived to materially interfere with, their ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.



As permitted by Recommendation 2.1, the Board considers the following non-executive directors to be independent notwithstanding the existence of relationships identified in Recommendation 2.1. Its reasons and the nature of those relationships is disclosed below:

- The current Chairman of the Board, Mr Paul Ramsay, is a non-executive Director who is also a director and shareholder of Paul Ramsay Holdings Pty Limited, the Company's largest shareholder with 42% of the Company's share capital. Mr Ramsay founded the business in 1964 and has built the Company to its present strong position in Australian health care. The Board acknowledges the Recommendation that the Chairman be an independent Director. Mr Ramsay brings extensive experience and in-depth knowledge of the health care sector to the role of Chairman, as well as skills and experience gained in other businesses. The Company believes that Mr Ramsay's experience in the industry and in business generally is invaluable and that the introduction of an independent Chairman would not adequately compensate Ramsay Health Care for the loss of Mr Ramsay's valuable contributions.
- Three non-executive directors, Mr Siddle, Mr Clark and Mr Evans, are also directors of Paul Ramsay Holdings Pty Limited. None of those directors believe that this affiliation prevents them from bringing independent judgement to bear in making Board decisions.
 - Mr Siddle has had a long association with the Chairman, Mr Paul Ramsay and has an indirect beneficial interest in shares of Paul Ramsay Holdings Pty Limited. Mr Siddle has considerable knowledge and experience in the management of private hospitals and property development. Given his experience and insights, the Directors consider that the interests of the shareholders are best met by the continued contribution of Mr Siddle.
 - Mr Clark and Mr Evans are not shareholders of Paul Ramsay Holdings Pty Limited and they do not have a direct or indirect beneficial interest in the Company. Whilst they do not satisfy the definition of independence published in the ASX Recommendations, both bring extensive business experience and skill in the fields of accounting and finance. The Board does not consider that the independence of these Directors is compromised in any material way by their relationship with the substantial shareholder. The Board notes further that Mr Evans and Mr Clark:
 - do not receive any remuneration from Paul Ramsay Holdings Pty Ltd (other than their directors' fees);
 - ~ do not receive any remuneration from the Company (other than their directors' fees and committee/ chairmanship fees as disclosed in the Directors' Report);
 - ~ are voted on to the Board by the shareholders generally; and
 - ~ in practice make their own decisions on how to vote at meetings of the Board, in the interests of the Company's shareholders generally, without direction from Paul Ramsay Holdings Pty Ltd.

Directors are entitled to seek independent professional advice at the expense of the Company as required in the furtherance of their duties, subject to prior consultation with, and the approval of, the Chairman.

The independence of Board members is a matter which the Board will continue to monitor in accordance with the ASX Recommendations in the forthcoming year.

Board Performance

The Board is aware of the need to assess the performance of each Director and of the Board as a whole. To this end the Chairman regularly discusses with each Director, their individual performance and contribution to the Board. In October 2006, the Chairman conducted an evaluation of the performance of the Board. That evaluation considered the size, composition, independence, meeting frequency, culture and working style of the Board.

Ethical Standards & Code of Conduct

Directors and employees of the company are expected to maintain high standards of ethical business conduct. To this end, the Board has adopted a Code of Conduct, which prescribes the principles and standards with which all directors, executive officers and employees are expected to maintain in the performance of their respective functions.

These principles and standards address a range of matters including the responsibilities and obligations of management and staff of the Company in relation to compliance with applicable laws including privacy legislation, protecting the confidentiality of confidential and personal information of third parties, respecting the rights of people with whom the Company's interacts, workplace health and safety, conflicts of interest, risk management and diligence and professional conduct.

The Code of Conduct has been published under the Corporate Governance section of the Company's website.

Policy on Share Trading by Directors & Senior Executives

The Board has adopted a policy on trading in Company shares by Directors and senior executives. The policy, which restricts Directors and senior executives from acting on any material information before it has been released to the market, only permits the purchase or sale of Company shares during the following periods:

- a. six weeks following the release of the half-yearly financial results; and
- b. six weeks following the release of the annual financial results.

Continuous Disclosure

The Board has also adopted a policy on continuous disclosure to ensure compliance with the disclosure obligations under ASX Listing Rule 3.1.

Board Committees

There are 3 formal Board Committees which operate under terms of reference approved by the Board: the Audit Committee, the Remuneration Committee and the Risk Management Committee.

The formal charter for each Board Committee has been published on the Company's website.

The number of meetings attended by the members of each Committee in the past financial year is disclosed in the Director's Report.

Audit Committee

The Audit Committee assists the Board in fulfilling its fiduciary responsibilities in relation to corporate accounting and reporting practices. The Committee is chaired by a qualified accountant and all members are financially literate.

The Audit Committee's responsibilities are to:

- a. oversee the reporting process and to provide an objective review of the financial information presented by management to the Board, for presentation to shareholders, regulatory authorities and the general public;
- b. oversee the maintenance of the Company's accounting systems;
- c. review the Company's accounting policies and reporting requirements;
- d. establish and maintain an effective internal control framework within the organisation;
- e. assess the risks affecting the business and to ensure the risks identified are properly managed;
- f. review the scope and effectiveness of the external audit;
- g. oversee and review the appointment, performance and remuneration of the external auditors;
- h. review the terms of the audit engagement;
- i. maintain lines of communication between the Board and the external auditors; and
- j. oversee and review the appointment, scope, performance and remuneration of the internal auditors.





The Audit Committee is comprised of 3 non-executive Directors. The members of this Committee during the past financial year were:

- Peter Evans Chairman and Non-executive Director
- Kerry Roxburgh Non-executive Director
- Tony Clark Non-executive Director

The Board acknowledges the ASX Recommendation that the Audit Committee should consist of a majority of independent Directors and the ASX Recommendation that the Audit Committee be chaired by an independent chair, who is not the chair of the Board. Mr Roxburgh is an independent Director. Although, for the reasons outlined above, Mr Evans and Mr Clark are not technically independent Directors within the meaning of the ASX Recommendations, the Board does not consider that their independence is hindered in their roles as Audit Committee members and is satisfied that the Audit Committee is of sufficient independence to discharge its mandate effectively.

The Managing Director and the Group Finance Director attend meetings of the Audit Committee along with other members of the executive team and the external auditor by invitation only.

The external auditors have a standing invitation to meet with the Audit Committee and the Chairman of the Audit Committee, at any time, without the presence of the executive Directors or management.

The Audit Committee acknowledges that a high quality, independent statutory audit, is essential to the maintenance of the highest standards in financial reporting. To ensure that the external auditor is at all times independent, as well as perceived to be independent, the Committee has adopted a Charter of Audit Independence. The Charter contains procedures designed to ensure independence and articulates various obligations of the external auditor, the Company's management and the Audit Committee. These include procedures relating to the appointment of auditors and communications between the auditor and the Audit Committee, reporting obligations, as well as procedures for provision by the auditor of suitably qualified personnel to ensure an effective audit.

The Charter also contains guidelines in relation to the provision of non-audit services by the auditor (a discussion of non-audit services provided during the year is contained in the Directors' Report commencing on page 22).

The external auditor is also required to:

- a) Commit to the rotation of the senior partner in charge of the audit every five years;
- b) Confirm on an annual basis that:
 - the external auditor has complied with all legislation as well as professional regulations or guidance issued by the Australian Accounting Profession relating to Audit Independence;
 - the external auditor, its partners or the service team do not have any financial or business interests in the Company;
 - superannuation funds of the external auditor's partners or staff do not have a direct financial interest in the Company; and
 - total fees received from the Company do not have a material impact on the external auditor's operations or financial condition.

Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing compensation packages for the executive Directors. Full disclosure of all elements of Directors' and relevant senior executives' remuneration can be found in the Remuneration Report starting on page 23. In making determinations in relation to remuneration, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned.

The remuneration of managers and staff other than executive Directors is within the authority of the executive Directors. The executive Directors have discretion in regard to the remuneration of individual managers subject to the proviso that the overall level of remuneration falls within budget guidelines as approved by the Board.

The Remuneration Committee also makes recommendations to the Board, on the allocation of performance rights under the Company's Executive Incentive and Performance Rights Plans. In accordance with the Listing Rules, performance rights issued to Directors require the approval of shareholders in general meeting.

The Remuneration Committee is comprised of 3 non-executive Directors. The members of the Committee during the past financial year were:

- Rod McGeoch Chairman and Non-executive Director
- Peter Evans Non-executive Director
- Michael Siddle Non-executive Director

The Board acknowledges the ASX Recommendation that the Remuneration Committee should consist of a majority of independent Directors. Mr McGeoch is an independent Director. Although Mr Evans and Mr Siddle are not technically independent Directors under the ASX Recommendations, for the reasons outlined above, the Board does not consider that their independence is hindered in their role as Remuneration Committee members.

The Board as a whole, upon recommendations from the Remuneration Committee, determines the remuneration of non-executive Directors. Their recommendations have regard to survey comparisons, inflation trends, and to special responsibilities assumed by Directors. Any increase in the maximum aggregate quantum of Directors' fees is subject to the approval of shareholders in general meeting.

Risk Management Committee

The Risk Management Committee is responsible for the ongoing assessment and management of risk to the Company, including clinical, medical, occupational health and safety and financial risk. The Risk Management Committee is also responsible for the accreditation process for all hospitals, including the review of clinical and infection control procedures. The Committee verifies the credentials of medical practitioners who use the Company's facilities, and receives reports from each hospital's medical advisory board. This process minimises the risk of malpractice.

In addition to the Risk Management Committee, the Board continues to manage and monitor ongoing business risk through:

- a. comprehensive reporting, whereby detailed management and business performance reports are prepared for the Board on a monthly basis. At each meeting of the Board, Directors receive and give consideration to reports from:
 - the Managing Director;
 - the Group Finance Director;
 - operations and hospital management;
 - risk management; and
 - planning and development.
- b. the review and approval of budgeted routine and capital expenditure;
- c. the establishment of policies on limits of authority and the approval of expenditure;
- d. oversight and review of the six-monthly external audits, via the Audit Committee;
- e. oversight of the outsourced internal audit function, via the Audit Committee;
- f. oversight of treasury activities;
- g. oversight of professional and medical conduct, via the Risk Management Committee; and
- h. maintenance of annual insurance programs.

The members of this Committee during the past financial year were:

- Peter Evans Chairman and Non-executive Director
- Kerry Roxburgh Non-executive Director
- Pat Grier Managing Director

The Chief Operating Officer, the Group Clinical Governance Manager, Group Clinical Risk Manager, the Clinical Governance and Claims Manager, Group Accreditation and Quality Manager, and the Group Financial Controller also attend meetings of the Risk Management Committee.



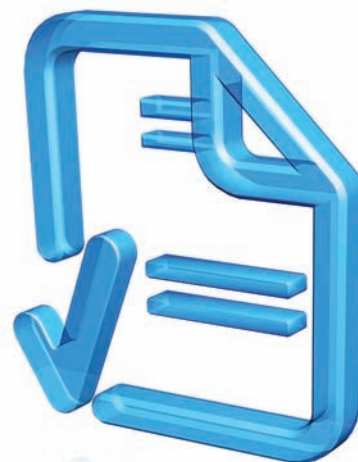
In accordance with Recommendation 7.2 the Managing Director and the Group Finance Director provide to the Board on a six-monthly basis a written statement to the effect that the Company's Risk Management and Internal Control systems are operating efficiently and effectively. The Board has received assurance that the declaration provided under s 295A of the Corporations Act 2001, and noted in the Directors' Report, is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

Communication with Shareholders

The Board recognises the importance of communicating effectively with shareholders and the market generally and is committed to ensuring that shareholders are fully informed of all material matters that affect the position and prospects of the Company. To ensure shareholders are kept fully informed, the Company:

- a. maintains a special investor section on the Company website for publishing financial reports and up-to-date market releases as and when they are released and as an archive;
- b. provides investors with an email alert facility, via the Company website, for all Company announcements to the market; and
- c. from time to time uses direct correspondence from the Chairman to update all shareholders on significant events.

Full advantage is also taken of Annual General Meetings to provide shareholders with information about the Company and its current plans and strategies. Shareholders are encouraged to participate through the question and answer session conducted as part of the Annual General Meeting. All members of the Board as well as the external auditor make themselves available for questions from shareholders as part of this process.





Corporate Directory

Directors

Non Executive Directors

Paul Ramsay (Chairman)
Michael Siddle (Deputy Chairman)
Tony Clark
Peter Evans
Rod McGeoch
Kerry Roxburgh

Executive Directors

Pat Grier (Managing Director)
Bruce Soden (Group Finance Director)

General Counsel & Company Secretary

John O'Grady

Auditors

Ernst & Young
680 George Street, Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway
St Leonards NSW 2065
Email: enquiry@ramsayhealth.com.au
Website: www.ramsayhealth.com
Telephone: 61 2 9433 3444
Facsimile: 61 2 9433 3460

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Mail Address: GPO Box 2975
Melbourne VIC 3001
Email: web.queries@computershare.com.au
Website: www.computershare.com
Enquires (within Australia): 1300 855 080
Enquires (outside Australia): 61 3 9415 4000
Facsimile: 61 2 8235 8150





Financial Report

for the year ended 30 June 2007

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RAMSAY HEALTH CARE LIMITED
& CONTROLLED ENTITIES
ABN 57 001 288 768



People caring for people & the environment



The Financial Report is printed on "EcoStar", a 100% recycled
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Your Directors submit their report for the year ended 30 June 2007. 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
I.P.S. Grier – Managing Director
B.R. Soden – Finance Director
A.J. Clark AM – Non-Executive Director
P.J. Evans – Non-Executive Director
R.H. McGeoch AM – Non-Executive Director
K.C.D. Roxburgh – Non-Executive Director

Particulars in respect of each Director's experience and qualifications are set out in the Directors Qualifications section of the Annual Report.

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	Ramsay Health Care Limited	
	Ordinary Shares	Rights over Ordinary Shares
P.J. Ramsay	73,148,372	-
M.S. Siddle	151,667	-
A.J. Clark	85,000	-
P.J. Evans	6,312	-
I.P.S. Grier	10,740	429,520
R.H. McGeoch	133,334	-
K.C.D. Roxburgh	72,982	-
B.R. Soden	6,125	119,640

Mr Paul Ramsay has a relevant interest in 73,148,372 (2006: 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

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 \$107,056,000 (2006: profit of \$87,590,000). The operating profit before tax from continuing operations was \$158,043,000 (2006: \$118,131,000).

Earnings per Share

Basic earnings per share (after CARES dividend) 52.6 cents (2006: 42.7 cents).

Basic earnings per share (after CARES dividend) from continuing operations 52.8 cents (2006: 38.0 cents).

Dividends

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

Final dividend recommended @ 16.0 cents per share	\$27,687,864 (2006: \$23,362,000)
Interim dividend paid during the year @ 13.0 cents per share	\$22,513,000 (2006: \$18,115,000)

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

Final dividend recommended	\$8,737,319 (2006: \$7,886,000)
Interim dividend paid during the year	\$8,408,000 (2006: \$7,762,000)

REVIEW OF OPERATIONS

Net profit after tax, specific items, amortisation of intangibles and divested operations for the year ended 30 June 2007 was 22% higher at \$107.1 million. Core net profit after tax from continuing operations (before specific items and amortisation of intangibles) increased 21% to \$110.9 million for the year ended 30 June 2007 and translates to core earnings per share (EPS) of 54.9 cents.

Group EBIT increased 9% for the year on top of the vastly increased EBIT base following the Affinity acquisition in April 2005. The growth in EBIT was achieved despite the impact of the changed patient mix at the veterans' hospitals, which was more pronounced than expected in the second half.

The three-year integration plan of the Affinity hospital is proceeding well. This allows Ramsay to focus on new growth prospects.

CORPORATE INFORMATION

This annual report covers both Ramsay Health Care Limited as an individual entity and the consolidated entity comprising Ramsay Health Care Limited and its subsidiaries. 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 2007 was authorised for issue in accordance with a resolution of the directors on 4 September 2007.

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 160,714 (2006: 321,428) Incentive Rights granted under the Executive Incentive Rights Plan. Refer to note 27 of the financial statements for further details of the rights outstanding.

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 1,065,063 (2006: 1,208,765) unissued ordinary shares under the Executive Performance Rights Plan. Refer to note 27 of the financial statements for further details of the rights outstanding.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no 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

This report outlines the compensation arrangements in place for directors and executives of Ramsay Health Care Limited (the Company).

Compensation Philosophy – Audited

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.
- Establish appropriate, demanding 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 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.

Compensation Structure

In accordance with the ASX Corporate Governance Council Best Practice Recommendations, 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.

Non-Executive Director Compensation (continued)

Structure

The 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 22 November 2005 when shareholders approved an aggregate compensation of \$900,000 per year.

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 have long been 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, will accrue on a pro-rata basis, over a period of nine years, commencing after the minimum service period of three years. The minimum service period will commence 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. The Directors Retirement Benefit Plan is frozen to the current serving non-executive directors and will not be extended to new non-executive directors appointed to the Board. Cumulatively an amount of \$2,137,500 (2006: \$1,100,000) has been provided as at 30 June 2007 and \$1,037,500 (2006: \$180,000) expensed in the current year. Retirement benefits of \$nil (2006: \$180,000) were paid out in the current year.

The compensation of non-executive directors for the financial year ended 30 June 2007 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.

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 employment contract has been entered into with the Executive 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 Compensation;
- Variable Compensation;
 - 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 5 named executives, for the financial year ended 30 June 2007.

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 Company 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.

Structure

Formal STI guidelines have been set by the Remuneration Committee for each member of the senior executive management team, including the Managing Director, the Finance Director, the Chief Operating Officer and the Business Development Manager. Under these guidelines the potential STI has been set as a fixed percentage of the total compensation package. STI for all other executives below the executive management team are made on a discretionary basis.

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

STI grants are linked to an executive's actual performance as measured by specific operational targets set at the beginning of the financial year. 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. The Company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus.

Variable Compensation – 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 hurdle.

Structure

LTI grants to executives are delivered in the form of both equity based performance rights and cash settled incentive rights ('rights').

The Company uses a relative Total Shareholder Return (TSR) as the performance hurdle for the long term incentive plan. The use of a relative TSR based hurdle is currently market best practice as it ensures an alignment between comparative shareholder return and reward for executives.

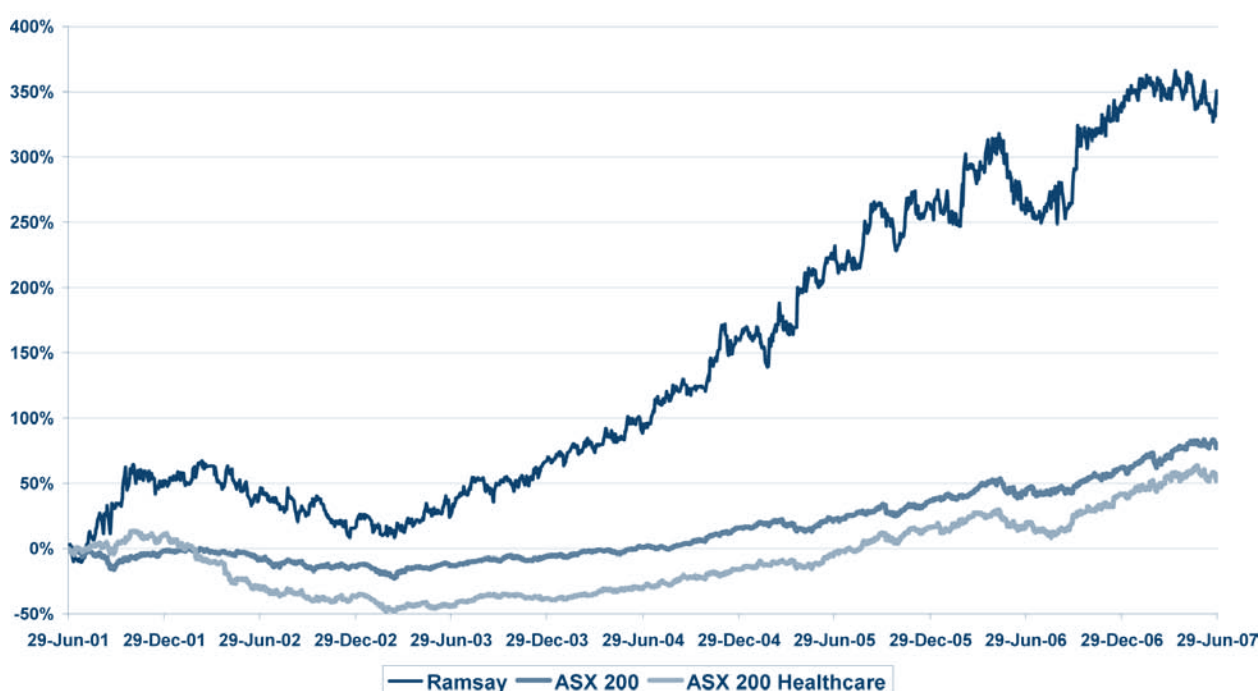
In assessing whether the performance hurdles have been met, the TSR for the Company is ranked and measured against the TSR for the last 100 companies in the ASX 200 index for the relevant performance period. If the performance hurdle is not achieved on the first test date, the unvested rights will be rolled forward for retesting on two more occasions at six monthly intervals. 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%

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

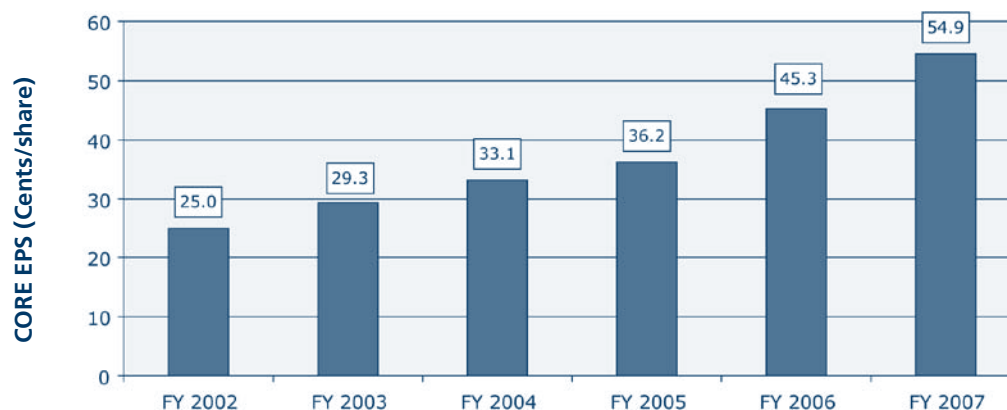
Company Performance

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 indices.

Ramsay Total Shareholder Return

Variable Compensation – Long Term Incentive (LTI) (continued)**Company Performance (continued)**

The performance of the Company is also reflected in the graph below which shows the Company's **Core EPS*** History for the past six years (including the current period). Results for FY2005, 2006 and FY2007 are prepared under AIFRS. FY2001 to FY2004 are prepared under the former accounting standards applicable in Australia.



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

Employment Contracts

The Managing Director, Mr Grier is employed under a three-year employment contract, which commenced on 1 July 2005 and terminates on 30 June 2008.

Under the terms of the contract:

- The agreement will terminate at the conclusion of the three-year term on 30 June 2008.
- The Company may, by giving notice at least six months prior to the termination, negotiate an extension of the contract for a further twelve months on the same terms and conditions unless otherwise agreed in writing.
- Neither Mr Grier nor the Company may terminate the contract during the term of the contract, except in the event of serious misconduct. In the case of serious misconduct the Company may terminate the contract at any time without notice.
- Mr Grier will, subject to certain Board criteria, be entitled to a retirement benefit equivalent to two years base compensation.

Table 1. Director Compensation – Audited**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

A.J. Clark AM – Non-Executive Director

R.H. McGeoch AM – Non-Executive Director

Name		Short Term				Post Employment		Share Based Payment Rights			Total	Total Performance Related
		Salary & Fees	Non Monetary	Leave Entitlements	Cash Bonus (2)	Super-annuation	Retirement Benefits Provided (1)	Number of Incentive Rights Granted	Amortised Cost of Incentive Rights	% of Remuneration		
		\$	\$	\$	\$	\$	\$		\$		\$	%
P. Ramsay	2007	210,000	-	-	-	12,686	310,000	-	-	0%	532,686	0%
	2006	200,000	-	-	-	12,139	40,000	-	-	0%	252,139	0%
M. Brislee *	2007	-	-	-	-	-	-	-	-	0%	-	0%
	2006	55,000	-	-	-	-	40,000	-	-	0%	95,000	0%
A. Clark	2007	95,000	-	-	-	8,550	145,000	-	-	0%	248,550	0%
	2006	84,000	-	-	-	7,560	20,000	-	-	0%	111,560	0%
P. Evans	2007	117,500	-	-	-	10,575	192,500	-	-	0%	320,575	0%
	2006	99,000	-	-	-	8,910	20,000	-	-	0%	127,910	0%
R. McGeoch	2007	95,000	-	-	-	8,550	125,000	-	-	0%	228,550	0%
	2006	87,500	-	-	-	7,875	20,000	-	-	0%	115,375	0%
K. Roxburgh	2007	102,500	-	-	-	9,225	147,500	-	-	0%	259,225	0%
	2006	84,000	-	-	-	7,560	20,000	-	-	0%	111,560	0%
M. Siddle	2007	92,500	-	-	-	8,325	117,500	-	-	0%	218,325	0%
	2006	84,000	-	-	-	7,560	20,000	-	-	0%	111,560	0%
Totals	2007	712,500	-	-	-	57,911	1,037,500	-	-	0%	1,807,911	0%
	2006	693,500	-	-	-	51,604	180,000	-	-	0%	925,104	0%

*: M. Brislee retired 22 November 2005

Table 2. Executive Compensation (Key Management Personnel) – Audited

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

I.P.S. Grier – Managing Director (Executive Director)

B.R. Soden – Finance Director (Executive Director)

C. Rex – Chief Operating Officer

C. McNally – Business Development Manager

K. Cass-Ryall – WA State Operations Manager

Name		Short Term				Post Employment		Share Based Payment Rights			Total	Total Performance Related
		Salary & Fees	Non Monetary	Leave Entitlements	Cash Bonus (2)	Super-annuation	Retirement Benefits Provided (1)	Number of Incentive Rights Granted	Amortised Cost of Incentive Rights	% of Remuneration		
		\$	\$	\$	\$	\$	\$		\$		\$	%
P. Grier *	2007	1,009,626	25,363	103,771	308,000	12,686	-	-	1,730,528	54%	3,189,974	64%
	2006	943,173	21,626	150,001	300,000	12,139	-	322,377	1,463,385	51%	2,890,324	61%
B. Soden *	2007	610,000	37,244	40,363	210,000	12,686	-	31,682	658,527	42%	1,568,820	55%
	2006	580,000	27,012	129,286	200,000	12,139	-	34,387	446,386	32%	1,394,823	46%
C. Rex	2007	735,000	5,790	27,185	300,000	12,686	-	48,387	375,659	26%	1,456,320	46%
	2006	700,000	11,387	118,241	280,000	12,139	-	53,097	288,993	20%	1,410,760	48%
C. McNally	2007	460,000	22,213	34,732	110,000	12,686	-	23,041	182,125	22%	821,756	35%
	2006	400,000	15,657	62,185	165,000	12,139	-	25,284	141,650	18%	796,631	39%
K. Cass-Ryall	2007	364,000	20,575	2,938	30,000	12,686	-	11,521	86,496	17%	516,695	23%
	2006	350,000	11,671	25,016	45,000	12,139	-	7,585	67,924	13%	511,750	22%
Totals	2007	3,178,626	111,185	208,989	958,000	63,430	-	114,631	3,033,335	40%	7,553,565	53%
	2006	2,973,173	87,353	484,729	990,000	60,695	-	442,730	2,408,338	34%	7,004,288	49%

Notes:

*: Executive Directors

1. Retirement Benefits are frozen to current serving non-executive directors, and will not be extended to new non-executive directors.
2. STI Bonuses paid in 2007 were granted in respect of performance in the 2006 Financial Year.

REMUNERATION REPORT – AUDITED**Table 3: Performance Rights granted as part of remuneration during the year ended 30 June 2007**

Name	Grant Date	Grant Number	Value Per Right at Grant Date	Value of Rights Granted During Year	Value of Rights Exercised During Year	Value of Rights Lapsed During Year	Total Value of Rights Granted, Exercised and Lapsed During Year
			%	\$	\$	\$	\$
P. Grier	-	-	-	-	1,255,934	-	1,255,934
B. Soden	31 Oct 2006	31,682	7.44	235,714	627,961	-	863,675
C. Rex	31 Oct 2006	48,387	7.44	359,999	200,001	-	560,000
C. McNally	31 Oct 2006	23,041	7.44	171,425	99,999	-	271,424
K. Cass-Ryall	31 Oct 2006	11,521	7.44	85,716	60,001	-	145,717

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.

The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports under Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the above section of the Directors' Report designated as audited.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Meetings of Committees		
	Scheduled	Special	Audit	Remuneration	Risk Management Committee
Number of Meetings held:	11	1	9	4	11
Number of Meetings attended:					
P.J. Ramsay	10	1	-	-	-
M.S. Siddle	11	1	-	4	-
A.J. Clark	11	1	9	-	-
P.J. Evans	11	1	9	4	11
I.P.S. Grier	11	1	-	-	6
R.H. McGeoch	11	1	-	4	-
K.C.D. Roxburgh *	11	1	9	-	7
B.R. Soden	11	1	-	-	-

* All directors were eligible to attend all meetings held with the exception of Mr Roxburgh who was eligible to attend seven Risk Management Committee meetings, from November 2006.

COMMITTEES

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

Committee	Members
Audit Committee	Messrs Evans (c), Roxburgh, Clark
Remuneration Committee	Messrs McGeoch (c), Evans, Siddle
Risk Management Committee	Messrs Evans (c), Roxburgh, Grier

(c) : Designates the chairman of the committee

Further information in relation to the above committees is 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.

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	\$494,000
Other services	\$15,000



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680 George Street
Sydney NSW 2000
Australia

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

GPO Box 2646
Sydney NSW 2001

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 2007, 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.

A stylized, handwritten signature of the Ernst & Young firm, written in blue ink.

ERNST & YOUNG

A handwritten signature of Neil Wykes, written in blue ink.

NEIL WYKES
Partner

4 September 2007

CORPORATE GOVERNANCE

In recognition of the need for the highest standards of corporate behaviour and accountability, the Directors of Ramsay Health Care Limited have reviewed the Company's current corporate governance policies in the light of the Australian Stock Exchange Corporate Governance Council best practice recommendations. 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.



P.J. RAMSAY
Chairman

Sydney, 4 September 2007



I.P.S. GRIER
Managing Director



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INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF RAMSAY HEALTH CARE LIMITED

We have audited the accompanying financial report of Ramsay Health Care Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 22 to 30 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Ramsay Health Care Limited is in accordance with:
 - (a) 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 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
3. the remuneration disclosures that are contained on pages 22 to 30 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

ERNST & YOUNG

NEIL WYKES
Partner

4 September 2007

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 2007 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 2007.
- (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 15 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



P.J. RAMSAY
Chairman

Sydney, 4 September 2007



I.P.S. GRIER
Managing Director

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

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RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
ANNUAL REPORT 2007: FINANCIAL REPORT

	Notes	Consolidated 2007 \$000	2006 \$000	Ramsay Health Care Limited 2007 \$000	2006 \$000
CONTINUING OPERATIONS					
Revenue and other income					
Revenue from services		2,105,875	1,977,952	872	813
Profit on disposal of assets		384	275	-	-
Interest income		9,224	10,694	-	-
Other income		25	32	70,000	-
TOTAL REVENUE AND OTHER INCOME	3	2,115,508	1,988,953	70,872	813
Employee benefits costs	4	(1,114,330)	(1,041,714)	(2,627)	(2,280)
Occupancy costs		(87,747)	(85,561)	-	-
Service costs		(74,898)	(76,127)	(1,624)	(2,063)
Medical consumables and supplies		(555,460)	(522,267)	-	-
Depreciation	4	(61,320)	(58,322)	-	-
Amortisation	17	(1,500)	(1,500)	-	-
TOTAL EXPENSES, EXCLUDING FINANCE COSTS		(1,895,255)	(1,785,491)	(4,251)	(4,343)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX, SPECIFIC ITEMS AND FINANCE COSTS		220,253	203,462	66,621	(3,530)
Finance costs	4	(59,447)	(69,552)	(3)	-
<i>Specific items</i>					
Borrowing costs associated with divestment hospitals	4	-	(2,602)	-	-
One-off net insurance expense to reduce "Incurred But Not Reported" liability		-	(4,227)	-	-
Restructuring and integration costs – Affinity		(1,555)	(6,818)	-	-
Development costs incurred for projects not yet approved for acquisition/construction		(1,208)	-	-	-
Decrement in value of non-current assets		-	(2,132)	-	-
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		158,043	118,131	66,618	(3,530)
Income tax (expense)/benefit	6	(50,581)	(38,649)	352	1,059
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		107,462	79,482	66,970	(2,471)
DISCONTINUED OPERATIONS					
(Loss)/profit after tax from discontinued operations	7(b)	(357)	8,154	-	-
Profit/(loss) for the year		107,105	87,636	66,970	(2,471)
Profit attributable to minority interests		(49)	(46)	-	-
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT		107,056	87,590	66,970	(2,471)
Earnings per share (cents per share)					
- basic for profit (after CARES dividend) for the year	8	52.6	42.7		
- diluted for profit (after CARES dividend) for the year		52.3	42.4		
- basic for profit (after CARES dividend) from continuing operations	8	52.8	38.0		
- diluted for profit (after CARES dividend) from continuing operations		52.5	37.7		
Franked dividends paid per ordinary share (cents per share)	9	26.5	21.5		

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES

BALANCE SHEET AS AT 30 JUNE 2007

	Notes	Consolidated		Ramsay Health Care Limited	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	14,841	41,795	101	101
Receivables	11	231,837	201,021	614,208	585,246
Inventories	12	40,200	37,365	-	-
Derivatives	26	11,811	2,711	-	-
Other current assets	13	28,232	40,928	199	320
Other financial assets	14	-	97,507	-	-
		326,921	421,327	614,508	585,667
Assets classified as held for sale	7(h)	3,200	3,200	-	-
TOTAL CURRENT ASSETS		330,121	424,527	614,508	585,667
NON-CURRENT ASSETS					
Other financial assets	15	2,147	1,983	139,997	139,997
Property, plant and equipment	16	1,162,271	1,077,126	-	-
Goodwill and intangible assets	17	576,595	576,536	-	-
Deferred tax asset	6	83,868	87,308	2,591	3,254
Non-current receivables	19	32,829	35,173	-	-
TOTAL NON-CURRENT ASSETS		1,857,710	1,778,126	142,588	143,251
TOTAL ASSETS		2,187,831	2,202,653	757,096	728,918
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	20	281,299	280,559	2,138	1,463
Interest-bearing loans and borrowings	21	4,344	16,156	-	-
Provisions	22	97,102	95,371	-	-
Income tax payable		23,544	3,017	23,544	3,017
TOTAL CURRENT LIABILITIES		406,289	395,103	25,682	4,480
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	23	741,633	815,008	-	-
Provisions	22	71,215	66,393	-	-
Deferred income tax liabilities	6	85,057	87,575	-	-
TOTAL NON-CURRENT LIABILITIES		897,905	968,976	-	-
TOTAL LIABILITIES		1,304,194	1,364,079	25,682	4,480
NET ASSETS		883,637	838,574	731,414	724,438
EQUITY					
Issued capital	24	425,289	425,289	425,289	425,289
Treasury shares	24	(7,624)	(7,009)	-	-
Convertible Adjustable Rate Equity Security (CARES)	24	252,165	252,165	252,165	252,165
Net unrealised gains reserve		11,335	6,353	-	-
Equity based payment reserve		5,156	2,981	5,156	2,981
Vested employee equity		(3,167)	-	-	-
Other reserves		(1,329)	1,919	-	-
Retained earnings		201,495	156,608	48,804	44,003
Parent interests		883,320	838,306	731,414	724,438
Minority interests		317	268	-	-
TOTAL SHAREHOLDERS' EQUITY		883,637	838,574	731,414	724,438

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the parent								Minority Interest	Total Equity
	Equity Based				Net					
	Issued capital \$000	Treasury Shares \$000	CARES \$000	Payment Reserve \$000	Retained Earnings \$000	Unrealised Gains Reserve \$000	Other Reserves \$000	Total \$000		
CONSOLIDATED										
AT 1 JULY 2005	400,545	-	252,165	988	120,879	-	(226)	774,351	531	774,882
Adjustment on transition to AASB 132 and AASB 139, net of tax	-	-	-	-	-	(4,512)	-	(4,512)	-	(4,512)
At 1 July 2005, adjusted	400,545	-	252,165	988	120,879	(4,512)	(226)	769,839	531	770,370
Currency translation differences	-	-	-	-	-	-	2,145	2,145	-	2,145
Net gains on cash flow hedges (net of tax)	-	-	-	-	-	-	-	10,865	-	10,865
Total income/(expense) for the year recognised directly in equity	-	-	-	-	-	10,865	2,145	13,010	-	13,010
Profit for the year	-	-	-	-	87,590	-	-	87,590	46	87,636
Total income/(expense) for the year	-	-	-	-	87,590	10,865	2,145	100,600	46	100,646
Shares purchased for Executive Performance Share Plan	-	(7,009)	-	-	-	-	-	(7,009)	-	(7,009)
Net change in minority interest relating to disposal/acquisition of subsidiary	-	-	-	-	-	-	-	-	(309)	(309)
Equity dividends - issued capital	-	-	-	-	(24,764)	-	-	(24,764)	-	(24,764)
Equity dividends - cash	-	-	-	-	(12,953)	-	-	(12,953)	-	(12,953)
Equity dividends - CARES	-	-	-	-	(14,144)	-	-	(14,144)	-	(14,144)
Share placement	24,764	-	-	-	-	-	-	24,764	-	24,764
Equity issue costs	(20)	-	-	-	-	-	-	(20)	-	(20)
Cost of share based payment	-	-	-	1,993	-	-	-	1,993	-	1,993
AT 30 JUNE 2006	425,289	(7,009)	252,165	2,981	156,608	6,353	1,919	838,306	268	838,574

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	Attributable to equity holders of the parent										Minority Interest	Total Equity
	Issued capital \$000	Treasury Shares \$000	CARES \$000	Equity Based Payment Reserve \$000	Retained Earnings \$000	Net Unrealised Gains Reserve \$000	Vested Employee Equity \$000	Other Reserves \$000	Total \$000			
CONSOLIDATED												
AT 1 JULY 2006	425,289	(7,009)	252,165	2,981	156,608	6,353	-	1,919	838,306	268		838,574
Currency translation differences	-	-	-	-	-	-	-	-	-	-		-
Net gains on cash flow hedges (net of tax)	-	-	-	-	-	-	-	(3,248)	(3,248)	-		(3,248)
Total income/(expense) for the year	-	-	-	-	-	4,982	-	-	4,982	-		4,982
recognised directly in equity												
Profit for the year	-	-	-	-	-	4,982	-	(3,248)	1,734	-		1,734
Total income/(expense) for the year	-	-	-	-	107,056	-	-	-	107,056	49		107,105
Shares purchased for Executive	-	-	-	-	107,056	4,982	-	(3,248)	108,790	49		108,839
Performance Share Plan	-	(3,782)	-	-	-	-	-	-	(3,782)	-		(3,782)
Equity dividends - cash	-	-	-	-	(45,875)	-	-	-	(45,875)	-		(45,875)
Equity dividends - CARES	-	-	-	-	(16,294)	-	-	-	(16,294)	-		(16,294)
Treasury shares vesting to employees in the period	-	3,167	-	-	-	-	(3,167)	-	-	-		-
Cost of share based payment	-	-	-	2,175	-	-	-	-	2,175	-		2,175
AT 30 JUNE 2007	425,289	(7,624)	252,165	5,156	201,495	11,335	(3,167)	(1,329)	883,320	317		883,637

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007 (continued)

RAMSAY HEALTH CARE LIMITED

AT 1 JULY 2005

Total expense for the year recognised directly in equity

Loss for the year

Total income/(expense) for the year

Equity dividends - issued capital

Equity dividends - cash

Equity dividends - CARES

Cost of share based payment

Share placement

Equity issue costs

AT 30 JUNE 2006

	Issued Capital \$000	CARES \$000	Equity Based Payment Reserve \$000	Retained Earnings \$000	Total \$000
	400,545	252,165	988	98,335	752,033
	-	-	-	-	-
	-	-	-	(2,471)	(2,471)
	-	-	-	(2,471)	(2,471)
	-	-	-	(24,764)	(24,764)
	-	-	-	(12,953)	(12,953)
	-	-	-	(14,144)	(14,144)
	-	-	1,993	-	1,993
	24,764	-	-	-	24,764
	(20)	-	-	-	(20)
	425,289	252,165	2,981	44,003	724,438

RAMSAY HEALTH CARE LIMITED

AT 1 JULY 2006

Profit/Loss for the year

Total income/(expense) for the year

Equity dividends - cash

Equity dividends - CARES

Cost of share based payment

AT 30 JUNE 2007

	Issued Capital \$000	CARES \$000	Equity Based Payment Reserve \$000	Retained Earnings \$000	Total \$000
	425,289	252,165	2,981	44,003	724,438
	-	-	-	66,970	66,970
	-	-	-	66,970	66,970
	-	-	-	(45,875)	(45,875)
	-	-	-	(16,294)	(16,294)
	-	-	2,175	-	2,175
	425,289	252,165	5,156	48,804	731,414

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Ramsay Health Care Limited	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,074,209	2,360,332	872	813
Payments to suppliers and employees		(1,832,613)	(2,100,138)	(1,285)	(1,011)
Income tax paid		(30,130)	(43,968)	-	-
Finance costs		(59,447)	(88,182)	(3)	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	10	152,019	128,044	(416)	(198)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(147,838)	(101,455)	-	-
Interest received		9,278	10,787	-	-
Proceeds from disposal of hospitals and businesses	7	100,697	557,117	-	-
Acquisition of business, net of cash received	10	(3,991)	(466)	-	-
Proceeds from sale of property, plant and equipment		1,966	275	-	-
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(39,888)	466,258	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(62,169)	(27,117)	(62,169)	(27,117)
Repayment of principal to Bondholders		(2,256)	(4,108)	-	-
Repayment of finance lease - principal		(2,489)	(2,434)	-	-
Purchase of ordinary shares		(3,782)	(7,009)	-	-
Repayment of borrowings		(68,389)	(569,423)	-	-
Advances to related parties		-	-	62,585	27,317
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(139,085)	(610,091)	416	200
Net (decrease)/increase in cash and cash equivalents		(26,954)	(15,789)	-	2
Decrease/(Increase) in restricted cash balances		-	6,996	-	-
Cash and cash equivalents at beginning of year		41,795	50,588	101	99
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	14,841	41,795	101	101

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited ('the Company') for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on the 4 September 2007.

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock 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 which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items are otherwise carried at cost.

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.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(b) Statement of compliance

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial information and notes thereto, complies with International Financial Reporting Standards ('IFRS').

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 2007, are outlined in the table on the following pages.

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 7 <i>Financial Instruments: Disclosures</i> .	1 Jan 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 Jul 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i> .	1 Mar 2007	This is consistent with the Group's existing accounting policies for share-based payments; so the standard is not expected to have any impact on the Group's financial report.	1 Jul 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .	1 Jan 2007	The Group currently has no service concession arrangements or public-private-partnerships (PPP), so the standard is not expected to have any impact on the Group's financial report.	1 Jul 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 Jan 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the standard may have an impact on the Group's segment disclosures.	1 Jul 2009
AASB 2007-5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This Standard makes amendments to AASB 102 <i>Inventories</i> .	1 Jul 2007	This amendment only relates to Not-for-Profit Entities and as such is not expected to have any impact on the Group's financial report.	1 Jul 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing Costs</i> .	1 Jan 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group currently capitalises borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 Jul 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 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 Jul 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 Jul 2007
AASB 7	<i>Financial Instruments: Disclosures</i>	New standard replacing disclosure requirements of AASB 130 <i>Disclosures in the Financial Statements of Banks and Similar Financial Institutions</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> .	1 Jan 2007	Refer to AASB 2005-10 above.	1 Jul 2007
AASB 8	<i>Operating Segments</i>	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management approach to segment reporting.	1 Jan 2009	Refer to AASB 2007-3 above.	1 Jul 2009
AASB 123 (amended)	<i>Borrowing Costs</i>	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 Jan 2009	Refer to AASB 2007-6 above.	1 Jul 2009
AASB Interpretation 10	<i>Interim Financial Reporting and Impairment</i>	Addresses an inconsistency between AASB 134 <i>Interim Financial Reporting</i> and the impairment requirements relating to goodwill in AASB 136 <i>Impairment of Assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 Nov 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report.	1 Jul 2007
AASB Interpretation 11	<i>Group and Treasury Share Transactions</i>	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2 <i>Share-based Payment</i> . It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 Mar 2007	Refer to AASB 2007-1 above.	1 Jul 2007
AASB Interpretation 12	<i>Service Concession Arrangements</i>	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 Jan 2008	Refer to AASB 2007-2 above.	1 Jul 2008

* Designates the beginning of the applicable annual reporting period.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

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.

Hastings Day Surgery has been included in the consolidated financial information using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial information includes the results of Hastings Day Surgery for the period from its acquisition on 1 December 2006. The purchase consideration has been allocated to the assets and liabilities based on the fair value at the date of acquisition.

Minority interests represent the interests in Sydney Central Coast Linen Service Pty Ltd and the Indonesian entities, 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 assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 18.

(ii) 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.

(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.

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

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

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

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

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(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 the 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 AAS 114 "Segment Reporting".

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 assets

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 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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets (continued)

(i) 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.

(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 and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off to the income statement when identified.

(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.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

(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.

(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 2007 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(p) Share-based payment transactions (continued)**

No expense is recognised for awards that do not ultimately vest, except for awards where 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.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(r) Revenue

Revenue is recognised to the extent that 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:

Rental income and income from ancillary services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

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 are recognised in the income statement as an integral part of the total lease expense.

(s) Government grants

Government grants are recognised 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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

- 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.

(v) Derecognition of financial instruments

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(w) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate. 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(w) Derivative financial instruments and hedging (continued)****(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.

(x) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(y) 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.

(z) 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. 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 asset is set out on the following page:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Intangible assets (continued)

Operating Rights
Useful lives
Finite (2006: Finite)
Amortisation method used
Amortised over the period of the lease (2006: 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 (2006: When an indication of impairment exists. 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.

(aa) Trade and other payables

Trade payables and other payables are carried at amortised cost and 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.

(ab) 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.

(ac) 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.

(ad) 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.

(ae) 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.

(af) 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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(af) Business combinations (continued)**

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.

(ag) 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.

(ah) 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 depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

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

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

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
3. REVENUE				
REVENUE FROM CONTINUING OPERATIONS				
Revenue from patients	2,057,730	1,928,415	-	-
Management fees				
Controlled entities (fully owned)	-	-	872	813
Rental income				
Other persons/corporations	18,973	9,462	-	-
Dividends				
Controlled entities (fully owned)	-	-	70,000	-
Bad debts recovered	77	6	-	-
Income from ancillary services	29,095	40,069	-	-
Other income	25	32	-	-
Interest				
Controlled entities (fully owned)	-	-	-	-
Other persons/corporations	9,224	10,694	-	-
Profit on sale of property, plant and equipment	384	275	-	-
Total revenues from continuing operations before specific items	2,115,508	1,988,953	70,872	813
Net gains on disposal of businesses	666	6,856	-	-
TOTAL REVENUES FROM CONTINUING OPERATIONS (INCLUDING SPECIFIC ITEMS)	2,116,174	1,995,809	70,872	813
REVENUE FROM DISCONTINUED OPERATIONS				
Revenue from patients	2,341	397,690	-	-
TOTAL REVENUE FROM DISCONTINUING OPERATIONS	2,341	397,690	-	-
4. EXPENSES				
EXPENSES FROM CONTINUING OPERATIONS				
(a) Depreciation included in income statement				
- Plant and equipment	42,638	37,147	-	-
- Buildings	18,682	21,175	-	-
TOTAL DEPRECIATION	61,320	58,322	-	-
(b) Lease payments included in income statement				
Included in occupancy costs expenses:	22,502	24,512	-	-
(c) Employee benefits expense				
Wages and salaries	903,220	859,157	49	287
Leave provision	108,882	88,826	-	-
Workers' compensation costs	18,295	17,103	-	-
Superannuation expense	66,916	62,555	53	-
Termination benefits	429	3,565	-	-
Other employment costs	12,316	7,026	350	-
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	4,272	3,482	2,175	1,993
	1,114,330	1,041,714	2,627	2,280

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
4. EXPENSES (CONTINUED)				
(d) Finance costs				
- Interest expense				
Other persons/corporations	60,929	90,536	3	-
- Finance charges - lease liability	353	349	-	-
- Finance charges - hire purchase	43	59	-	-
	61,325	90,944	3	-
Finance costs disclosed as specific items:				
- Finance costs related to divestment hospitals	-	2,602	-	-
Total finance costs	61,325	93,546	3	-
Less: finance costs capitalised	(1,877)	-	-	-
finance costs - discontinued operations	(1)	(21,392)	-	-
TOTAL FINANCE COSTS EXPENSED (INCLUDING SPECIFIC ITEMS)	59,447	72,154	3	-
EXPENSES FROM DISCONTINUED OPERATIONS				
(e) Expenses				
Employee benefits costs	1,572	223,169	-	-
Occupancy costs	509	26,289	-	-
Service costs	318	12,150	-	-
Medical consumables and supplies	1,085	107,597	-	-
Depreciation	48	4,512	-	-
TOTAL EXPENSES FROM DISCONTINUING OPERATIONS	3,532	373,717	-	-

5. CORRECTION OF ERROR**Correction of error in recording of deferred tax balances on divestment of entities in the previous financial year**

On finalisation of the tax returns for the hospitals divested during 2006 it was identified that the deferred tax balances were understated by \$11,514,000. This error had the effect of understating the goodwill and the deferred tax liability by \$11,514,000.

The error has been corrected by re-stating each of the affected financial statement line items for the prior year, as described above.

There was no impact on net assets or profit for the prior year.

There was no impact on basic and diluted earnings per share for the prior year.

6. INCOME TAX

The major components of income tax expense/(benefit) are:

Income Statement**Continuing operations:***Current income tax*

Current income tax charge/(benefit)	49,394	29,044	(1,015)	(1,059)
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Deferred income tax

Relating to origination and reversal of temporary differences	1,487	9,099	663	-
Adjustment relating to tax returns	(300)	506	-	-

Income tax expense/(benefit) reported in the income statement

50,581	38,649	(352)	(1,059)
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Continuing and discontinued operations:

A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit/(loss) before tax from continuing operations	158,043	118,131	66,618	(3,530)
Accounting (loss) profit before tax from discontinued operations	(526)	9,437	-	-
Accounting profit/(loss) before income tax	157,517	127,568	66,618	(3,530)

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
6. INCOME TAX (CONTINUED)				
At the Group's statutory income tax rate of 30% (2006: 30%)	47,255	38,270	19,985	(1,059)
Expenditure not allowable for income tax purposes	2,024	1,764	663	-
Rebateable dividends	-	-	(21,000)	-
Other	1,133	(590)	-	-
	50,412	39,444	(352)	(1,059)

Income tax expense/(benefit) reported in the consolidated income statement attributable to continuing operations	50,581	38,649	(352)	(1,059)
Income tax attributable to discontinued operations	(169)	795	-	-
	50,412	39,444	(352)	(1,059)

Deferred income tax related to items charged or credited directly to equity				
Share placement costs	-	(1,075)	-	(1,075)
Net unrealised gains	(2,135)	(1,799)	-	-
Treasury shares	2,700	(2,100)	-	-
	565	(4,974)	-	(1,075)

	Balance Sheet		Income Statement	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000

Deferred income tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED

Deferred tax liabilities

Inventory	(7,878)	(7,243)	(635)	2,977
Recognition of revenue	(7,274)	(10,812)	3,538	(10,812)
Depreciable assets	(49,825)	(54,510)	4,685	8,906
Other	(3,283)	(902)	(5,081)	2,800
Borrowing costs	(284)	271	(555)	731
Other provisions and lease liabilities	(11,655)	(11,655)	-	-
Provision financial instruments	(4,858)	(2,724)	1	(925)
TOTAL DEFERRED TAX LIABILITIES	(85,057)	(87,575)	1,953	3,677

CONSOLIDATED

Deferred tax assets

Employee provisions	44,334	40,820	3,514	5,182
Other provisions and lease liabilities	36,096	35,883	213	(3,431)
Unearned income	1,744	1,860	(116)	1,860
Other	(256)	5,821	(6,077)	(16,387)
Share placement costs	1,950	2,924	(974)	-
TOTAL DEFERRED TAX ASSETS	83,868	87,308	(3,440)	(12,776)

Net movement in deferred income tax reported in the income statement

1,487	9,099
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CONSOLIDATED

Movement of deferred tax liabilities

Opening balance	(87,575)	(88,789)
Charges recognised in income statement	1,953	3,677
Amounts recognised against equity	565	(3,899)
Balances transferred to discontinuing operations	-	1,436
CLOSING BALANCE	(85,057)	(87,575)

CONSOLIDATED

Movement of deferred tax assets

Opening balance	87,308	102,361
Charges recognised in income statement	(3,440)	(12,776)
Accounts recognised against equity*	-	(1,075)
Amounts recognised against goodwill	-	448
Balances transferred to discontinued operations	-	(1,650)
CLOSING BALANCE	83,868	87,308

*: Costs associated with the issue of equity instruments

Balance Sheet

Income Statement

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	2007 \$000	2006 \$000	2007 \$000	2006 \$000
6. INCOME TAX (CONTINUED)				
<i>RAMSAY HEALTH CARE LIMITED</i>				
<i>Deferred tax assets</i>				
Employee provisions	641	330	311	-
Share placement costs	1,950	2,924	(974)	-
TOTAL DEFERRED TAX ASSETS	2,591	3,254	(663)	-
Net movement in deferred income tax reported in the income statement			663	-
<i>RAMSAY HEALTH CARE LIMITED</i>				
<i>Movement of deferred tax assets</i>				
Opening balance	3,254	4,329		
Charges recognised in income statement	(663)	-		
Amounts recognised against equity*	-	(1,075)		
CLOSING BALANCE	2,591	3,254		

*: Costs associated with the issue of equity instruments

At 30 June 2007, there is \$41,022,414 (2006:\$31,439,851) 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 taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group 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 tax amount that is 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. The Group has applied the modified stand-alone approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by \$20,527,000 (2006: \$3,001,000).

7. DISCONTINUED OPERATIONS

- (a) On 16 October 2006, Ramsay Health Care Limited sold Coastal Private Hospital for gross sale proceeds of approximately \$3.2 million. Net assets disposed of included \$1.9 million of property, plant and equipment, \$0.3 million of inventory, \$0.7 million of receivables offset by \$0.4 million of employee entitlement liabilities, resulting in a profit on sale of \$0.7 million.
- (b) The results of the discontinued operations for the 2007 year until disposal are presented below:

	CONSOLIDATED – 2007			
	Casey Gardens \$000	Coastal \$000	Manningham \$000	Total \$000
Revenue	77	1,179	1,085	2,341
Expenses	(305)	(1,553)	(1,674)	(3,532)
GROSS PROFIT/(LOSS)	(228)	(374)	(589)	(1,191)
Gain on disposal	-	666	-	666
Finance costs	-	(1)	-	(1)
PROFIT/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS	(228)	291	(589)	(526)
Income tax (expense)/benefit	72	(91)	188	169
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO MEMBERS OF THE PARENT	(156)	200	(401)	(357)

- (c) On 5 September 2005, Ramsay Health Care Limited announced it had entered into an agreement with Healthscope Limited under which Healthscope would acquire 14 Affinity hospitals for proceeds of approximately \$475 million, conditional on the approval of the Australian Competition and Consumer Commission (ACCC). The sale of these hospitals was completed in November 2005.
Economic and legal completion of all hospitals has occurred.
- (d) On 12 December 2005, Ramsay Health Care Limited announced it had entered into an agreement with BCN Group Pty Limited to sell the remaining 5 hospitals the ACCC required it to sell for total proceeds in excess of \$88 million. The sale of these hospitals was completed in June 2006.

7. DISCONTINUED OPERATIONS (CONTINUED)

The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

In relation to the sale of one of the hospitals, Ramsay Health Care Limited has entered into a guarantee in favour of Australian Unity. Refer to Note 29 (e) for further information in respect of the guarantee.

- (e) On 27 March 2006, Ramsay Health Care Limited announced it had entered into an agreement with Little Company of Mary Health Care (LCM) to sell 3 of its hospitals in South Australia for \$35 million. The sale of these hospitals was completed in May 2006.
- (f) On 13 April 2006, Ramsay Health Care Limited announced it had entered into an agreement with Domain Aged Care Group, to sell its residential aged care business.
- (g) On 13 February 2006, Ramsay Health Care Limited sold Silver Circle to Little Company of Mary Health Care for gross sale proceeds of approximately \$8 million.

The major classes of assets and liabilities sold in relation to the discontinued operations 7(c) to 7(g) above are as follows:

	14 hospitals sold to Healthscope (c) \$000	5 hospitals sold to BCN (d) \$000	2006 3 hospitals sold to LCM (e) \$000	Aged Care (f) \$000	Silver Circle (g) \$000
Assets					
Trade receivables	61,896	12,121	9,685	-	4,400
Inventories	-	1,722	1,804	-	-
Other assets	22,166	321	5,753	525	190
Property, plant and equipment	292,396	43,222	17,805	61,877	756
Goodwill	208,833	39,299	17,169	8,001	1,985
	585,291	96,685	52,216	70,403	7,331
Liabilities					
Trade and other payables	-	(7,656)	(8,980)	(1,068)	(1,291)
Provisions	(50,691)	(8,537)	(6,111)	(2,422)	(1,742)
Other	(59,600)	(94)	(3,107)	(12,800)	(59)
	(110,291)	(16,287)	(18,198)	(16,290)	(3,092)
NET ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	475,000	80,398	34,018	54,113	4,239
Consideration received					
Cash	475,000	82,927	34,500	53,944	8,253
Total disposal consideration	475,000	82,927	34,500	53,944	8,253
Less: net assets disposed of	(475,000)	(80,398)	(34,018)	(54,113)	(4,239)
Gain/(loss) on disposal before income tax	-	2,529	482	(169)	4,014
Income tax expense	-	-	-	-	-
GAIN/(LOSS) ON DISPOSAL AFTER INCOME TAX	-	2,529	482	(169)	4,014
Net cash inflows on disposal of the facilities are:					
Reflected in 2006 cashflow	377,493	82,927	34,500	53,944	8,253
Reflected in 2007 cashflow	97,507	-	-	-	-
	475,000	82,927	34,500	53,944	8,253

(h) Property classified as available for sale at 30 June 2006 and at 30 June 2007

- written down to fair value

3,200

7. DISCONTINUED OPERATIONS (CONTINUED)

(i) The results of the discontinued operations for the 2006 year until disposal are presented below:

	CONSOLIDATED - 2006						
	14 hospitals sold to Healthscope \$000	5 hospitals sold to BCN \$000	3 hospitals sold to LCM \$000	Aged Care \$000	Silver Circle \$000	Other (j) \$000	Total \$000
Revenue	180,198	95,274	79,578	18,046	19,052	5,542	397,690
Expenses	(159,560)	(91,750)	(80,549)	(16,637)	(18,742)	(6,479)	(373,717)
Gross profit/(loss)	20,638	3,524	(971)	1,409	310	(937)	23,973
Gain/(loss) on disposal	-	2,529	482	(169)	4,014	-	6,856
Finance costs	(11,400)	(4,349)	(2,070)	(3,225)	(347)	(1)	(21,392)
Profit/(loss) before tax from discontinued operations	9,238	1,704	(2,559)	(1,985)	3,977	(938)	9,437
Income tax (expense)/benefit	(2,953)	264	972	581	12	329	(795)
Profit/(loss) for the year from discontinued operations	6,285	1,968	(1,587)	(1,404)	3,989	(609)	8,642
Profit attributable to minority interest	(488)	-	-	-	-	-	(488)
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO MEMBERS OF THE PARENT	5,797	1,968	(1,587)	(1,404)	3,989	(609)	8,154

(j) These amounts represent the results of Coastal Private Hospital, Casey Gardens Day Procedure Centre and Manningham Day Procedure Centre.

	2007 \$000	2006 \$000
Earnings per share (cents per share):		
Basic from discontinued operation	(0.2)	4.7
Diluted from discontinued operation	(0.2)	4.7

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.

	2007 \$000	2006 \$000
Net profit for the year attributable to the members of the parent	107,056	87,590
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(16,294)	(14,144)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	90,762	73,446
Less: Loss/(Profit) from discontinued operations	357	(8,154)
PROFIT USED IN CALCULATING BASIC AND DILUTED (AFTER CARES DIVIDEND)		
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	91,119	65,292

	2007 Number of Shares	2006 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	172,622,277	171,875,372
Weighted average number of ordinary shares used in calculating diluted earnings per share	173,623,086	172,869,439

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.

To calculate earnings per share amounts for the discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:

8. EARNINGS PER SHARE (CONTINUED)

	2007 \$000	2006 \$000
Net (loss)/profit for the year attributable to the members of the parent from discontinued operations		
- for basic and diluted earnings per share (note 7)	(357)	8,154

	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000

9. DIVIDENDS PAID OR PROPOSED

(a) Dividend on ordinary shares paid during the year:

(i) Interim dividend paid

Franked dividends - ordinary

(13.0 cents per share) (2006: 10.5 cents per share)

22,513	18,115	22,513	18,115
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(ii) Previous year final dividend paid

Franked dividends - ordinary

(13.5 cents per share) (2006: 11.5 cents per share)

23,362	19,602	23,362	19,602
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45,875	37,717	45,875	37,717
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(b) Dividend proposed and not recognised as a liability:

Current year final dividend proposed

Franked dividends - ordinary

(16.0 cents per share) (2006: 13.5 cents per share)

27,688	23,362	27,688	23,362
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(c) Dividends on CARES paid during the year:

16,294	14,144	16,294	14,144
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(d) Dividends on CARES proposed and not recognised as a liability:

8,737	7,886	8,737	7,886
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(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% (2006: 30%)
- franking credits that will arise from the payment of income tax payable as at the end of the financial year*

50,076	37,028
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24,858	7,863
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74,934	44,891
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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.

(15,611)	(13,392)
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59,323	31,499
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*As Ramsay Health Care Limited and its 100% owned subsidiaries have formed a tax consolidated group, effective 1 July 2003, this represents the current tax payable for the group.

The tax rate at which paid dividends have been franked is 30% (2006: 30%). \$36,425,000 (2006:\$31,248,000) of the proposed dividends will be franked at the rate of 30% (2006: 30%).

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	Consolidated		Ramsay Health Care Limited	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
10. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	14,841	41,795	101	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	14,841	41,795	101	101
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Profit/(loss) after tax	107,105	87,636	66,970	(2,471)
Adjustments for:				
Depreciation	61,369	62,834	-	-
Amortisation	1,500	1,500	-	-
Decrement in value of non-current assets	-	2,132	-	-
Interest received	(9,277)	(10,694)	-	-
Net gains on disposal of business	(666)	(6,856)	-	-
Net profit on sale of non-current assets	-	(275)	-	-
Dividends received from related entity	-	-	(70,000)	-
Changes in assets and liabilities				
Deferred tax asset	1,148	18,929	663	1,075
Receivables	(36,339)	14,968	-	-
Other assets	12,526	4,270	(898)	(320)
Creditors and accruals	(7,535)	(6,640)	(363)	(1,499)
Deferred tax liability	575	(18,667)	-	-
Provisions	5,825	(17,286)	3,212	-
Inventory	(3,070)	1,028	-	-
Tax provisions	18,858	(4,835)	-	3,017
NET CASH FROM OPERATING ACTIVITIES	152,019	128,044	(416)	(198)

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') \$nil (2006:\$24,764,000) dividends were paid via the issue of nil (2006:2,670,685) shares during the year. The dividend re-investment plan was re-activated for the October 2007 dividend, by the Directors in August 2007.

Acquisition of Hastings Day Surgery

On 1 December 2006, Ramsay Health Care Limited acquired the assets of Hastings Day Surgery.

The fair value of identifiable assets and liabilities of Hastings Day Surgery as at the date of acquisition are:

	\$000
Property, plant and equipment	2,644
Other assets	40
	<u>2,684</u>
Employee entitlements	(63)
Other	(189)
	<u>(252)</u>
Fair value of identifiable net assets	2,432
Goodwill arising on acquisition	1,559
	<u>3,991</u>
Cost of combination:	
Cash	3,750
Cost associated with the acquisition	241
	<u>3,991</u>
The cash outflow on acquisition is	<u>3,991</u>
The fair value of the identifiable assets and liabilities of Hasting Day Surgery approximated the carrying value at acquisition.	

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
11. RECEIVABLES				
Trade debtors	234,485	204,965	-	-
Provision for doubtful debts	(2,648)	(3,944)	-	-
	<u>231,837</u>	<u>201,021</u>	<u>-</u>	<u>-</u>
Amounts receivable from related parties	-	-	614,208	585,246
	<u>231,837</u>	<u>201,021</u>	<u>614,208</u>	<u>585,246</u>

- (i) Credit sales are non-interest bearing and are mainly on 15 to 30 day terms, dependent on the conditions of specific contracts. An allowance for doubtful debts is made when there is objective evidence that a trade receivable amount is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtor.
- (ii) Refer to note 34 for terms and conditions relating to related party receivables.
- (iii) The Group's maximum exposure to credit risk at balance date is the carrying value of those assets as indicated in the balance sheet. This does not take into account the value of any security held in the event of other entities/parties failing to perform their obligations under the financial instruments in question. The Group's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds. Other debtors primarily relates to rental and ancillary services.

12. INVENTORIES

Amount of medical and food supplies to be consumed in providing future patient services - at cost

40,200	37,365	-	-
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13. OTHER CURRENT ASSETS

Prepayments	7,122	20,668	199	320
Other current assets	21,110	20,260	-	-
	<u>28,232</u>	<u>40,928</u>	<u>199</u>	<u>320</u>

14. OTHER FINANCIAL ASSETS (CURRENT)

Once approval is obtained from the relevant State Government agencies in Victoria and NSW for the transfer of the Licenses, the monies were released from the Escrow Account and used to repay Finance Debt. This repayment of Finance Debt was a lapse of time and process issue, contingent only on the transfer of the Licenses.

-	97,507	-	-
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15. OTHER FINANCIAL ASSETS (NON-CURRENT)

(a) Investments comprise:

Ordinary Shares:

- Listed on a prescribed stock exchange	4	7	-	-
- Other	2,001	1,834	-	-
	<u>2,005</u>	<u>1,841</u>	<u>-</u>	<u>-</u>

Units in unit trust:

- Listed on a prescribed stock exchange	77	77	-	-
- Unsecured notes - unlisted	65	65	-	-
	<u>142</u>	<u>142</u>	<u>-</u>	<u>-</u>
	<u>2,147</u>	<u>1,983</u>	<u>-</u>	<u>-</u>

Investment in controlled entities:

- Unlisted shares and units	15(b)	-	-	139,997	139,997
		<u>2,147</u>	<u>1,983</u>	<u>139,997</u>	<u>139,997</u>

Listed shares and units are carried at historical cost. Dividend income is recognised when the Group's right to receive the income is established.

Unlisted shares and notes are carried at the lower of cost or recoverable amount. Distributions are recognised when the Group's right to receive the income is established.

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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2007 %	2006 %	2007 \$000	2006 \$000
15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)					
(b) Investments in controlled entities:					
Investments in controlled entities comprise:					
RHC Nominees Pty Limited ^	Australia	100%	100%	*	*
RHC Developments Pty Limited and its controlled entities: ^	Australia	100%	100%	139,997	139,997
Health Care Development Unit Trust	-	100%	100%		
Ramsay Health Care Investments Pty Limited and its controlled entities: ^	Australia	100%	100%	*	*
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%	*	*
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%	*	*
Ramsay Aged Care Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%		
Ramsay Aged Care Properties Pty Ltd ^	Australia	100%	100%		
RHC Ancilliary Services Pty Limited and its controlled entities:	Australia	100%	100%		
NewCo Enterprises Pty Limited	Australia	89%	89%		
Sydney and Central Coast Linen Service Pty Limited	Australia	89%	89%		
Ramsay Finance Pty Limited ^	Australia	100%	100%		
Benchmark Healthcare Holdings Limited and its controlled entities: ^					
Benchmark Healthcare Pty Limited ^	Australia	100%	100%		
Donvale Private Hospital Pty Limited ^	Australia	100%	100%		
Donvale Private Hospital Unit Trust	-	100%	100%		
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%		
Beleura Holdings Unit Trust	-	100%	100%		
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%		
Dandenong Valley Private Hospital Unit Trust	-	100%	100%		
Benchmark - Surrey Pty Limited ^	Australia	100%	100%		
Surrey Hospital Unit Trust	-	100%	100%		
Benchmark - Peninsula Pty Limited ^	Australia	100%	100%		
Peninsula Hospital Unit Trust	-	100%	100%		
Benchmark - Donvale Pty Limited ^	Australia	100%	100%		
Chelsea Hospital Unit Trust	-	100%	100%		
Benchmark - Windermere Pty Limited ^	Australia	100%	100%		
Windermere Hospital Unit Trust	-	100%	100%		
Benchmark - Beleura Pty Limited ^	Australia	100%	100%		
Beleura Hospital Unit Trust	-	100%	100%		
Beleura Properties Pty Limited ^	Australia	100%	100%		
Beleura Properties Unit Trust	-	100%	100%		
Balance carried forward				139,997	139,997

		Beneficial Percentage Held		Ramsay Health Care Limited	
	Country of Incorporation	2007 %	2006 %	2007 \$000	2006 \$000
15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)					
(b) Investments in controlled entities (continued)					
Balance brought forward				139,997	139,997
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%		
AH Holdings Health Care Limited and its controlled entities: ^	Australia	100%	100%		
Affinity Health Care Holdings Limited and its controlled entities: ^	Australia	100%	100%		
PT Affinity Health Indonesia	Indonesia	92%	92%		
Affinity Health Finance Australia Pty Ltd ^	Australia	100%	100%		
Affinity Health Holdings Australia Pty Ltd and its controlled entities: ^	Australia	100%	100%		
Affinity Health Limited and its controlled entities: ^	Australia	100%	100%		
Affinity Health Foundation Pty Limited ^	Australia	100%	100%		
Affinity Health Holdings Indonesia Pty Ltd ^	Australia	100%	100%		
Hospitals of Australia Limited ^	Australia	100%	100%		
Relkban Pty Limited ^	Australia	100%	100%		
Relkmet Pty Limited ^	Australia	100%	100%		
Votrait No. 664 Pty Limited ^	Australia	100%	100%		
Votrait No. 665 Pty Limited ^	Australia	100%	100%		
Australian Medical Enterprises Limited and its controlled entities: ^	Australia	100%	100%		
AME Hospitals Pty Limited ^	Australia	100%	100%		
AME Trust	-	100%	100%		
AME Trading Trust	-	100%	100%		
AME Properties Pty Limited ^	Australia	100%	100%		
AME Property Trust	-	100%	100%		
AME Superannuation Pty Limited ^	Australia	100%	100%		
Attadale Hospital Property Pty Ltd ^	Australia	100%	100%		
Glengarry Hospital Property Pty Limited ^	Australia	100%	100%		
Glengarry Hospital Unit Trust No1	-	100%	100%		
Glengarry Hospital Unit Trust No2	-	100%	100%		
Hadassah Pty Limited ^	Australia	100%	100%		
Hallcraft Pty Limited ^	Australia	100%	100%		
Hallcraft Unit Trust	-	100%	100%		
Jamison Private Hospital Property Pty Ltd ^	Australia	100%	100%		
Rannes Pty Limited ^	Australia	100%	100%		
Victoria House Holdings Pty Limited ^	Australia	100%	100%		
C&P Hospitals Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%		
Affinity Health (FP) Pty Limited ^	Australia	100%	100%		
Armidale Hospital Pty Limited ^	Australia	100%	100%		
Caboolture Hospital Pty Limited ^	Australia	100%	100%		
Joondalup Hospital Pty Limited	Australia	100%	100%		
Joondalup Health Campus Finance Limited	Australia	100%	100%		
Logan Hospital Pty Limited ^	Australia	100%	100%		
Balance carried forward				139,997	139,997

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2007 %	2006 %	2007 \$000	2006 \$000
15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)					
(b) Investments in controlled entities (continued)					
Balance brought forward				139,997	139,997
Noosa Privatised Hospital Pty Ltd 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%		
HCoA Hospital Holdings (Australia) Pty Ltd and its					
controlled entitites: ^	Australia	100%	100%		
HCoA Operations (Australia) Pty Ltd ^	Australia	100%	100%		
Hospital Corporation Australia Pty Ltd and its					
controlled entities: ^	Australia	100%	100%		
CRPH Pty Limited ^	Australia	100%	100%		
Dabuvu Pty Limited ^	Australia	100%	100%		
HOAIF Pty Limited ^	Australia	100%	100%		
Hospital Affiliates of Australia Pty Ltd ^	Australia	100%	100%		
HCA Management Pty Limited ^	Australia	100%	100%		
Hospital Developments Pty Limited ^	Australia	100%	100%		
Malahini Pty Limited ^	Australia	100%	100%		
PMPH Pty Limited ^	Australia	100%	100%		
Tilemo Pty Limited ^	Australia	100%	100%		
Pruinosa Pty Limited ^	Australia	100%	100%		
Australian Hospital Care Limited and its					
controlled entities: ^	Australia	100%	100%		
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%		
Australian Hospital Care (Latrobe) Pty Ltd ^	Australia	100%	100%		
Australian Hospital Care (Masada) Pty Ltd ^	Australia	100%	100%		
Masada Private Hospital Unit Trust	-	100%	100%		
Australian Hospital Care (MPH) Pty Ltd ^	Australia	100%	100%		
Australian Hospital Care (MSH) Pty Ltd ^	Australia	100%	100%		
Australian Hospital Unit Trust	-	100%	100%		
Australian Hospital Care (Pindara) Pty Ltd ^	Australia	100%	100%		
Pindara Private Hospital Unit Trust	-	100%	100%		
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%		
Australian Hospital Care 1998 Pty Ltd ^	Australia	100%	100%		
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%		
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%		
AHC Foundation Pty Limited ^	Australia	100%	100%		
AHC Tilbox Pty Limited ^	Australia	100%	100%		
eHealth Technologies 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

	Country of Incorporation	Beneficial Percentage Held 2007 %	2006 %	Ramsay Health Care Limited 2007 \$000	2006 \$000
15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)					
(b) Investments in controlled entities (continued)					
Balance brought forward				139,997	139,997
Ramsay Centauri Pty Limited and its					
controlled entities: ^	Australia	100%	100%		
Alpha Healthcare Pty Limited and its					
controlled entities: ^	Australia	100%	100%		
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%		
Alpha Westmead Private Hospital Pty Ltd	Australia	100%	100%		
APL Hospital Holdings Pty Ltd ^	Australia	100%	100%		
Bowral Management Company Pty Ltd	Australia	100%	100%		
Health Care Corporation Pty Limited ^	Australia	100%	100%		
Herglen Pty Limited ^	Australia	100%	100%		
Illawarra Private Hospital Holdings Pty Ltd ^	Australia	100%	100%		
Mt Wilga Pty Limited ^	Australia	100%	100%		
Northern Private Hospital Pty Limited ^	Australia	100%	100%		
Sibdeal Pty Limited ^	Australia	100%	100%		
Simpac Services Pty Limited ^	Australia	100%	100%		
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%		
Workright Pty Limited ^	Australia	100%	100%		
Ramsay Health Care Australia Pty					
Limited and its controlled entities: ^	Australia	100%	100%		
Ramsay Professional Services Pty Ltd ^	Australia	100%	100%		
Phiroan Pty Limited ^	Australia	100%	100%		
New Farm Hospitals Pty Limited ^	Australia	100%	100%		
Ramsay Health Care (Victoria) Pty Ltd ^	Australia	100%	100%		
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%		
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%		
North Shore Private Hospital Pty Limited ^	Australia	100%	100%		
E Hospital 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 Health Care (Asia Pacific) Pty Limited					
and its controlled entities: ^	Australia	100%	100%		
Ramsay Health and Management					
Services Sdn Bhd # (in liquidation)	Malaysia	-	100%		
				139,997	139,997

#Audited by other member firms of Ernst & Young

*Denotes \$2.00

^Entities included in the deed of cross guarantee as required for the class order

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	Land & buildings \$000	Consolidated Plant & equipment \$000	Total \$000	Ramsay Health Care Limited Land & buildings \$000	Plant & equipment \$000	Total \$000
16. PROPERTY, PLANT AND EQUIPMENT						
AT 1 JULY 2006, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT						
DEPRECIATION AND IMPAIRMENT	946,074	131,052	1,077,126	-	-	-
Additions	49,830	98,008	147,838	-	-	-
Disposals	-	(1,599)	(1,599)	-	-	-
Disposals - discontinued operations	(1,551)	(819)	(2,370)	-	-	-
Acquisition of subsidiaries	1,900	744	2,644	-	-	-
Depreciation for the year	(18,682)	(42,686)	(61,368)	-	-	-
AT 30 JUNE 2007, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	977,571	184,700	1,162,271	-	-	-
AT 1 JULY 2006						
Cost	1,056,176	455,576	1,511,752	-	-	-
Accumulated depreciation and impairment	(110,102)	(324,524)	(434,626)	-	-	-
NET CARRYING AMOUNT	946,074	131,052	1,077,126	-	-	-
AT 30 JUNE 2007						
Cost	1,099,820	547,885	1,647,705	-	-	-
Accumulated depreciation and impairment	(122,249)	(363,185)	(485,434)	-	-	-
NET CARRYING AMOUNT	977,571	184,700	1,162,271	-	-	-
The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2007 is \$ 236,452 (2006:\$545,133).						
Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.						
AT 1 JULY 2005, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT						
DEPRECIATION AND IMPAIRMENT	1,016,800	145,248	1,162,048	-	-	-
Additions	28,753	72,986	101,739	-	-	-
Disposals - discontinued operations	(74,829)	(48,831)	(123,660)	-	-	-
Assets re-classified as held for sale	(3,200)	-	(3,200)	-	-	-
Acquisition of a subsidiary	-	2,255	2,255	-	-	-
Impairment *	(2,132)	-	(2,132)	-	-	-
Effect of foreign exchange translation	2,196	714	2,910	-	-	-
Depreciation for the year	(21,514)	(41,320)	(62,834)	-	-	-
AT 30 JUNE 2006, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	946,074	131,052	1,077,126	-	-	-
AT 1 JULY 2005						
Cost	1,212,538	468,253	1,680,791	-	-	-
Accumulated depreciation and impairment	(195,738)	(323,005)	(518,743)	-	-	-
NET CARRYING AMOUNT	1,016,800	145,248	1,162,048	-	-	-
AT 30 JUNE 2006						
Cost	1,056,176	455,576	1,511,752	-	-	-
Accumulated depreciation and impairment	(110,102)	(324,524)	(434,626)	-	-	-
NET CARRYING AMOUNT	946,074	131,052	1,077,126	-	-	-

*The \$2,132,000 impairment loss represents the write-down of assets remaining when the business that held the asset was divested. This has been recognised in the income statement.

The recoverable amount was determined in reference to amounts third parties were willing to pay.

Notes	Goodwill	Consolidated Right to operate hospitals	Total	Ramsay Health Care Limited Total
	\$000	\$000	\$000	\$000
17. GOODWILL AND INTANGIBLE ASSETS				
AT 30 JUNE 2006				
Cost (gross carrying amount)	549,436	28,600	578,036	-
Accumulated amortisation	-	(1,500)	(1,500)	-
Net carrying amount	549,436	27,100	576,536	-
Year ended 30 June 2007				
At 1 July 2006, net of amortisation	549,436	27,100	576,536	-
Acquisition of a business	1,559	-	1,559	-
Amortisation	-	(1,500)	(1,500)	-
AT 30 JUNE 2007, NET OF AMORTISATION	550,995	25,600	576,595	-
AT 30 JUNE 2007				
Cost (gross carrying amount)	550,995	28,600	579,595	-
Accumulated amortisation	-	(3,000)	(3,000)	-
NET CARRYING AMOUNT	550,995	25,600	576,595	-

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 18.

The intangible asset, 'right to operate hospitals', has been acquired through business combinations. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 10 and 30 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.

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

AT 1 JULY 2005				
NET AND GROSS CARRYING AMOUNT	614,960	28,600	643,560	-
YEAR ENDED 30 JUNE 2006				
At 1 July 2005, net of amortisation	614,960	28,600	643,560	-
Acquisition of a subsidiary	930	-	930	-
Disposals discontinued operations	(66,454)	-	(66,454)	-
Amortisation	-	(1,500)	(1,500)	-
AT 30 JUNE 2006, NET OF AMORTISATION	549,436	27,100	576,536	-
AT 1 JULY 2006				
Cost (gross carrying amount)	549,436	28,600	578,036	-
Accumulated amortisation	-	(1,500)	(1,500)	-
NET CARRYING AMOUNT	549,436	27,100	576,536	-

18. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations is tested at a Group basis as this is considered the lowest cash generating unit. There is only one reportable segment being the total Group.

The recoverable amount of goodwill has been determined on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The discount rate applied to the cash flow projections is 9.1% cash flows beyond the five year period are extrapolated using a 3% growth rate.

The carrying amount of goodwill allocated to the Group is \$550,995,000 (2006: \$549,436,000).

Key assumptions used in value in use calculations for the goodwill for 30 June 2007 and 30 June 2006

- 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.
- Tax rates have been estimated at 30%, consistent with the current tax legislation.

Management consider that any reasonable changes in the key assumptions would not result in the carrying value of goodwill exceeding the recoverable amount.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
19. NON-CURRENT RECEIVABLES				
Receivable from the Government in respect of the availability charge for the operation of a private hospital	32,824	35,173	-	-
Other	5	-	-	-
	<u>32,829</u>	<u>35,173</u>	<u>-</u>	<u>-</u>

20. TRADE AND OTHER PAYABLES

Trade payable	(i)	109,431	96,419	-	363
Sundry creditors and accrued expenses		95,088	110,246	-	-
Employee and director entitlements		76,780	73,894	2,138	1,100
		<u>281,299</u>	<u>280,559</u>	<u>2,138</u>	<u>1,463</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
(ii) Details regarding the effective interest rate risk of current payables is disclosed in note 26.

21. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)**SECURED:**

- Loan - bondholders	(i)	2,256	2,082	-	-
- Lease liabilities	(ii)	1,638	1,399	-	-
- Loan - insurance funding	(iii)	-	12,125	-	-
- Other		450	550	-	-
		<u>4,344</u>	<u>16,156</u>	<u>-</u>	<u>-</u>

- (i) Loan – bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government (refer note 19).
(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.

22. PROVISIONS**CURRENT**

Restructuring and acquisition provisions	3,095	9,311	-	-
Unfavourable contracts	3,250	3,325	-	-
Insurance provision	90,757	82,735	-	-
	<u>97,102</u>	<u>95,371</u>	<u>-</u>	<u>-</u>

NON-CURRENT

Non-current employee and director entitlements	69,288	62,174	-	-
Unfavourable contracts	1,927	4,219	-	-
	<u>71,215</u>	<u>66,393</u>	<u>-</u>	<u>-</u>
TOTAL	<u>168,317</u>	<u>161,764</u>	<u>-</u>	<u>-</u>

	Consolidated			Ramsay Health Care Limited Total	
	Restructuring & acquisition provision	Insurance	Unfavourable contracts	Total	
	\$000	\$000	\$000	\$000	\$000
22. PROVISIONS (CONTINUED)					
AT 1 JULY 2006	9,311	82,735	7,544	99,590	-
Arising during the year	-	13,408	-	13,408	-
Utilised during the year	(6,216)	(5,386)	(2,644)	(14,246)	-
Discount rate adjustment	-	-	277	277	-
AT 30 JUNE 2007	3,095	90,757	5,177	99,029	-
Current 2007	3,095	90,757	3,250	97,102	-
Non-current 2007	-	-	1,927	1,927	-
	3,095	90,757	5,177	99,029	-
Current 2006	9,311	82,735	3,325	95,371	-
Non-current 2006	-	-	4,219	4,219	-
	9,311	82,735	7,544	99,590	-

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of Affinity. The restructuring plan was drawn up and announced to the employees during 2005; and
- further costs expected to be incurred with the disposal of the facilities detailed in note 7, during 2007.

The majority of the costs are expected to be incurred within the next 12 months.

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. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

	Consolidated		Ramsay Health Care Limited	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000

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

SECURED LIABILITIES:

- Bank loans	(i)	705,507	773,898	-	-
- Lease liabilities	(ii)	2,104	4,832	-	-
- Loan - bondholders	(iii)	34,022	36,278	-	-
		741,633	815,008	-	-

(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 19).

24. ISSUED CAPITAL AND RESERVES

24.1 Ordinary Shares

(a) Issued and paid up capital

173,049,153 ordinary shares fully paid
(30 June 2006: 173,049,153 ordinary shares fully paid)

425,289	425,289	425,289	425,289
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(b) 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.

(c) Movement in issued capital

There were no movements in issued capital during the year.

24. ISSUED CAPITAL AND RESERVES (CONTINUED)**24.2 Net Unrealised Gains Reserve*****Nature and Purpose of Reserve***

This reserve records movements in the fair value of hedged instruments that are determined to be effectively hedged.

24.3 Equity Based Payment Reserve***Nature and Purpose of Reserve***

This reserve is used to record the value of shared based payments provided to employees, including key management personnel, as part of their compensation. Refer note 27 for further details of these plans.

24.4 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.

24.5 Convertible Adjustable Rate Equity Securities (CARES)**(a) Issued and paid up capital**

2,600,000 CARES shares fully paid

(30 June 2006: 2,600,000 CARES shares fully paid)

Consolidated		Ramsay Health Care Limited	
2007	2006	2007	2006
\$000	\$000	\$000	\$000

252,165	252,165	252,165	252,165
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(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	<p>The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to:</p> $\text{Dividend Entitlement} = \frac{\text{Dividend Rate} \times \text{Face Value} \times N}{365}$ <p>where:</p> <p>N is the number of days in the Dividend Period</p> <p>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.</p> <p>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.</p>
Dividend Rate	<p>The Dividend Rate for each Dividend Period is calculated as:</p> $\text{Dividend Rate} = (\text{Market Rate} + \text{Margin}) \times (1-T)$ <p>where:</p> <p>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.</p> <p>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.</p> <p>T is the prevailing Australian corporate tax rate applicable on the Allotment Date.</p> <p>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.</p>
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010.
Franking	<p>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.</p> <p>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.</p>
Conversion or exchange by Ramsay	<p>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.</p> <p>Ramsay also has the right to:</p> <ul style="list-style-type: none"> • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. <p>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.</p>

24. ISSUED CAPITAL AND RESERVES (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
	2007	2006	2007
	\$000	\$000	\$000

24.6 Treasury Shares

- 714,078 ordinary shares
(30 June 2006: 693,509)

7,624	7,009	-	-
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	Number of shares	\$000
Movements in shares		
Balance at 30 June 2006	693,509	7,009
Vested during the year	(313,732)	(3,167)
Purchased during the year	334,301	3,782
Balance at 30 June 2007	714,078	7,624

Nature and Purpose

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, CARES, financial leases and hire purchase contracts and cash.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost 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 of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2007, after taking into account the effect of interest rate swaps, approximately 88 % of the Group's borrowings are at a fixed rate of interest.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, preference shares, finance leases and hire purchase contracts. The financial instruments risk is the same for the parent entity as for the Group.

26. FINANCIAL INSTRUMENTS

(a) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

Derivatives: The carrying amount is restated to fair value at each reporting period.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash flows analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Financial Instruments	Floating Rate Interest	Fixed Interest Rate Maturing in:						Total Carrying Amount as per the Balance Sheet	Weighted Average Effective Interest Rate
		1 year or less	>1 year <2 years	>2 year <3 years	>3 year <4 years	>4 year <5 years	More than 5 years		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
(i) Financial Assets:									
Cash assets									
- 2007	14,841	-	-	-	-	-	-	14,841	6.02%
- 2006	41,795	-	-	-	-	-	-	41,795	5.52%
Other financial assets									
- 2007	-	-	-	-	-	-	-	-	-
- 2006	97,507	-	-	-	-	-	-	97,507	5.50%
Interest rate swaps ^									
- 2007	-	-	318	11,493	-	-	-	11,811	7.16%
- 2006	-	663	663	680	705	-	-	2,711	7.2%
(ii) Financial Liabilities:									
Bank loans - Australia									
- 2007	700,000	-	-	-	-	-	-	691,466	7.16%
- 2006	770,093	-	-	-	-	-	-	758,246	7.10%
Bank loans - Indonesia									
- 2007	14,041	-	-	-	-	-	-	14,041	9.38%
- 2006	15,652	-	-	-	-	-	-	15,652	13.25%
Loans - insurance funding									
- 2007	-	-	-	-	-	-	-	-	-
- 2006	-	12,125	-	-	-	-	-	12,125	2.88%
Loans - Bondholders									
- 2007	-	2,256	2,367	2,484	2,692	2,916	23,563	36,278	8.18%
- 2006	-	2,082	2,256	2,367	2,484	2,692	26,480	38,361	8.18%
Finance lease liability									
- 2007	-	497	3,245	-	-	-	-	3,742	12.60%
- 2006	-	1,399	4,832	-	-	-	-	6,231	12.60%

All other financial instruments are non interest bearing.

^: Refer to Note 26 (c) for further information on the interest rate swaps.

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging Activities

At 30 June 2007, the Group has an interest rate swap agreement in place with a notional amount of \$634,508,000 (2006: \$670,769,000) whereby it receives a fixed rate of interest of 7.16% (2006:7.2%) and pays a variable rate equal to the BBSY plus margin on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its secured loan. The secured loan and the interest rate swap have the same critical terms. Refer to Note 33 for further details on the loan that is hedged.

27. SHARE BASED PAYMENT PLANS

27.1 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, entitle 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:

	2007		2006	
	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value
Balance at beginning of year	321,428	\$11.21 *	321,428	\$8.96 *
- rights cash settled	(160,714)		-	
Balance at end of year	160,714		321,428	
Exercisable at end of year	-		-	

The following table summarises information about rights held by the executive directors as at 30 June 2007:

Number of rights	Grant date	Vesting date	Weighted average fair value
160,714	12-Sep-04	12-Sep-07	\$11.21 *

* Fair value at reporting date

Fair Values of Incentive Rights (Cash Settled)

The fair value of each incentive right is 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 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.

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

27. SHARE BASED PAYMENT PLANS (CONTINUED)**27.2 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:

	2007		2006	
	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value
Balance at beginning of year	1,208,765	\$5.05	694,928	\$3.64
- granted	190,670	\$7.44 @	540,447	\$6.75 @
- vested	(305,357)	\$2.80	(8,375)	\$3.64
- forfeited	(29,015)	\$4.92	(18,235)	\$3.64
Balance at end of year	<u>1,065,063</u>		<u>1,208,765</u>	
Exercisable at end of year	<u>-</u>		<u>-</u>	

The following table summarises information about rights held by specified executives as at 30 June 2007:

Number of rights	Grant date	Vesting date	Weighted average fair value
343,428	12-Sep-04	12-Sep-07	\$4.32 @
530,965	22-Nov-05	22-Nov-08	\$6.75 @
190,670	31-Oct-06	31-Oct-09	\$7.44 @

@ Fair value at grant date

Fair Values of Performance Rights (Equity)

The fair value of each performance right is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions used for grants made on 12 September 2004, 22 November 2005 and 31 October 2006.

	Granted 31-Oct-06	Granted 22-Nov-05	Granted 12-Sep-04
Dividend yield	2.70%	2.44%	3.11%
Expected volatility	20% to 25%	20% to 25%	20% to 25%
Historical volatility	27%	23%	35%
Risk-free interest rate	5.97%	5.31%	5.27%
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.

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
I.P.S. Grier	Managing Director
B.R. Soden	Finance Director
A.J. Clark AM	Non-Executive Director
P.J. Evans	Non-Executive Director
R.H. McGeoch AM	Non-Executive Director
K.C.D. Roxburgh	Non-Executive Director

(ii) Executives

C. Rex	Chief Operating Officer
C. McNally	Business Development Manager
K. Cass-Ryall	WA State Operations Manager

There were no changes of the CEO or key management personnel after reporting date and the date the financial report was authorised for issue.

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation of Key Management Personnel

Further details regarding the compensation of key management personnel are disclosed in the Directors' Report.

	Consolidated		Ramsay Health Care Limited *	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS				
Short term	712,500	693,500	712,500	693,500
Post employment	1,095,411	231,604	1,095,411	231,604
	1,807,911	925,104	1,807,911	925,104
EXECUTIVE DIRECTORS				
Short term	2,344,367	2,351,098	2,344,367	2,351,098
Post employment	25,372	24,278	25,372	24,278
Shared based payment options	2,389,055	1,909,771	2,389,055	1,909,771
	4,758,794	4,285,147	4,758,794	4,285,147
EXECUTIVES				
Short term	2,112,433	2,184,157	-	-
Post employment	38,058	36,417	-	-
Shared based payment options	644,280	498,567	-	-
	2,794,771	2,719,141	-	-
TOTAL				
Short term	5,169,300	5,228,755	3,056,867	3,044,598
Post employment	1,158,841	292,299	1,120,783	255,882
Shared based payment options	3,033,335	2,408,338	2,389,055	1,909,771
	9,361,476	7,929,392	6,566,705	5,210,251

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

(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 2006	Vested	Granted	Grant Date	Fair Value \$ (note 27)	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
P.Grier	-	* 322,377	22/11/05	6.75	30/06/08	31/12/08	30/06/09
B.Soden	-	34,387	22/11/05	6.75	30/06/08	31/12/08	30/06/09
Executives							
C.Rex	-	53,097	22/11/05	6.75	30/06/08	31/12/08	30/06/09
C.McNally	-	25,284	22/11/05	6.75	30/06/08	31/12/08	30/06/09
K. Cass-Ryall	-	7,585	22/11/05	6.75	30/06/08	31/12/08	30/06/09
30 June 2007							
	Vested	Granted	Grant Date	Fair Value \$ (note 27)	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
P.Grier (1)	107,143	-	12/09/04	11.72	30/06/06	31/12/06	30/06/07
B.Soden (1)	53,571	-	12/09/04	11.72	30/06/06	31/12/06	30/06/07
B.Soden (2)	-	31,682	31/10/06	7.44	30/06/09	31/12/09	30/06/10
Executives							
C.Rex (2)	-	48,387	31/10/06	7.44	30/06/09	31/12/09	30/06/10
C.Rex (2)	71,429	-	06/01/04	2.80	30/06/06	31/12/06	30/06/07
C.McNally (2)	-	23,041	31/10/06	7.44	30/06/09	31/12/09	30/06/10
C.McNally (2)	35,714	-	06/01/04	2.80	30/06/06	31/12/06	30/06/07
K.Cass-Ryall (2)	-	11,521	31/10/06	7.44	30/06/09	31/12/09	30/06/10
K.Cass-Ryall (2)	21,429	-	06/01/04	2.80	30/06/06	31/12/06	30/06/07

(1) Cash settled incentive rights.

(2) Equity based performance Rights.

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)**(d) Shares issued under the Performance Rights Plan****30 June 2007****No. of Shares Issued****Executives**

C.Rex	71,429
C.McNally	35,714
K.Kass-Ryall	21,429
	<u>128,572</u>

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

No ordinary shares were issued as no performance rights had vested at 30 June 2006.

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

30 June 2007	Performance/ Incentive Right	Balance at beginning of period 01 Jul 06	Granted as Remuneration	Exercised	Balance at end of period 30 Jun 07	Vested at 30 Jun 07
Directors						
P.Grier	Equity Performance Rights	322,377	-	-	322,377	-
B.Soden	Equity Performance Rights	34,387	31,682	-	66,069	-
P.Grier	Cash settled Incentive Rights	214,286	-	(107,143)	107,143	-
B.Soden	Cash settled Incentive Rights	107,142	-	(53,571)	53,571	-
Executives						
C.Rex	Equity Performance Rights	195,955	48,387	(71,429)	172,913	-
C.McNally	Equity Performance Rights	96,712	23,041	(35,714)	84,039	-
K.Cass-Ryall	Equity Performance Rights	50,443	11,521	(21,429)	40,535	-
30 June 2006	Performance/ Incentive Right	Balance at beginning of period 01 Jul 05	Granted as Remuneration	Exercised	Balance at end of period 30 Jun 06	Vested at 30 Jun 06
Directors						
P.Grier	Equity Performance Rights	-	322,377	-	322,377	-
B.Soden	Equity Performance Rights	-	34,387	-	34,387	-
P.Grier	Cash settled Incentive Rights	214,286	-	-	214,286	-
B.Soden	Cash settled Incentive Rights	107,142	-	-	107,142	-
Executives						
C.Rex	Equity Performance Rights	142,858	53,097	-	195,955	-
C.McNally	Equity Performance Rights	71,428	25,284	-	96,712	-
K.Cass-Ryall	Equity Performance Rights	42,858	7,585	-	50,443	-

(f) Shareholding of Key Management Personnel (consolidated)

30 June 2007	Balance 01 Jul 06		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 07	
	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.
Directors										
P.Grier	85,740	-	-	-	-	-	-	-	85,740	-
B.Soden	6,125	-	-	-	-	-	-	-	6,125	-
Executives										
C.Rex	-	-	-	-	71,429	-	-	-	71,429	-
C.McNally	33,257	-	-	-	35,714	-	-	-	68,971	-
K.Cass-Ryall	-	-	-	-	21,429	-	-	-	21,429	-

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(f) Shareholding of Key Management Personnel (consolidated) (continued)

30 June 2006	Balance 01 Jul 05		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 06	
	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.
Directors										
P.Grier	85,740	-	-	-	-	-	-	-	85,740	-
B.Soden	5,987	-	-	-	-	-	138	-	6,125	-
Executives										
C.Rex	-	-	-	-	-	-	-	-	-	-
C.McNally	32,500	-	-	-	-	-	757	-	33,257	-
K. Cass-Ryall	-	-	-	-	-	-	-	-	-	-

The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing compensation disclosures in relation to their key management personnel in their annual financial reports under Accounting Standard AASB 124 Related Party Disclosures. These compensation disclosures are provided in the Directors' Report designated as audited.

Notes	Consolidated		Ramsay Health Care Limited	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000

29. EXPENDITURE COMMITMENTS

(a) Finance leases and hire purchase commitments - Group as lessee

- not later than one year		1,718	1,794	-	-
- later than one year but not later than five years		2,191	5,268	-	-
Total minimum lease payments		3,909	7,062	-	-
- future finance charges		(167)	(831)	-	-
- lease liability		3,742	6,231	-	-
- current liability	21	1,638	1,399	-	-
- non-current liability	23	2,104	4,832	-	-
		3,742	6,231	-	-
Total lease liability accrued for:					
<i>Current</i>					
- Surplus lease space (operating lease)(i)		-	843	-	-
- Finance leases	21	1,638	1,399	-	-
		1,638	2,242	-	-
<i>Non-current</i>					
- Surplus lease space (operating lease)(i)		-	-	-	-
- Finance leases	23	2,104	4,832	-	-
		2,104	4,832	-	-
		3,742	7,074	-	-

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings and other equipment. The leases have an average lease term of 2 years and the average discount rate implicit in the leases is 12.6% (2006:12.6%). The security over finance leases is disclosed in note 21 and 23.

- (i) These commitments represent payments due for vacant leased premises under a non-cancellable operating lease, and have been recognised as a liability in the current financial year, as the remaining payments for the premises will provide no further benefits to the consolidated entity. The payments have been discounted at the rate implicit in the lease.

29. EXPENDITURE COMMITMENTS (CONTINUED)

	Consolidated		Ramsay Health Care Limited	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
(b) Lease expenditure commitments				
- Group as lessee				
Operating leases (non-cancellable):				
Minimum lease payments				
- not later than one year	18,652	16,881	-	-
- later than one year but not later than five years	59,975	59,084	-	-
- later than five years	76,611	89,497	-	-
Aggregate lease expenditure contracted for at balance date	155,238	165,462	-	-
Amounts provided for:				
- surplus lease space - current	-	843	-	-
- non-current	-	-	-	-
	-	843	-	-
Amounts not provided for:				
- rental commitments	155,238	164,619	-	-
Aggregate lease expenditure contracted for at balance date	155,238	165,462	-	-

Operating leases have an average lease term of 13 years and an average implicit interest rate of 9% (2006:9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

(c) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for, payable:

- not later than one year	56,253	14,365	-	-
- later than one year but not later than two years	42,973	-	-	-
	99,226	14,365	-	-

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

Ramsay Health Care 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 sold during the year

In relation to the sale of one of the hospitals Ramsay Health Care Limited has entered into 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 has sold all of the shares in the lessee to BCN (refer note 7). 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. SEGMENTAL INFORMATION

The consolidated entity operates in the private hospital industry segment, predominantly in the geographical segment of Australia.

31. 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.

	Consolidated		Ramsay Health Care Limited	
	2007	2006	2007	2006
	\$	\$	\$	\$
32. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the Auditors for:				
Audit of financial statements	1,338,000	1,088,000	-	-
Audit of other reports	20,000	80,000	-	-
Other audit related services	15,000	30,000	-	-
Total audit	1,373,000	1,198,000	-	-
Other services				
Taxation	494,000	552,000	-	-
Other	-	3,000	-	-
Total Other Services	494,000	555,000	-	-
	1,867,000	1,753,000	-	-

33. BORROWINGS

Terms and Conditions

i. Senior Debt Facility and Working Capital Facility

The Ramsay Group Senior debt is funded by a Senior Sale and Purchase Agreement and related documents for the issue, sale and purchase of notes ("SSPA"). The SSPA has 1 Facility, Revolving Facility A with a commitment amount of \$1,045,000,000 expiring April 2010.

The aggregate amount outstanding under the SSPA on 30 June 2007 was \$700,000,000 (30 June 2006: \$770,093,000).

The Ramsay Group also has a Working Capital Facility Agreement ("Working Capital Facility") with ANZ and NAB with a commitment amount of \$50,000,000. No amounts were drawn under the Working Capital Facility as at 30 June 2007 (30 June 2006: \$0).

The SSPA and the Working Capital Facility are fully secured. The Company and all wholly owned subsidiaries of the Company (except for dormant companies) have given guarantees and all asset security. The all asset security includes fixed and floating charges and specific property mortgages over freehold land (including improvements and fixtures thereon). The undrawn portion of this facility as at 30 June 2007 was \$395,000,000 (2006: \$324,907,000).

ii. Bilateral Facilities

These facilities were entered into in conjunction with the SSPA and its subsequent syndication, and are provided by ANZ, NAB and Westpac Banking Corporation ("Westpac").

The commitment limit under the ANZ facility for working capital is \$35,000,000 (2006:\$35,000,000); which comprises a cash advance facility, overdraft facility and indemnity/guarantee facility. A further transactional encashment facility is also provided which permits the encashment of payroll and other cheques at any ANZ branch.

The limit on the NAB facility for working capital is \$10,000,000 (2006:\$10,000,000); which comprises a cash advance facility, overdraft facility and indemnity/guarantee facility.

The Westpac facility comprises various transactional banking facilities including set-off and lease line facilities. Westpac also provides a bank guarantee facility with a limit of approximately \$2,000,000 (2006:\$4,000,000).

Under these facilities as at 30 June 2007 bank guarantees totalling \$30,116,000 (30 June 2006: \$30,085,642) had been issued. The undrawn portion of the above facilities at 30 June 2007 was \$14,884,000 (2006: \$14,914,358).

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 (2006: IDR 107,596,500,000) AUD 14,041,298 (2006: AUD 15,652,085). At 30 June 2007 the loan was fully drawn (2006: the loan was fully drawn).

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.

34. RELATED PARTY TRANSACTIONS

Directors

Directors of Ramsay Health Care Limited during the year ended 30 June 2007 were:

P.J. Ramsay
M.S. Siddle
A.J. Clark
P.J. Evans
I.P.S. Grier
B.R. Soden
R.H. McGeoch
K.C.D. Roxburgh

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel of Ramsay Health Care Limited at 30 June 2007 were:

- C. Rex – Chief Operating Officer
- C. McNally – Business Development Manager
- K. Cass-Ryall – WA State Operations Manager

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 (2006: 29 September 2006) was as follows:

Director	Ordinary Shares				Rights	
	2007		2006		2007	2006
	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾		
P.J. Ramsay	-	73,148,372	-	73,148,372	-	-
M.S. Siddle	151,667	-	26,667	-	-	-
A.J. Clark	85,000	-	85,000	-	-	-
P.J. Evans	6,312	-	6,312	-	-	-
I.P.S. Grier	10,740	-	85,740	-	429,520	536,663
R.H. McGeoch	-	133,334	-	133,334	-	-
K.C.D. Roxburgh	72,982	-	72,982	-	-	-
B.R. Soden	2,889	3,236	2,889	3,236	119,640	141,529

⁽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.

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

Mr Ramsay has a relevant interest in 73,148,372 (2006: 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.

Movements in Directors' equity holdings

During the year:

- Mr M S Siddle acquired 135,000 ordinary shares on market at arms length and sold 10,000 shares.
- Mr I P Grier sold 75,000 shares.

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 charged by Paul Ramsay Holdings Pty Limited, for services rendered to the Group amounted to \$120,000 (2006: \$120,000).

During the year an amount of \$120,000 (2006: \$60,000) was paid to Paul Ramsay Holdings Pty Limited for services rendered by Mr M.S. Siddle (Non-executive Director).

Other related party transactions within the wholly owned group

	2007 \$000	2006 \$000
Loans to Subsidiaries		
- Interest free	614,208	585,246

35. CONTINGENCIES

- i) A contingent liability exists in relation to potential land rich duty payable on the Affinity acquisition. The Group has submitted to the relevant revenue authorities documents supporting that there is no land rich duty payable and is currently in negotiations in relations to this matter.

Funds were set aside as part of the purchase price agreement to pay any potential duties arising but may no longer be available. Should these funds no longer be available and duty become payable, the Group estimates that the potential accounting impact, if any, would be to increase the Affinity acquisition price and resultant goodwill in the balance sheet by approximately \$20 million, with no material impact on earnings.

- ii) In relation to the Affinity acquisition, a potential Belgian tax liability may arise in respect of an Affinity group company previously domiciled in Belgium. The Group has strong grounds to challenge and defend any such claim and ultimately does not expect to be required to pay any amount in relation to this matter.

In the unlikely event that a claim is made and it is successful, the Group estimates the potential accounting impact, if any, would be to increase the Affinity acquisition price and resultant goodwill in the balance sheet by approximately \$53 million plus interest, with no material impact on earnings.

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	
	2007	2006
	\$'000	\$'000
CONSOLIDATED INCOME STATEMENT		
Profit from operations before income tax	131,827	123,643
Income tax expense	(42,317)	(38,383)
Net profit for the period	89,510	85,260
Retained earnings at the beginning of the year	132,647	99,241
Dividends provided for or paid	(62,169)	(51,854)
Retained earnings at the end of the year	159,988	132,647
CONSOLIDATED BALANCE SHEET		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	-	35,500
Trade and other receivables	277,304	249,038
Inventories	33,989	31,356
Other financial assets	-	97,507
Derivatives	11,811	2,711
Other current assets	23,595	37,299
	346,699	453,411
Assets classified as held for sale	3,200	3,200
TOTAL CURRENT ASSETS	349,899	456,611
NON-CURRENT ASSETS		
Other financial assets	4,496	1,983
Goodwill and intangibles	543,973	542,427
Deferred tax assets	80,349	83,705
Property, plant and equipment	1,069,867	988,685
TOTAL NON-CURRENT ASSETS	1,698,685	1,616,800
TOTAL ASSETS	2,048,584	2,073,411
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	251,807	253,627
Interest-bearing loans and borrowings	3,322	13,197
Provisions	97,102	88,546
Income tax payable	23,544	3,017
TOTAL CURRENT LIABILITIES	375,775	358,387
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	691,358	762,913
Deferred income tax liabilities	64,924	83,189
Provisions	81,132	64,651
TOTAL NON-CURRENT LIABILITIES	837,414	910,753
TOTAL LIABILITIES	1,213,189	1,269,140
NET ASSETS	835,395	804,271
EQUITY		
Issued capital	414,243	414,243
Treasury shares	(7,624)	-
CARES	252,165	252,165
Retained earnings	159,988	132,647
Other reserves	16,623	5,216
TOTAL EQUITY	835,395	804,271

37. SUBSEQUENT EVENTS

There have been no 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.

RAMSAY HEALTH CARE LIMITED AND CONTROLLED ENTITIES ADDITIONAL SHAREHOLDER INFORMATION FOR THE 2007 ANNUAL REPORT

The following additional information required by the Australian Stock Exchange Limited, was applicable as at 28 September 2007:

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 - 1,000	6,877	4,095,499	2.37
1,001 - 5,000	7,843	17,622,640	10.18
5,001 - 10,000	948	6,661,245	3.85
10,001 - 100,000	412	9,125,871	5.27
100,001 and over	53	135,543,898	78.33
TOTALS	16,133	173,049,153	100.00

(b) The number of shareholdings held in less than marketable parcels is 103 for a total of 2,033 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holdings Pty Limited	73,148,372	42.27
2. JP Morgan Nominees Australia Limited	11,517,520	6.66
3. HSBC Custody Nominees (Australia) Limited	10,884,202	6.29
4. National Nominees Limited	9,862,529	5.70
5. ANZ Nominees Limited (Cash Income A/c)	3,326,912	1.92
6. Cogent Nominees Pty Limited	2,583,129	1.49
7. Citicorp Nominees Pty Limited	2,510,406	1.45
8. RBC Dexia Investor Services Australia Nominees Pty Limited (GSJBW A/c)	2,457,923	1.42
9. Suncorp Custodian Services Pty Limited (AET)	2,244,677	1.30
10. AMP Life Limited	2,187,708	1.26
11. Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	1,778,204	1.03
12. Queensland Investment Corporation	1,003,057	0.58
13. ARGO Investments Limited	853,703	0.49
14. Citicorp Nominees Pty Limited (CFS WSLE INDUSTRIAL SHR A/c)	809,954	0.47
15. Neweconomy Com Au Nominees Pty Limited (Script Lending Coll Mgt A/c)	720,000	0.42
16. CPU Share Plans Pty Limited	714,078	0.41
17. Questor Financial Services Limited	611,757	0.35
18. RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	589,538	0.34
19. ANZ Nominees Limited (Income Reinvest Plan A/c)	564,744	0.33
20. Pagodatree Investments Limited	500,000	0.29
TOTALS	128,868,413	74.47%

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 28 September 2007 are:

Shareholder	Number of fully paid Ordinary Shares
Paul Ramsay Holdings Pty Limited	73,148,372

(e) Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or by a duly authorised representative in the case of a corporate member, shall have one vote on show of hands, and one vote for each fully paid ordinary share on a poll.

(f) Distribution of Convertible Adjustable Rate Equity Securities (CARES) Holders

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 - 1,000	3,311	816,836	31.42
1,001 - 5,000	112	245,803	9.45
5,001 - 10,000	7	41,073	1.58
10,001 - 100,000	17	640,241	24.62
100,001 and over	4	856,047	32.93
TOTALS	3,451	2,600,000	100.00

(g) 20 Largest CARES Holders

Name	Number of fully paid CARES	% of Issued Securities
1. JP Morgan Nominees Australia Limited	484,452	18.63
2. HSBC Custody Nominees (Australia) Limited	151,075	5.81
3. Australian Foundation Investment Company Limited	115,000	4.42
4. National Nominees Limited	105,520	4.06
5. Cogent Nominees Pty Limited (SMP A/cs)	96,266	3.70
6. ANZ Nominees Limited	79,061	3.04
7. Citicorp Nominees Pty Limited	73,114	2.81
8. RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIIP A/c)	63,540	2.44
9. Questor Financial Services Limited	62,810	2.42
10. RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	40,209	1.55
11. Goldman Sachs JBWere Capital Markets Limited	33,551	1.29
12. Australian Executor Trustees Limited (No 1 A/c)	31,071	1.20
13. Suncorp General Insurance Limited	28,399	1.09
14. ARGO Investments Limited	25,000	0.96
15. GIO General Limited	23,008	0.88
16. Cogent Nominees Pty Limited	21,500	0.83
17. Fortis Clearing Nominees Pty Limited (Settlement A/c)	14,416	0.55
18. Executor Trustee Australia Limited	12,396	0.48
19. Australian Executor Trustees Limited	12,286	0.47
20. RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	12,154	0.47
TOTALS	1,484,828	57.10%

(h) There were no CARES holdings in less than marketable parcels.

(i) On Market Buy Backs

At the date of this report there is no current on market buy back.

Notes:

Ramsay Health Care Limited

ABN 57 001 288 768

Level 9, 154 Pacific Highway
St Leonards NSW 2065
Telephone: 02 9433 3444
Facsimile: 02 9433 3460

Annual General Meeting 2007

The Annual General Meeting of Ramsay Health Care Limited will be held at Shangri-La Hotel Sydney:

Ballroom, 176 Cumberland Street,
The Rocks, Sydney, NSW 2000
at 10.30am on 20 November 2007.

Key Dates 2008 (Indicative)

Interim Results announced – 25 February 2008

Interim Dividend Payment Dates:

- Ordinary Shareholders – 11 April 2008
- CARES holders – 18 April 2008

Preliminary Final Results announced – 25 August 2008

Final Dividend Payment Dates:

- Ordinary Shareholders – 15 October 2008
- CARES holders – 20 October 2008

Annual General Meeting – 25 November 2008



For more information

To download a digital copy or for up-to-date information on the Company & market briefings, visit the "Investor Centre" at: www.ramsayhealth.com



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