Ramsay Health Care Annual Report

People caring for people

RAMSAY HEALTH CARE

2008

Annual General Meeting 2008

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

Ballroom, 176 Cumberland Street,
The Rocks, Sydney, NSW 2000
at 10.30am on Tuesday, 25 November 2008.

Key dates for 2009 (Indicative)

Interim Results announced: Thursday, 26 February 2009

Dividend Payment Dates – Ordinary Shares:
- Interim Dividend – Wednesday, 8 April 2009
- Final Dividend – Friday, 9 October 2009

Preliminary Final Results announced:
Thursday, 27 August 2009

CARES Dividend Payment Dates:
- Dividend Payment – Monday, 20 April 2009
- Dividend Payment – Tuesday, 20 October 2009

Annual General Meeting: Tuesday, 24 November 2009

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

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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GREENHOUSE FRIENDLY CONSUMER

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Ramsay Health Care in 2008

Ramsay Health Care was established by Paul Ramsay in Sydney, Australia, in 1964 with the opening of one small psychiatric hospital. Now, in 2008, the Company has grown to become a global hospital group operating over 100 hospitals and day surgery facilities across Australia, the United Kingdom and Indonesia with over 8000 beds and employing almost 25,000 staff.

Ramsay Health Care facilities cater for a broad range of health care needs from day procedures to highly complex surgery, as well as psychiatric care and rehabilitation. For over four decades, the Company has been well-respected in the health care industry in Australia for operating quality private hospitals and for its excellent record in hospital management and patient care.

In the 2008 financial year, Ramsay Health Care realised its offshore expansion plans acquiring Capio UK, the fourth largest operator of private hospitals in the United Kingdom. This acquisition provides a solid platform for growth outside Australia. At the same time the Company is also pursuing growth in its current markets through capacity expansion at existing facilities.

Operating in an industry with growth attributes and strong fundamentals – ageing populations accompanied by increased demand for health care services – Ramsay is confident about its future and is focused on developing and strengthening its business both at home and abroad.

2008 highlights

2008 FINANCIAL YEAR HIGHLIGHTS

Core net profit after tax up 11.5% to $123.1 million	up 11.5%
Core earnings per share (EPS) up 11.8% to 60.7c	up 11.8%
Revenue up 27.4% to $2.7 billion	up 27.4%
Integration of Capio UK hospitals & better than expected performance of this business	Capio UK integration
Capital expenditure committed for capacity expansion in the UK of £28 million since acquisition of Capio UK.	£28m UK expansion
Previously approved $550 million capacity expansion program in Australia is well underway.	$550m expansion Australia
Final dividend 17.5 cents, bringing full-year dividend to 32.5c (fully franked), up 12.1%	up 12.1%

2008 SUMMARY OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE	2008 ($ millions)			2007 ($ millions)	% increase/ (decrease)
	Australia & Indonesia	**UK**	**Group**	**Group**	
Continuing Operations					
Operating revenue	$2,289.2	$384.5	$2,673.7	$2,099.1	27.4%
EBITDAR*	$327.1	$87.5	$414.5	$294.1	40.9%
EBITDA	$303.4	$37.8	$341.3	$272.1	25.4%
EBIT	$234.7	$19.9	$254.7	$211.5	20.4%
Core Net Profit after tax - continuing operations**	**$124.2**	**($1.1)**	**$123.1**	**$110.4**	**11.5%**
Profit/(Loss) after tax - divested operations			($2.7)	$0.3	
Specific items & amortisation of intangibles (net of tax)			($28.2)	($3.6)	
Net Profit After Tax			$92.2	$107.1	(13.9%)
EARNINGS PER SHARE (cents per share)					
Core EPS - continuing operations**			**60.7¢**	**54.3¢**	**11.8%**
Basic EPS			42.9¢	52.4¢	(18.1%)
ORDINARY SHARE DIVIDENDS (cents per share)					
Total dividend - fully franked			**32.5¢**	**29.0¢**	**12.1%**

* EBITDAR (EARNINGS BEFORE INTEREST TAX DEPRECIATION AMORTISATION & RENT) IS THE MOST COMPARABLE INDICATOR AS THE UK HOSPITALS ARE LEASED

** '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

THE 2008 FINANCIAL YEAR WAS ANOTHER VERY STRONG YEAR FOR RAMSAY HEALTH CARE, DRIVEN BY A SOLID PERFORMANCE FROM OUR AUSTRALIAN BUSINESS WITH OUR RECENTLY ACQUIRED UK OPERATION EXCEEDING EXPECTATIONS.

The 2008 financial year was another very strong year for Ramsay Health Care, driven by a solid performance from our Australian business with our recently acquired UK operation exceeding expectations.

Core earnings per share for the Group, which included a 7.5 month contribution from Ramsay UK, grew 11.8%. This is an excellent achievement and came within our guidance of 10% to 12% growth.

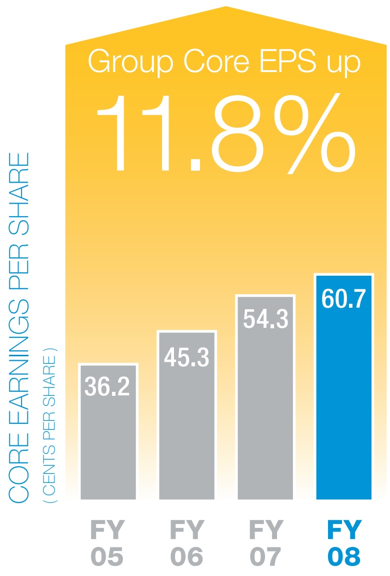
We achieved strong organic growth across the Australian portfolio and all states performed better than the previous year. Even though our hospitals were operating at full, or near capacity, we managed to maintain our margins.

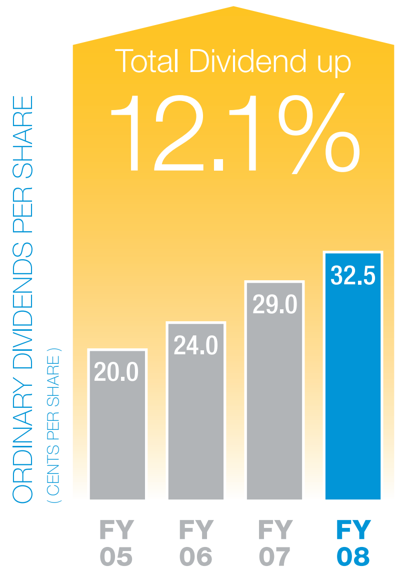
Admissions at our Australian hospitals continued to grow in 2008 and health fund contracts were renewed at levels we were comfortable with.

While the Australian operation is the mainstay of our business the UK market is proving very exciting.

Ramsay has not looked back since entering the UK market in November 2007 when we purchased Capio UK – the fourth-largest operator of private hospitals in the United Kingdom. We extended our reach in March 2008 acquiring the 41-bed Nottingham Hospital and Ramsay Health Care now owns and operates 24 hospitals across England, 10 Independent Sector Treatment Centres and two neuro rehabilitation facilities.

Government reform of the UK health care system has opened the private hospital market to everyone and we are excited about the opportunities this presents. Our confidence in this market is driving expansion of Ramsay UK. We have already approved capital expenditure which will lead to a 17% increase in operating capacity and we will continue to look for capacity expansion and bolt-on acquisition opportunities that will add value to our business.





LOOKING FORWARD, THERE IS MUCH TO BE CONFIDENT & UPBEAT ABOUT. OUR GROWTH STRATEGY IS CLEAR – GROWING THE BUSINESS ORGANICALLY, GROWTH THROUGH INVESTING IN OUR EXISTING BUSINESS & GROWTH THROUGH CAREFULLY SELECTED & WELL RESEARCHED ACQUISITIONS.

It is not just the market dynamics which make the UK attractive, but strong industry fundamentals. This can be said of Australia and Indonesia too. Ageing populations, rising expectations for quality health care and improving techniques and devices are contributing to growing demand for health care around the globe.

Add to these strong fundamentals Ramsay's quality portfolio of hospitals – which attract leading doctors – and management expertise and you have an excellent growth formula.

As we continue to grow the company and expand offshore, we remain committed to providing the facilities, technology and expert care at our existing hospitals to ensure that our patients receive quality health care services. I often receive notes of gratitude from patients who have been treated in our hospitals, which is testament to the dedication and commitment of our staff.

Our new Managing Director and CEO Chris Rex will be leading Ramsay through its next phase of growth as we develop our business globally. I would like to take this opportunity to again welcome Chris to the role.

Chris is no stranger to Ramsay Health Care. During his 13 years at the company, Chris has played an important role in developing Ramsay's impeccable track record in hospital management and he has been instrumental in setting Ramsay's growth strategy, a strategy which has seen the company's revenues expand more than 10-fold over the past decade and has included the transforming acquisitions of Affinity Healthcare and Ramsay UK.

In welcoming Chris, I would also like to pay tribute to his predecessor Pat Grier who retired at the end of the 2008 financial year after 13 years as Managing Director. Under Pat's leadership, Ramsay grew from a small, privately-owned operation to the country's largest provider of private hospital services.

Pat was also the architect of a corporate culture we call "The Ramsay Way" which is, and will continue to be, central to the success of our organisation.

Pat remains on the Ramsay Board as a non-executive Director and will continue to assist the company as it continues on its growth path.

Looking forward, there is much to be confident and upbeat about. Our growth strategy is clear – growing the business organically, growth through investing in our existing business and growth through carefully selected and well researched acquisitions.

The defensive characteristics of our business and resultant strong and consistent cash flow also mean we are well positioned in the current climate of global economic uncertainty.

We have a talented team in place to maximise our growth potential. To that end, I would like to thank the Ramsay Health Care Board and Management for their continued support and assistance in 2008. I would also like to thank the staff and doctors working in our hospitals and facilities who are integral to our success.

PAUL RAMSAY AO | Chairman

Managing Director's report

CHRIS REX
Managing Director

In my first report to you as Managing Director, I am pleased to say that Ramsay Health Care delivered a very strong operating result and financial performance in 2008.

The result was driven by solid organic growth from our Australian operations, with admissions rising 4.5%.

The result also included a 7.5 month contribution from Ramsay UK which exceeded our expectations in a number of areas. We are focused on developing and strengthening our UK operations and will continue to investigate further opportunities to expand in this market.

Financial & Operational Highlights

Ramsay reported an 11.5% rise in core net profit after tax from continuing operations (before specific items and amortisation of intangibles) for the Group to $123.1 million.

This translated to core earnings per share (EPS) growth for the Group of 11.8% – coming in at the upper end of guidance of low double digit growth of 10% to 12%.

Group Earnings Before Interest and Tax (EBIT) rose 20.4% to $254.7 million, reflecting an improved performance across our Australian portfolio and growing demand for NHS (National Health Service) services in the UK.

Importantly for shareholders, Ramsay Directors declared an increased final dividend of 17.5 cents per share fully franked, bringing the full-year dividend to 32.5 cents per share – up 12.1% from the previous year. Also important for shareholders, the dividend reinvestment plan will remain active with a discount of 2.5%.

Group revenues rose 27.4% over the year to $2.7 billion. Dissecting this number by source shows an increasingly diversified revenue base, with Australian health insurers now representing just over 50% of our funder base (with 26% coming from offshore and the remainder coming from other sources).

Australia and Indonesia collectively had an excellent year. Admissions continued to rise at our Australian hospitals, fuelling solid organic growth. Our Indonesian hospitals continued to make a positive contribution to the Group.

Ramsay UK is performing very well and exceeded expectations in 2008. Hospital admissions were up 23% over the prior year. This was largely due to NHS activity which increased 237% over the prior period. While this significant increase was from a small base, NHS work now comprises nearly one third of activity.

Admissions at Independent Sector Treatment Centres – which were created to serve NHS contract work—rose 8% over the prior year and are now consistently achieving a high percentage of contracted volumes.

The UK Government's commitment to healthcare reforms gives us great confidence as we move forward and develop our UK business. Patient Choice, which is designed to give patients and GPs a choice of health provider, is planned to be enshrined in legislation and is an example of this commitment.

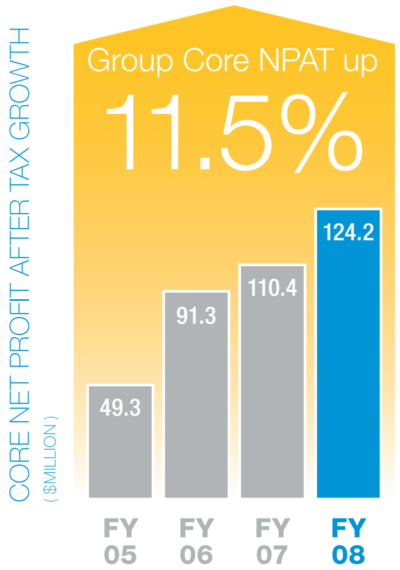
It is very pleasing to report that the integration of Ramsay UK has gone particularly well with the businesses now largely integrated from a financial, operational and cultural perspective, which is a great achievement in such a short period of time.

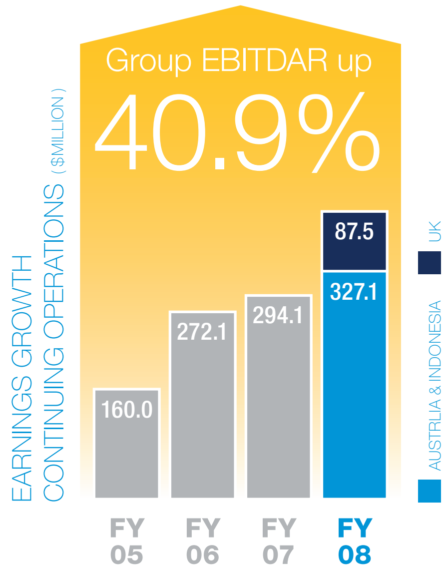
In terms of cash flow, the Australian and Indonesian businesses continue to generate strong and consistent cash flow which, in turn underwrites debt servicing. As an organisation, we remain very focused on cash flow and effective working capital management.

In November last year, Ramsay refinanced all of its senior debt facilities and has committed debt funding through to November 2012. This facility provides Ramsay with adequate headroom for further expansion opportunities.

Our Growth Strategy

A key reason for Ramsay's success is our strong growth strategy. Investing in our existing business by improving





STRONG INDUSTRY FUNDAMENTALS, SUCH AS RISING EXPECTATIONS FOR QUALITY CARE & IMPROVED SERVICES, AGEING POPULATIONS & THE DESIRE FOR PEOPLE TO CHOOSE THEIR OWN DOCTOR & HOSPITAL, WILL HELP UNDERPIN RAMSAY'S FUTURE GROWTH.

the quality of our facilities and through our brownfield expansion program is a major part of this strategy.

Our previously approved $550 million capacity expansion program for our Australian business is well underway.

This expansion program is passing through a period of heavy investment. The projects already completed or to be completed in the 2009 financial year will make a positive contribution to EBIT, but will be marginally dilutive to EPS in 2009 because of the early stage of earnings ramp up.

We remain confident about the future earnings this program will deliver, not only because of the underlying strength and resilience of the health care industry but the investment is in areas where we are operating at capacity and, in some cases, have not been able to meet demand for our services for a period of time.

Construction has begun and is progressing well at the majority of the hospitals in the brownfield capacity expansion program, including Hollywood, Greenslopes, North West, John Flynn and North Shore Private Hospitals and the first stage of the Joondalup Health Campus redevelopment. Some projects, such as the expansion of New Farm Clinic and the development of a specialist centre at Greenslopes Private Hospital, were completed during the year with a number of other projects to get underway in 2009. We will also continue to assess additional brownfield projects that meet our strict investment criteria.

Outside of Australia, we are also increasing capacity with around $10 million approved to expand our Bintaro Hospital in Indonesia.

Since acquiring Capio UK in November last year, Ramsay has approved capital expenditure in the UK of some £28 million over the 2009 and 2010 financial years and we are targeting a return on investment of at least 15%, two-to-three years after completion. These improvements and capacity expansion will be carried out at a number of facilities and will increase theatre day surgery and diagnostics capacity by around 17%.

Growth through acquisition is another key element of our strategy. The purchase of Capio UK was Ramsay's first major step toward becoming a truly global healthcare company and it is proving to be a very beneficial and strategic acquisition for us.

Ramsay now operates over 100 hospitals and healthcare facilities across three countries – Australia, Indonesia and England – with over 8,000 beds and 25,000 employees.

While there are no acquisition opportunities on our immediate horizon, our UK business provides us with a solid platform for expansion into the wider European market. We also maintain a watching brief in the Asian and North American markets but any acquisition in a new market would come only after lengthy research and consideration.

Clinical Governance

Ramsay Health Care is focused on ensuring its hospitals operate to the highest clinical standards and deliver on our overall commitment to provide patients with quality care. All our facilities across Australia, Indonesia and the United Kingdom, comply with accreditation standards set by the relevant industry bodies. All facilities that have undergone accreditation during the past 12 months have been successful.

Ramsay Health Care is also an active member of the Australian Commission on Safety and Quality in Healthcare's (ACSQHC) Private Hospital Sector Committee, the Australian Private Hospitals Association's (APHA) Safety and Quality Committee, and the NHMRC National Institute of Clinical Studies.

Ramsay has been integral in the development and implementation of key, standardised national patient safety systems to minimise clinical risks in the areas of safe medication prescription and dispensing; patient identification relating to correct patient, site, and procedure protocols; infection control programs such as the national hand hygiene program and antibiotic stewardship.

AS YOUR NEW MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, I AM FOCUSED ON EXECUTING OUR VISION OF BECOMING A TRULY GLOBAL HEALTH CARE PROVIDER. THIS WILL REQUIRE CHANNELING A GREAT DEAL OF OUR ENERGY INTO EXPANDING OUR OPERATIONS OVERSEAS WHILE CONTINUING TO GROW & INVEST IN OUR EXISTING BUSINESS IN AUSTRALIA, UK & INDONESIA.

Occupational Health & Safety

Ramsay has continued to make substantial improvements in the area of Occupational Health and Safety (OH&S) with a reduction in the Lost Time Injury Frequency Rate of 24% for the 2008 financial year, bringing the reduction over the past two years to 54%. This excellent outcome is the result of a number of strategies including improved training for key staff and rigorous safety benchmarking and reporting. All hospitals have completed a self-assessment audit to identify areas for improvement, which will be followed up with a formal safety audit program of all sites over the next three years.

Corporate Social Responsibility

In the 2008 financial year, Ramsay committed more than $650,000 to medical research and charitable causes including the Schizophrenia Research Institute and the Intensive Care Foundation. This financial commitment does not include the value of extensive resources provided to medical research organisations that operate within our hospitals including the Hollywood Research Foundation at Hollywood Private Hospital in Perth and the Gallipoli Research Foundation at Greenslopes Private Hospital in Brisbane – both of which are funding cutting-edge medical research. Nor does it include the many acts performed in-kind by our hospitals and doctors during the year for example the provision of corrective surgery for a 15 year old Cambodian child suffering with a benign tumour at Albury Wodonga Private Hospital late last year, or the donation of medical equipment to third world countries.

In Indonesia, Ramsay Health Care works with several benefactors to provide children suffering with cleft palate the opportunity for corrective surgery. More than 200 cleft palate procedures were conducted at Ramsay's Surabaya Internasional Hospital in East Java in the last financial year.

Protecting the environment remains an important priority for Ramsay Health Care. In 2008 we continued to work towards our aim of reducing overall energy and water consumption and minimising waste across the Group. In June 2008 we appointed a National Environment Manager to assist us in the area of environmental management and sustainable development and we have completed major energy consumption assessments at some of our larger hospitals with a view to looking at ways to reduce their consumption. During the year Ramsay registered under the Energy Efficiency Opportunities Act 2006 (Cth) (EEO Act) and has lodged an energy efficiency plan with the Commonwealth Regulator which was reviewed and approved.

Outlook

Ramsay has an excellent portfolio of assets and is operating in a growth industry and as we look to the future, there is much to be optimistic and confident about.

Strong industry fundamentals, such as rising expectations for quality care and improved services, ageing populations and the desire for people to choose their own doctor and hospital, will help underpin Ramsay's future growth.

We are positive about our future working with the new Federal Government which has publicly expressed a commitment to the balanced public and private healthcare system that makes Australia the envy of the rest of the world.

Turning to our guidance for the 2009 financial year, Ramsay UK is expected to be EPS accretive in 2009 – one year ahead of schedule. For the Group, Ramsay is targeting core EPS growth of 10% to 12%.

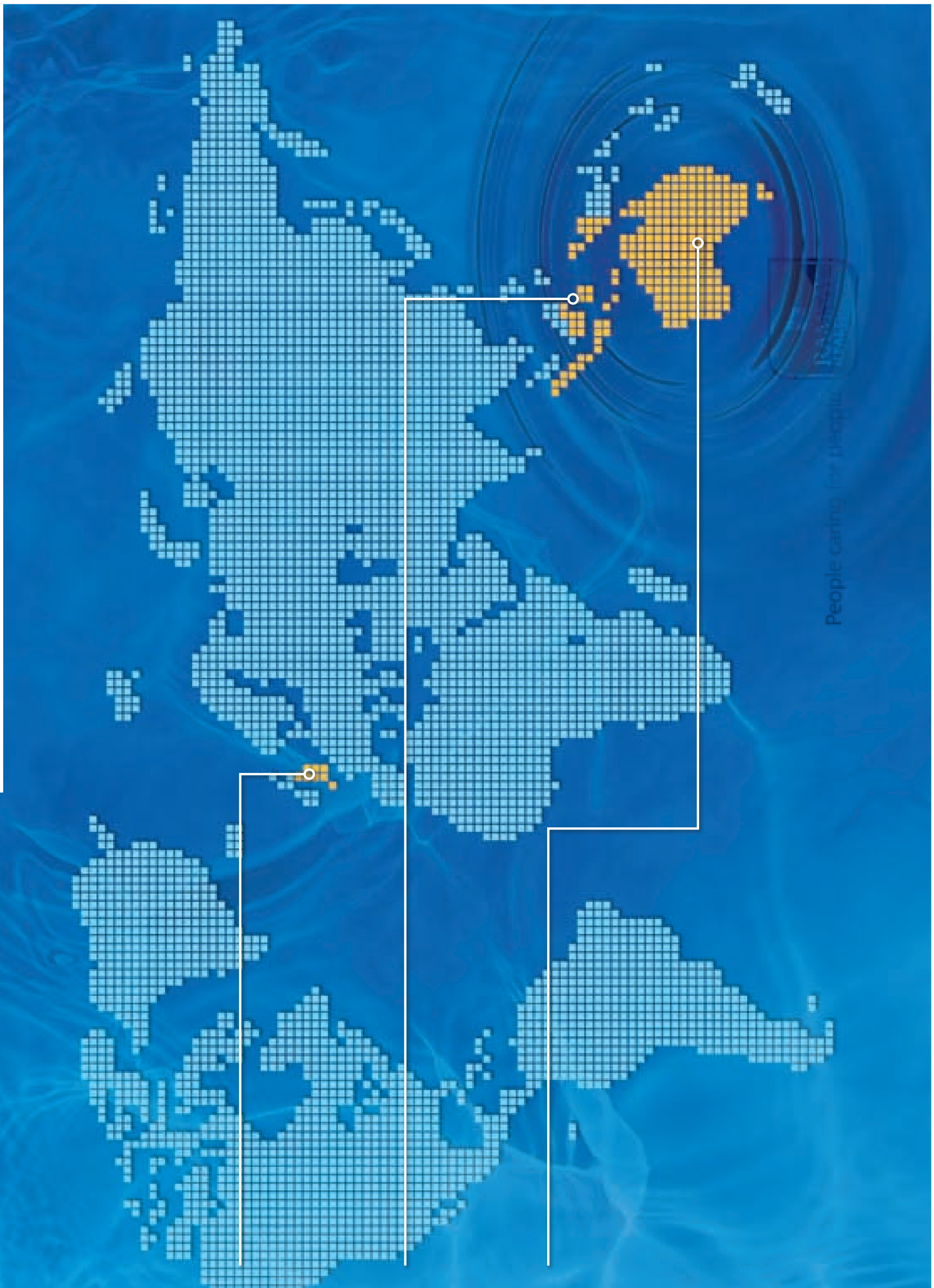
As your new Managing Director and Chief Executive Officer, I am focused on executing our vision of becoming a truly global health care provider. This will require channeling a great deal of our energy into expanding our operations overseas while continuing to grow and invest in our existing business in Australia, UK and Indonesia.

Ramsay Health Care boasts a very stable and experienced management team to help implement this vision and continue to deliver excellent results in the coming years.

I would like to take this opportunity to thank my predecessor Pat Grier, the Board of Directors, the Ramsay Management Team and all staff for their enthusiasm and commitment during the 2008 financial year and I look forward to working with you all in the future.

CHRISTOPHER REX | Managing Director

Our global operations



	UK	INDONESIA	AUSTRALIA	TOTAL
Hospitals & Facilities*	36	3	64	103
Beds	1,098	615	6,724	8,437
Operating Theatres	48	11	220	279
Admissions FY08	47,102	36,366	692,944	776,412

*INCLUDES DAY SURGERY CENTRES, REHABILITATION & PSYCHIATRIC UNITS

Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chris is a Board member of the Schizophrenia Research Institute, a not-for-profit, National Health and Medical Research Council accredited, independent research institute undertaking world-class studies to understand the causes of schizophrenia.

...Board of Directors

Bruce R Soden

Anthony J Clark

Peter J Evans

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

As Group Finance Director, Mr Soden is responsible for the capital management, financial reporting, tax, treasury, and investor relations activities of Ramsay Health Care. Mr Soden's 30 years of finance experience includes a number of years with a major global accounting firm and 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.

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 of the following listed companies:

- Carlton Investments Limited (Appointed June 2000)
- Amalgamated Holdings Limited (Appointed October 1998)
- Resource Pacific Holdings Limited (Resigned May 2008)
- Cumnock Coal Limited (Resigned September 2007)
- Telstra Corporation Limited (Resigned August 2005)

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

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

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

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

General Counsel & Company Secretary

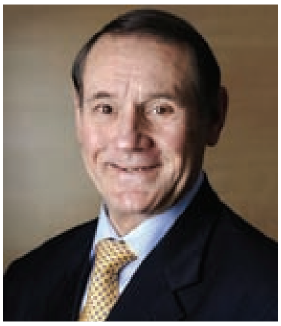
John D C O'Grady

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

Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales. 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 heads up the Legal Services team within the Company and has responsibility for coordinating the Risk Management Strategy throughout the Ramsay Group. Mr O'Grady also provides input into all major transactions of the Ramsay Group and advises the Board and Executive on corporate governance.

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



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

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

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

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

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

- Prime Media Group Limited (Appointed June 2008)

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

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

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

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

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

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

Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

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

- Charter Hall Limited (Appointed April 2005) (Currently Chairman)
- Babcock & Brown Capital Limited (Appointed February 2006) (Current Chairman)
- Everest Babcock & Brown Limited (Appointed February 2005)
- E*TRADE Australia Limited (Resigned June 2007)
- Everest Capital Investment Management Limited (Resigned December 2006)

Corporate governance statement

RAMSAY HEALTH CARE LIMITED ('THE COMPANY') IS COMMITTED TO DELIVERING HIGH QUALITY HEALTH CARE SERVICES & ENSURING SUSTAINABLE SHAREHOLDER RETURNS FOR THE LONG TERM. THE BOARD RECOGNISES THE IMPORTANCE OF GOOD GOVERNANCE IN ACHIEVING THESE CORPORATE OBJECTIVES, IN DISCHARGING ITS RESPONSIBILITIES TO ALL STAKEHOLDERS & IN ADDRESSING THE BROADER UNDERTAKINGS OF THE COMPANY AS A GOOD CORPORATE CITIZEN.

Unless otherwise stated, this statement outlines the Company's governance framework, policies and procedures as at 15 September 2008. The Company has voluntarily chosen an early transition to report its corporate governance practices by reference to the *Corporate Governance Principles and Recommendations (2nd Edition)* published in August 2007 by the ASX Corporate Governance Council ('the ASX Recommendations'). The Company's governance framework is designed to ensure that the Company is effectively managed, that statutory obligations are met and that the culture of personal and corporate integrity embodied in the Ramsay Way is reinforced.

The Board has considered and generally adopted the ASX Recommendations in accordance with the "if not, why not" approach of the ASX Recommendations. This statement:

- identifies departures from the ASX Recommendations;
- provides reasons for any such departures; and
- provides sufficient explanation to establish that the Company understands the issues relevant to each Principle and has considered the impact of its alternative approach.

1. Lay Solid Foundations for Management & Oversight

The role of the Board is to effectively represent and promote the interests of the Company's shareholders, to whom it is responsible for the performance of the business of the Ramsay Group.

The Board's specific responsibilities include:

- providing strategic direction for the Company by establishing and monitoring the Company's strategic objectives and effectively engaging with senior management for the development and modification of those strategies;
- appointment of the Managing Director/CEO;
- ensuring the employment of appropriately skilled senior management to implement the Board's decisions and monitoring the performance of senior management;
- ensuring that appropriate compliance and risk management frameworks are in place and are operating effectively;
- approving and monitoring the Company's financial and other reporting requirements;
- oversight of the effective management of material business risks in light of the Company's strategic objectives; and
- approving decisions concerning the capital of the Company.

In accordance with ASX Recommendation 1.1, the respective roles and responsibilities of the Board and of management are outlined in the Board Charter, which is published in the Corporate Governance section of the Company's website.

To ensure both efficiency and effectiveness in its management and oversight of the business, it is the usual practice of the Board to hold ten scheduled meetings each financial year, with one of those scheduled meetings dedicated to an annual review (with input from senior management) of the Company's future strategic direction. The Board may also meet on other occasions to deal with specific matters as and when the need arises.

In the financial year ended 30 June 2008, the Board held three special board meetings in addition to the ten 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 key performance indicators. The senior executive performance reviews were conducted in June and July of 2008 by the Remuneration Committee on the basis of recommendations from the Managing Director, who conducts the performance review interview with each senior executive. The Board also took advice from an external remuneration consultant experienced in advising publicly listed companies (ASX Recommendation 1.2).

2. Structure the Board to add value

Board Composition

In the financial year ended 30 June 2008, the Board comprised eight Directors, being six non-executive Directors (including the Chairman and Deputy Chairman) and two executive Directors.

As announced on 25 February 2008, Mr Patrick Grier retired as Managing Director of the Company on 30 June 2008 and Mr Christopher Rex was appointed as the new Managing Director from 1 July 2008. Mr Grier was appointed to the Board as a non-executive director effective 1 July 2008. Therefore at the date of this report, the Board is comprised of nine directors, including seven non-executive directors. The composition of the Board and the date of appointment of each member are set out on page 10 of this Annual Report.

The appointment and removal of Directors is governed by the Company's Constitution, (published in the Corporate Governance section of the Ramsay website), which provides that:

- the number of directors must be more than three and less than twelve.

- the Board is responsible for selecting and approving its own candidates to fill any casual vacancies arising 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.
- 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.
- no share qualifications are imposed in respect of any Director.

The Board acknowledges ASX Recommendation 2.4, which suggests the establishment of a Nomination Committee. However, as responsibility for the selection and appointment practices of the Company rests with the entire Board of Directors, the Board considers it more valuable to avail itself of the collective experience of all Directors, so the whole Board serves as an informal Nominations Committee. Historically, the Board has found its exercise of this function to be both efficient and effective.

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 to ensure that it is optimally equipped to meet the needs of the Company in the evolving environments of the international health sector and financial markets.

The current Directors bring a diverse range of skills and a great depth of experience to the Board, which is appropriate to the growing business of the Company and adds value to the Board. Details of the background, particular qualifications and expertise of each Director are set out under the heading 'Board of Directors' on page 11 of this Annual Report.

Independence of Directors

The Board acknowledges the importance of each Director exercising independent judgement in making decisions regarding the Company. Robust discussion of issues is encouraged by the Chairman and it is agreed by Directors that the presentation of independent or divergent views is constructively received.

The Board has considered the commentary on the independence of directors contained in ASX Principle 2 and Recommendations 2.1 and 2.2. The Board is satisfied that none of the Directors are hindered in their 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 the ASX Recommendations, the Board considers the remainder of the non-executive Directors to be capable of exercising independent judgement, notwithstanding the existence of relationships identified in Recommendation 2.1. As the existence of those relationships may give rise to a perception that these directors are not independent, in the interests of full disclosure, the reasons for the Board's view and the nature of the relevant relationships are set out 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 approximately 42% of the Company's share capital. Mr Ramsay founded the business in 1964 and has built the Company to its present position as a leader in Australian health care and an international provider of health care services. The Board acknowledges ASX Recommendation 2.2 that the Chairman be an independent Director.

  However, in addition to his extensive experience and in-depth knowledge of the health care sector and the Company, Mr Ramsay brings to the role of Chairman significant skills and experience gained in other businesses. The Company believes that Mr Ramsay's experience is invaluable and that the introduction of an independent Chairman would not adequately compensate Ramsay Health Care for the loss of Mr Ramsay's significant contributions to the strategy of the Ramsay Group.
- Three non-executive Directors, Mr Michael Siddle, Mr Tony Clark, and Mr Peter Evans are also directors of Paul Ramsay Holdings Pty Limited. In the opinion and practical experience of the Board, this affiliation in no way prevents them from exercising independent judgement in decisions of the Board.
- Mr Siddle has had a long association with the Chairman 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, 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 that company. Whilst their directorships of the majority shareholder are categorised by ASX Recommendation 2.1 as relationships indicating that neither Director is independent, it is also relevant that both bring extensive business experience and professional skill in the fields of accounting and finance gained independently of the Company or Paul Ramsay Holdings Pty Ltd.

  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.
- Mr Patrick Grier was previously employed in an executive capacity by the Company and there has not been a period of less than three years between ceasing that appointment and serving as a non-executive director on the Board. A company related to Mr Grier also has a contractual relationship as a consultant to the Managing Director and Chairman, proposed to be in place for an initial period of 12 months from 1 August 2008. It is acknowledged that both of these relationships are listed in the commentary to ASX Recommendation 2.1 as potentially affecting independence.

  The Board considers that Mr Grier's continuing presence on the Board adds significant value for the following reasons:
  - Mr Grier has played an integral role in the development and growth of the Company during

his tenure as Managing Director, both prior to and since the listing of the Company. The growth of the size, profitability and scope of the operations of the Ramsay Group under the stewardship of Mr Grier has been significant and consistent.

- An important source of the Company's growth has been through the acquisition of further businesses, which remains a significant part of the Company's ongoing growth strategy. Mr Grier's skills will continue to be of great value to the Board and the Company in this regard.
- Mr Grier enjoys favourable standing in the market and the health care industry due to his long and successful involvement in the Company's core business and as an officeholder of key industry bodies, including the Australian Private Hospitals Association.
- Mr Grier's continuing appointment will, by reason of the skills, experience and standing referred to above, enhance the Board's ability to deal with current and emerging issues in the health care sector and the market, both in Australia and internationally.

Mr Grier's role as a consultant to the Managing Director and the Chairman relates to the skills and experience described above, and is intended to apply to areas other than the day to day management of the business.

The Board acknowledges that Mr Grier's appointment may give rise to perceptions that these relationships could affect his independent judgement as a non-executive director. The Board has full confidence in the ability of Mr Grier to make objective, unfettered and independent judgements in the interests of the Company and does not consider that these relationships will hinder that ability.

Further, the Board does not consider that Mr Grier's ongoing appointment results in any decrease in the separation between the Board and management, as:

- Mr Grier's role as outlined above involves a significant departure from his previous role as Managing Director/CEO;
- The roles of Board and the CEO are clearly delineated in the Board Charter and adhered to by both Directors and CEO, therefore there will be a substantial change in Mr Grier's duties with the Company; and
- The Board is confident that Mr Grier will be capable of effectively reviewing and challenging the performance of management and in any event, it should be noted that Mr Grier will be acting as only one of seven non-executive Directors.

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 closely and in accordance with ASX Recommendations in the forthcoming year.

Board Performance

In recognition of the need to assess the performance of each Director and of the Board as a whole as stipulated in ASX Recommendation 2.5, during this financial year the Board undertook a formal, structured evaluation encompassing the role, composition, effectiveness, practices and procedure, culture, working style and administration of the Board.

The self-evaluation process involved the development of a questionnaire approved by the Remuneration Committee with assistance from the Company Secretary addressing the aspects of Board performance listed above, which was then signed off by the Board and completed independently by each Director.

The results of the formal evaluation were compiled in a report by the Company Secretary and were extremely positive and consistent. In general, directors agreed that the Board had appropriate involvement in business strategy, a clear separation from management with good communication between the Board and management, appropriate risk management and other procedures in place and that the composition, structure, operation and effectiveness of the Board was efficient, appropriate and highly functional.

As an ongoing process, the Chairman regularly discusses with each Director their individual performance and contribution to the Board.

3. Promote ethical & responsible decision making

Code of Conduct

Directors and employees of the company are expected to maintain high standards of ethical business conduct. To this end, and in compliance with ASX Recommendation 3.1, the Company has adopted a Code of Conduct, which prescribes the ethical principles and standards that 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, particularly through:

- compliance with applicable laws including privacy legislation and professional ethical standards;
- protecting the confidentiality of confidential and personal information of third parties;
- respecting the rights of people with whom the Company interacts;
- workplace health and safety;
- conflicts of interest;
- compliance with established policies and procedures; and
- diligence and professional conduct.

The Code of Conduct is published in the Corporate Governance section of the Company's website.

Whistleblowing Programme

To help underpin ethical conduct and responsible decision making, the Company has adopted a whistleblower programme. Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, dishonesty, harassment, unethical or negligent behaviour, workplace safety hazards and medical negligence.

As part of this programme, the Company has established the Ramsay Whistleblower Hotline, which is an independent hotline service run by Deloitte that enables staff at any level of the Company to discreetly report serious issues of misconduct or medical negligence. The whistleblowing programme is monitored by a Whistleblowing Committee which reports to the Audit Committee.

Policy on Securities Trading by Directors & Senior Executives

In May 2008, in accordance with ASX Recommendation 3.2, the Board approved a revised policy on trading in Company securities by Directors, senior management and any other employees in possession of price sensitive information about the Company or any member of the Ramsay Group. This policy has been rolled out and is on the Company's intranet site.

The policy establishes windows for trading of the Company's securities of up to 6 weeks after the announcement of annual and half yearly results and 2 weeks after the conclusion of the AGM provided that the relevant director or employee is not in possession of price sensitive information that has not been released to the market.

The policy also provides procedures for directors and other nominated employees to request approval to trade outside these windows and for notification of such trading, as well as articulating the Company's policy in respect of participation in dividend reinvestment plans, trading through associates, hedging, margin lending and the like.

4. Safeguard Integrity in Financial Reporting

The Audit Committee (required by ASX Recommendation 4.1) assists the Board in fulfilling its fiduciary responsibilities in respect of corporate accounting and reporting practices. The Audit Committee's responsibilities are to:

- oversee the reporting process and objectively review the financial information presented by management to the Board for presentation to shareholders, regulatory authorities and the general public;
- oversee the maintenance of the Company's accounting systems;
- review the Company's accounting policies and reporting requirements;
- establish and maintain an effective internal control framework within the organisation;
- assess the financial and accounting risks affecting the business and ensure that the risks identified are properly managed;
- review the scope and effectiveness of the external audit;
- oversee and review the appointment, performance and remuneration of the external auditors;
- review the terms of the external and internal audit engagements;
- maintain lines of communication between the Board and the external auditors; and
- oversee and review the appointment, scope, performance and remuneration of the internal auditors.

The Audit Committee is comprised of 3 non-executive Directors, all of whom are qualified Chartered Accountants and at least two of whom have significant experience as directors in the health care industry. The members of this Committee during the past financial year were:

- **Mr Peter Evans**
  Chairman and Non-executive Director
  Chartered Accountant
- **Mr Kerry Roxburgh**
  Non-executive Director
  Stockbroker/Chartered Accountant
- **Mr Tony Clark** AM
  Non-executive Director
  Chartered Accountant

The Board acknowledges ASX Recommendation 4.2 that the Audit Committee should consist of a majority of independent Directors and 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 may not technically be considered 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 substantially in compliance with Principle 4 and in any event 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 and internal auditors by invitation.

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 critical to maintaining the highest standards in financial reporting. In order to ensure that the external auditor is (and is perceived to be) independent at all times, the Committee has adopted a Charter of Audit Independence, which is published (together with the Audit Committee Charter) in the Corporate Governance section of the Company website.

The Audit Committee Charter (as per ASX Recommendation 4.3) articulates procedures designed to ensure independence and obligations of the external auditor, Company management and the Audit Committee including:

- procedures to be followed in respect of the appointment of auditors;
- communications between the auditor and the Audit Committee;
- reporting obligations; and
- procedures for the provision by the auditor of suitably qualified personnel.

The Charter also contains guidelines in relation to the provision of non-audit services by the external auditors (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:

- Commit to the rotation of the senior partner in charge of the audit at least every five years in accordance with the *Corporations Act 2001*;
- 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.

5. Make Timely & Balanced Disclosure

During the financial year a review was conducted of the Continuous Disclosure Policy. In compliance with the disclosure obligations under ASX Listing Rule 3.1 and ASX Recommendation 5.1, this resulted in the adoption by the Board of a revised policy on continuous disclosure in February 2008.

The policy:

- clarifies the continuous disclosure obligations of the Company under the *Corporations Act 2001* and the ASX Listing Rules;
- establishes the appropriate processes for disclosure, which are the responsibility of the Company Secretary and the Disclosure Committee;
- establishes a process for reporting of price-sensitive information by employees and announcement to the ASX where appropriate. All price sensitive announcements are placed on the 'Investor Centre' section on the Company's website;
- establishes the persons with authority to issue statements in response to market rumours, to make general announcements, to release information or to call a trading halt;

- establishes the policy for the conduct of briefings to analysts, investors and the media; and
- articulates the consequences of breach of the policy for employees and the Company.

6. Respect the Rights of Shareholders

The Board recognises the importance of communicating effectively with shareholders and the market and is committed to ensuring that shareholders are fully informed of all material matters with potential to affect the position or prospects of the Company.

Whilst the Company has not developed a formal communications policy as envisaged by ASX Recommendation 6.1, the Board considers that the mechanisms in place to ensure shareholders are kept fully informed address the issues relevant to that Recommendation, obviating the need for a specific policy.

The Company:

- maintains a special 'Investor Centre' section on the Company's website on which financial reports and up-to-date market releases are published as they are released and maintained as an archive;
- provides a facility in the investor section for stakeholders, including shareholders, to post questions to which a response is provided by the Company Secretary or Group Finance Director as appropriate;
- provides shareholders with an e-mail alert facility, via the Company's share registry manager, Computershare, for announcements to the market;
- provides other interested parties with an email alert facility, via the Company's website, for Company announcements to the market; and
- from time to time uses direct correspondence from the Chairman to update all shareholders on significant events.

Annual General Meetings also provide the Company with an important opportunity to inform shareholders about its current plans and strategies. Shareholders are encouraged to participate in the question and answer session 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.

7. Recognise & Manage Risk

Risk management is a multifaceted management and quality function with the goal of clearly identifying and effectively managing risks through sound practices and controls and continual improvement. The Company promotes and implements risk treatment strategies to identify material risks to its business (in compliance with ASX Principle 7) so that the Board can evaluate and prepare mechanisms and strategies to respond to risks identified and take full advantage of any opportunities to achieve its strategic goals and objectives.

In August 2008 the Board formalised the Risk Management Framework of the Company in line with the Australian/New Zealand Standard AS/NZS 4360:2004 – Risk Management and the 2007 ASX Recommendations. The Company is now in the process of implementing the formalised Risk Management Framework throughout the Ramsay Group.

The Risk Management Framework aims to provide guidance on how risks can be identified and managed throughout the Ramsay Group including its businesses operating outside of Australia. The Framework establishes a reporting structure through the appropriate levels of management to the Managing Director and the peak corporate governance committees of the Audit Committee and the Risk Management Committee, via the various corporate (Australian and Overseas) sub-committees and management committees. The Managing Director, the Audit Committee and the Risk Management Committee report directly to the Board.

The Risk Management Framework provides tools for the classification and prioritising of risk and processes for effectively identifying, assessing and managing risks, as well as monitoring and testing the effectiveness of risk management strategies in place.

The Risk Management Framework articulates the responsibilities of the major groups involved in the Company's risk management process, which include the following:

- Employees – identification and reporting of risk, compliance with risk management policies.
- Manager/Supervisors – identify, manage and monitor risks within their areas of responsibility, conduct regular risk assessments and education in line with policies, seek feedback from employees.
- Risk Managers – employees within Hospitals/ Business Units nominated by the CEO of the Hospital/ Business Unit and assigned the responsibility of overseeing the management of clinical, operational, financial and OHS risks, managing the risk register and reporting to the CEO on risks identified.
- Hospital/Business Unit Managers – ensure that the risk assessment and management process is occurring effectively within the facility for which they are responsible.
- National Safety Team – provides a support network to assist facilities to manage workplace health and safety in the key areas of safety, injury management and workers compensation.
- Clinical Governance Unit – sub-standing committee of the Risk Management Committee responsible for ensuring clinical governance systems are in place and for monitoring the continued effectiveness of the systems and associated clinical outcomes, e.g. clinical data management and benchmarking of quality and clinical performance indicators.
- Internal Audit Function – undertakes reviews of risk management systems, processes and controls within the Group, including financial reporting systems, to ascertain whether these systems and controls are being maintained and are effective in mitigating known risks. Internal audit operates independently of the external audit function and reports to management, the Executive Committee and where appropriate the Risk Management Committee.
- External Audit Function – responsible for conducting a statutory audit and expressing an opinion on the annual financial statements – see Audit Committee section above.
- Executive Management – responsible for informing the Managing Director of material business risks (and in their discretion any lesser risks) in the portfolios of each Manager.
- Chief Risk Officer – responsible for the co-ordination and oversight of risk management policies, procedures and systems across the corporate group, as well as providing recommendations and guidance to the Managing Director and the Risk Management Committee on the management and reporting of material business risks.
- Managing Director – leadership and liaison with the Board and provide assurance to the Board in accordance with s295A of the Corporations Act.
- Board of Directors – retain ultimate responsibility for the effective management of the Company's risk portfolio and for all reporting requirements. The Board oversees the Audit, Risk Management and

Development Committees, all of which report to the entire Board and inform its strategies, policies, procedures and disclosures relevant to risk management.

The Risk Management Committee is responsible for:

- leading the Company's strategic direction in the management of material business risks;
- oversight of the establishment and implementation of a risk management framework; and
- reviewing the effectiveness of the Risk Management Framework in identifying and managing risks and controlling internal processes.

As part of the process of formalising and updating of the Company's Risk Management Framework, the Board also approved a revised Risk Management Committee Charter aligned more closely with the 2007 ASX Recommendations. This Charter is published in the Corporate Governance section of the Company's website.

The revised Risk Management Committee Charter establishes the goals, procedures, duties and responsibilities of the Committee including:

- establishing reporting guidelines and risk management policies;
- establishing policies for continuous monitoring to review the effectiveness of reporting and risk management policies;
- oversight of risk management, internal compliance and control policies and procedures for the Company within the Risk Management Framework;
- oversight of accreditation programs and continuous quality improvement systems for the delivery of high quality health care services;
- oversight of occupational health and safety policies;
- providing guidance to the Board on risk management policies and reporting and disclosure requirements relating to risk management; and
- regular reporting to the Board.

Under the revised Charter, the Risk Management Committee must be comprised of at least three members, including two non-executive Directors and the Managing Director. At least one member must also be a member of the Audit Committee, though in the current Committee both non-executive directors are also Audit Committee members. The Group Finance Director, Chief Operating Officer, Chief Risk Officer and General Counsel are also members of the Committee.

The members of the Risk Management Committee during the year ended 30 June 2008 were:

- **Mr Peter Evans**
  Chairman, Non-executive Director
- **Mr Kerry Roxburgh**
  Non-executive Director
- **Mr Pat Grier**
  Managing Director (retired as Managing Director 30 June 2008)

In accordance with ASX Recommendation 7.3, the Board confirms that it has received assurance from the Managing Director and the Group Finance Director that the declaration provided under s 295A of the *Corporations Act 2001*, and noted in the Directors' Declaration, 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. The Board notes that due to the inherent limitations on internal control (such as the use of testing on a sample basis, which cannot be expected to detect all weaknesses in control procedures) such assurance can only be reasonable rather than absolute.

8. Remunerate Fairly & Responsibly

In accordance with ASX Recommendation 8.1, the Board has an established Remuneration Committee which is responsible for determining and reviewing compensation packages for the executive Directors. In determining appropriate remuneration, consideration is given to comparable industry or professional salary levels, and to the specific performance of the individuals concerned.

The remuneration of non-executive Directors is determined by the Board as a whole. Recommendations are made by the Remuneration Committee as to the appropriate remuneration of non-executive Directors, having regard to survey comparisons, inflation trends and to any special responsibilities assumed by Directors.

An external remuneration consultant, experienced in advising listed companies, provides independent and objective advice to the Remuneration Committee and the Board.

Any increase in the maximum aggregate quantum of Directors' fees is subject to the approval of shareholders in general meeting.

The Remuneration Committee also makes recommendations to the Board on remuneration policy, particularly the allocation of performance rights under the Ramsay Executive Performance Rights Plan Trust (recently renamed the Ramsay Employee Equity Trust).

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

- **Mr Rod McGeoch** AM
  Chairman & Non-executive Director
- **Mr Peter Evans**
  Non-executive Director
- **Mr Michael Siddle**
  Non-executive Director

The Board acknowledges the commentary to ASX Recommendation 8.1 that the Remuneration Committee should consist of a majority of independent Directors. Mr McGeoch is an independent Director. Although Mr Evans and Mr Siddle may not technically be considered independent Directors within the guidelines of ASX Recommendation 2.1, for the reasons previously outlined, the Board does not consider that their capacity to exercise independent judgement is hindered in their role as members of the Remuneration Committee.

Full disclosure of all elements of Directors' and relevant senior executives' remuneration can be found in the Remuneration Report on page 23 of this Annual Report. The Remuneration Committee Charter is published in the Corporate Governance section of the Company's website.

The remuneration of managers and staff other than executive Directors is within the authority and discretion of the executive Directors, subject to the overall level of remuneration falling within budget guidelines approved by the Board.

Corporate directory

Directors

Non Executive Directors
Paul Ramsay AO (Chairman)
Michael Siddle (Deputy Chairman)
Tony Clark AM
Peter Evans
Pat Grier
Rod McGeoch AM
Kerry Roxburgh

Executive Directors
Chris Rex (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 1489

Share Registry
Shareholders with enquiries regarding their holdings should contact the Share Registry set out below.

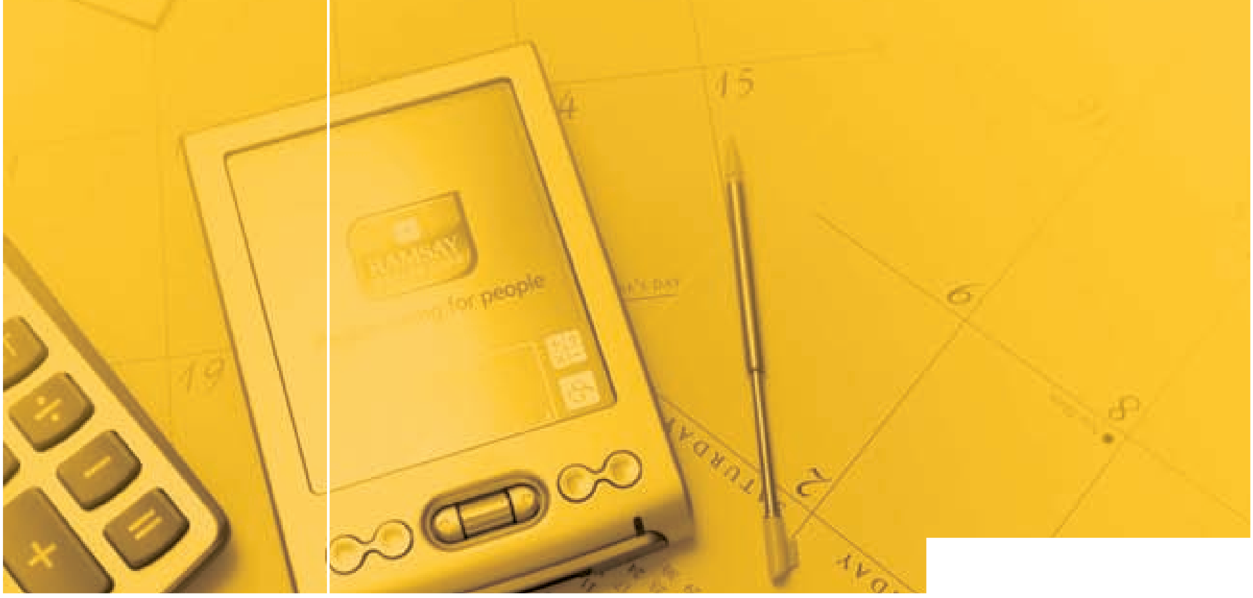
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

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 3 9473 2500



Financial Report

FOR THE YEAR ENDED 30 JUNE 2008

RAMSAY HEALTH CARE LIMITED
& controlled entities
ABN 57 001 288 768

GREENHOUSE FRIENDLY CONSUMER

Ramsay Health Care uses **Greenhouse Friendly™** ENVI 50/50 Recycled paper

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ENVI 50/50 Recycled Uncoated Paper is Carbon Neutral.

Ramsay Health Care Limited
Directors' Report

Your Directors submit their report for the year ended 30 June 2008. 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
(retired as Managing Director on 30 June 2008 but remained on the Board as a Non-Executive Director from 1 July 2008)
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
C.P. Rex - Managing Director (Appointed 1 July 2008)

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:

	Ramsay Health Care Limited		
Director	**Ordinary Shares**	**Convertible Adjustable Rate Equity Securities**	**Rights over Ordinary Shares**
P.J. Ramsay	73,148,372	-	-
M.S. Siddle	151,667	-	-
A.J. Clark	80,000	1,000	-
P.J. Evans	6,312	-	-
I.P.S. Grier	333,116	-	-
R.H. McGeoch	133,334	257	-
C.P. Rex	189,689	5,334	99,040
K.C.D. Roxburgh	75,149	-	-
B.R. Soden	35,106	2,070	64,788

Mr Paul Ramsay has a relevant interest in 73,148,372 (2007: 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 & DIVIDENDS

Consolidated Results

Consolidated profit attributable to members of the parent after providing for income tax was $92,198,000 (2007: profit of $107,056,000). The operating profit before tax from continuing operations was $141,279,000 (2007: $157,126,000).

Earnings per Share

Basic earnings per share (after CARES dividend) 43.1 cents (2007: 52.6 cents).
Basic earnings per share (after CARES dividend) from continuing operations 44.6 cents (2007: 52.4 cents).

Dividends

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

Final dividend recommended @ 17.5 cents per share	$30,489,958 (2007: $27,687,864)
Interim dividend paid during the year @ 15.0 cents per share	$26,061,221 (2007: $22,513,000)

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

Final dividend recommended	$9,846,449 (2007: $8,737,319)
Interim dividend paid during the year	$8,943,479 (2007: $8,408,000)

REVIEW OF OPERATIONS

Group core net profit after tax from continuing operations (before specific items and amortisation of intangibles) increased 11.5% to $123.1 million for the year ended 30 June 2008 and translates to core earnings per share (EPS) of 60.7 cents.

Group core net profit after tax includes a 7 ½ month contribution from Ramsay UK. On a like-for-like basis, Ramsay's Australian and Indonesian core net profit after tax rose 12.5% to $124.2 million.

Ramsay recorded specific items of $26.5 million (net of tax) in the 2008 financial year, comprising the non-cash portion of the rental expense for the UK hospitals (previously announced to the market on 23 June 2008), restructuring and integration costs and a write off of unamortised capitalised borrowing costs from an earlier refinancing. These borrowing costs were written off after Ramsay entered into a new financing agreement in November 2007 when it purchased Capio UK (now Ramsay UK).

CORPORATE INFORMATION

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

Ramsay Health Care Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities 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 2008 was authorised for issue in accordance with a resolution of the directors on 23 September 2008.

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 6,364 (2007: 160,714) Incentive Rights granted under the Executive Incentive Rights Plan. Refer to note 26 of the financial statements for further details of any rights outstanding.

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 897,654 (2007: 1,065,063) unissued ordinary shares under the Executive Performance Rights Plan. Refer to note 26 of the financial statements for further details of any 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 & 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 & INSURANCE OF DIRECTORS & OFFICERS

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

REMUNERATION REPORT - AUDITED

The Directors of the Company present the Remuneration Report (**Report**) prepared in accordance with section 300A of the Corporations Act for Ramsay Health Care Limited (**the Company**) and the consolidated entities (**the Group**) for the year ended 30 June 2008.

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

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

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

Details of the Directors and Senior Executives of the Company for the year ended 30 June 2008 are set out below.

P.J. Ramsay AO - Non-Executive Chairman
M.S. Siddle - Non-Executive Deputy Chairman
I.P.S. Grier - Managing Director
(Retired as Managing Director on 30 June 2008 but remained on the Board as a Non-executive Director from 1 July 2008)
B.R. Soden - Group Finance Director
A.J. Clark AM - Non-Executive Director
P.J. Evans - Non-Executive Director
R.H. McGeoch AM - Non-Executive Director

REMUNERATION REPORT – Audited (continued)

K.C.D. Roxburgh - Non-Executive Director
C.P. Rex - Managing Director (Appointed 1 July 2008) (Chief Operating Officer to 30 June 2008)
C.R. McNally - Head of Strategic Development
D.A. Sims - Chief Operating Officer - Australia/Indonesia (Appointed 1 July 2008)
J.D.C. O'Grady - General Counsel & Company Secretary

As previously announced, Mr Chris Rex assumed the position of Chief Executive Officer and Managing Director (**Managing Director**) on 1 July 2008. The terms of appointment for Mr Rex in his new role were outlined in an ASX release dated 25 February 2008, and are summarised on page 28 of this Report.

Whilst Mr Grier stepped down as Chief Executive Officer and Managing Director on 30 June 2008, he remains a non-executive director of the Company. This will ensure the Company continues to benefit from Mr Grier's extensive knowledge regarding all aspects of the business. A company related to Mr Grier is providing consultancy services to the Company for a period of one year from 1 August 2008 for a fee of $10,000 per month. Details of Mr Grier's retirement package are set out on page 28 of this Report.

Compensation Philosophy

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

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

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

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the 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 *Corporate Governance Principles and Recommendations* (2nd Edition), the structure of non-executive director and senior manager compensation is separate and distinct.

Non-Executive Director Compensation

Objective

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

Structure

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

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

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

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

Non-executive Directors are entitled to retirement benefits after serving a minimum service period of three years with the Company. The amount of the retirement benefit will not exceed the maximum limit as set out in Section 200G of the Corporations Act 2001. The entitlement to retirement benefits, of three years remuneration, accrues on a pro-rata basis, over a period of nine years, commencing after the minimum service period of three years. The minimum service period commenced from, either the date of the Company's public listing in September 1997, or the date of the Director's appointment, whichever is the later. The Directors Retirement Benefit Plan is 'grandfathered' to the current serving non-executive directors (except Mr. Pat Grier) and is not extended to new non-executive directors appointed to the Board. Cumulatively an amount of $2,265,000 (2007: $2,137,500) has been provided as at 30 June 2008 and $127,500 (2007: $1,037,500) expensed in the current year. Retirement benefits of $nil (2007: $nil) were paid out in the current year.

The compensation of Non-executive Directors for the financial year ended 30 June 2008 is detailed in Table 1 of this Report.

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

Compensation consists of the following key elements:

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

The proportion of fixed compensation and variable compensation (potential short term and long term incentives) is established for each executive by the Remuneration Committee. Table 2 of this Report details the fixed and variable components of the named executives, for the financial year ended 30 June 2008.

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 Group Finance Director, the Chief Operating Officer and the Head of Strategic Development. 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.

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

REMUNERATION REPORT – Audited (continued)
Variable Compensation – Short term Incentive (STI)

1) Bonuses granted in respect of the 2007 Financial Year that were paid in the 2008 Financial Year

	Maximum bonus	Amount awarded	% of maximum awarded
STI Bonuses			
P.Grier	308,000	308,000	100%
B.Soden	210,000	210,000	100%
C.Rex	300,000	300,000	100%
C.McNally	110,000	110,000	100%
Discretionary Bonuses			
K.Cass-Ryall*	n/a	45,000	n/a
D.Sims*	n/a	45,000	n/a

** These executives are not eligible for an STI. They were awarded a discretionary bonus.*

2) Bonuses granted in respect of the 2008 Financial Year

	Maximum bonus	Amount awarded	% of maximum awarded
STI Bonuses			
P.Grier	329,000	329,000	100%
B.Soden	340,000	340,000	100%
C.Rex	314,000	314,000	100%
C.McNally	200,000	170,000	85%
Discretionary Bonuses			
K.Cass-Ryall*	n/a	70,000	n/a
D.Sims*	n/a	100,000	n/a
C.McNally	n/a	100,000	n/a

** These executives are not eligible for an STI. They were awarded a discretionary bonus.*

3) Estimated maximum & minimum bonuses for subsequent Financial Years

	Maximum bonus	Minimum bonus
STI Bonuses		
C.Rex	1,250,000	0
B.Soden	340,000	0
C.McNally	220,000	0
D.Sims	200,000	0
Discretionary Bonuses		
K.Cass-Ryall*	n/a	n/a

** These executives are not eligible for an STI. They may be awarded a discretionary bonus.*

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 Pay – Long Term Incentive (LTI)

Objective

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

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

Structure

LTI grants to executives are delivered in the form of equity based performance rights ('rights').

The Company currently uses a relative Total Shareholder Return (TSR) as the performance hurdle for the long term incentive plan.

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 re-testing 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 then 75%	100%

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

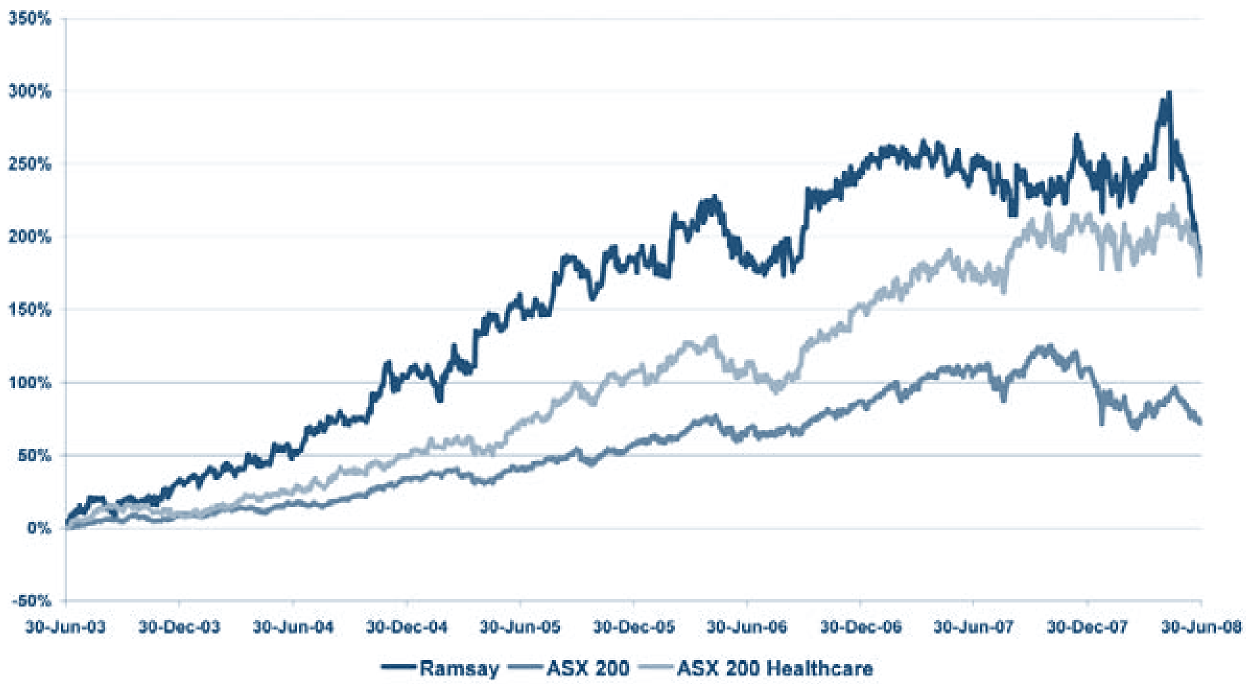
The terms and conditions of each grant made during the reporting period are specified in Notes 26 and 27 to the accounts.

Hedging of rights is prohibited by the Company.

Company Performance

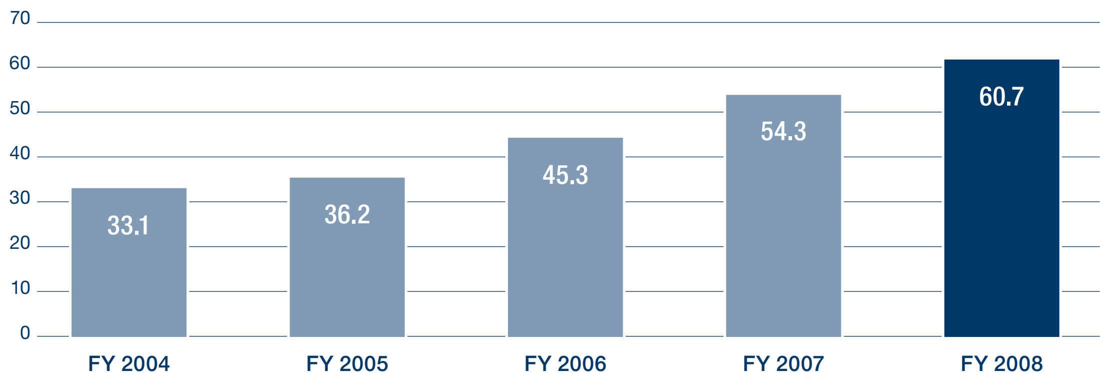
The Graph below shows the performance of the Company as measured by the Company's TSR, compared to the ASX 200 and ASX 200 Healthcare indices.

Ramsay Total Shareholder Return



The performance of the Company is also reflected in the graph below which shows the **Company's Core EPS*** History for the past five years (including the current period). Results for FY2005, FY2006, FY2007 and FY2008 are prepared under AIFRS. FY2004 is prepared under the former accounting standards applicable in Australia.

Core EPS (cents per share)



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

REMUNERATION REPORT – Audited (continued)
Variable Pay – Long Term Incentive (LTI)

Service Contracts

Pat Grier

The former Managing Director, Mr Grier, was employed under a three year contract which expired on 30 June 2008. Consistent with the terms of that contract, Mr Grier received the following payments upon his retirement as Managing Director:

Termination payment pursuant to clause 17 of Employment Agreement	$2,198,000
Unused Annual Leave payment	$182,123
Unused Long Service Leave payment	$376,455
STI payment	$329,000

The 322,376 performance rights granted to Mr Grier under the Ramsay Executive Performance Rights Plan (**PRP**) were tested against the performance hurdles on the same basis as for the other senior executives, with 84.28% vesting achieved based on the Company's relative TSR performance over the period from 1 July 2005 to 30 June 2008.

In relation to the remaining 15.72% of the 322,376 performance rights granted to Mr Grier, the Board exercised its discretion under the PRP Rules to vest these, having regard to the significant contribution made by Mr Grier to the success of the Company over the performance period and the fact that he would not otherwise be entitled to further vesting of these performance rights on the same basis as the continuing senior executives.

Mr Grier exercised all his performance rights on 3 September 2008 and in accordance with the terms of issue 322,376 ordinary shares were issued to him on 5 September 2008.

Chris Rex

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

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

Remuneration
Consistent with the summary of remuneration set out in this Report, Mr Rex's contract outlines the key components of his remuneration package, being fixed remuneration (inclusive of superannuation and benefits), an annual short-term incentive and an equity-based retention benefit.
The equity-based retention benefit is not dependent on the satisfaction of a performance condition. This element of Mr Rex's remuneration was agreed in order to secure Mr Rex's retention in a globally competitive market.

Notice periods and termination entitlements
Termination entitlements under the contract are as follows:

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

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

Table 1. Director Compensation

Non–Executive Directors

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

Name	Short term				Post employment		Shared based payment rights			Total	Total performance related
	Salary & fees $	Non monetary $	Leave entitlements $	Cash bonus (2) $	Superannuation $	Provision for retirement benefits (1) $	Number of incentive rights granted	Amortised Cost of incentive rights $	% of Remuneration	$	%
P. Ramsay											
2008	**220,000**	-	-	-	**13,129**	**30,000**	-	-	0%	**263,129**	0%
2007	210,000	-	-	-	12,686	310,000	-	-	0%	532,686	0%
A. Clark											
2008	**99,500**	-	-	-	**8,955**	**13,500**	-	-	0%	**121,955**	0%
2007	95,000	-	-	-	8,550	145,000	-	-	0%	248,550	0%
P. Evans											
2008	**129,000**	-	-	-	**11,610**	**34,500**	-	-	0%	**175,110**	0%
2007	117,500	-	-	-	10,575	192,500	-	-	0%	320,575	0%
R. McGeoch											
2008	**99,500**	-	-	-	**8,955**	**13,500**	-	-	0%	**121,955**	0%
2007	95,000	-	-	-	8,550	125,000	-	-	0%	228,550	0%
K. Roxburgh											
2008	**110,000**	-	-	-	**9,900**	**22,500**	-	-	0%	**142,400**	0%
2007	102,500	-	-	-	9,225	147,500	-	-	0%	259,225	0%
M. Siddle											
2008	**97,000**	-	-	-	**8,730**	**13,500**	-	-	0%	**119,230**	0%
2007	92,500	-	-	-	8,325	117,500	-	-	0%	218,325	0%
Totals											
2008	**755,000**	-	-	-	**61,279**	**127,500**	-	-	0%	**943,779**	0%
2007	712,500	-	-	-	57,911	1,037,500	-	-	0%	1,807,911	0%

Table 2. Executive Compensation (Key Management Personnel)

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

P. Grier – Managing Director (Executive Director)
C. Rex – Chief Operating Officer (Managing Director from 1 July 2008)
D. Sims – NSW State Operations Manager
B. Soden – Finance Director (Executive Director)
C. McNally – Head of Strategic Development

Name	Short term				Post employment		Shared based payment rights				Total	Total performance related
	Salary & fees $	Non monetary $	Leave entitlements $	Cash bonus (2) $	Superannuation $	Provision for retirement benefits (1) $	Number of incentive rights granted	Amortised cost of incentive cash based rights $	Amortised cost of incentive share based rights $	% of Remuneration	$	%
P. Grier*												
2008	**1,081,182**	**17,953**	**66,859**	**308,000**	**13,129**	-	-	-	**725,348**	**33%**	**2,212,471**	**47%**
2007	1,009,626	25,363	103,771	308,000	12,686	-	-	1,005,181	725,348	54%	3,189,975	64%
B. Soden*												
2008	**638,000**	**21,412**	-	**210,000**	**13,129**	-	**27,700**	-	**215,959**	**20%**	**1,098,500**	**39%**
2007	610,000	37,244	40,363	200,000	12,686	-	31,682	502,585	155,942	42%	1,558,820	55%
C. Rex												
2008	**769,000**	**9,932**	**68,137**	**300,000**	**13,129**	-	**42,306**	-	**331,131**	**22%**	**1,491,329**	**42%**
2007	735,000	5,790	27,185	280,000	12,686	-	48,387	-	375,659	26%	1,436,320	46%
C. McNally												
2008	**481,000**	**5,850**	**32,666**	**110,000**	**13,129**	-	**20,146**	-	**157,680**	**20%**	**800,325**	**33%**
2007	460,000	22,213	34,732	100,000	12,686	-	23,041	-	182,125	22%	811,756	35%
D. Sims												
2008	**400,000**	**16,036**	**19,817**	**45,000**	**13,129**	-	**10,073**	-	**61,548**	**11%**	**555,530**	**19%**
2007	361,588	16,413	23,407	25,000	12,686	-	11,521	-	39,723	8%	478,817	14%
K. Cass-Ryall												
2008	**382,000**	**6,728**	-	**45,000**	**13,129**	-	**10,073**	-	**67,463**	**13%**	**514,320**	**22%**
2007	364,000	20,575	2,938	30,000	12,686	-	11,521	-	86,496	17%	516,695	23%
Totals												
2008	**3,751,182**	**77,911**	**187,479**	**1,018,000**	**78,774**	-	**110,298**	-	**1,559,129**	**23%**	**6,672,475**	**39%**
2007	3,540,214	127,598	232,396	943,000	76,116	-	126,152	1,507,766	1,565,293	38%	7,992,383	50%

Notes: **Executive Directors during the financial year ended 30 June 2008.*

1. Retirement Benefits are 'grandfathered' to current serving non-executive directors (except for Mr Grier), and will not be extended to new non-executive directors.

2. STI Bonuses paid in 2008 were granted in respect of performance in the 2007 Financial Year

Table 3. Performance Rights granted to Key Management Personnel as part of remuneration during the year ended 30 June 2008

(a) Cash Settled Incentive Rights

Name	Grant date	Grant number	Value per right at grant date $	Value of rights granted during year $	Number of rights exercised 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	-	-	-	-	102,900	1,149,773	-	1,149,773
B. Soden	-	-	-	-	51,450	574,887	-	574,887
C. Rex	-	-	-	-	-	-	-	-
C. McNally	-	-	-	-	-	-	-	-
D. Sims	-	-	-	-	-	-	-	-
K. Cass-Ryall	-	-	-	-	-	-	-	-

(b) Equity Settled Performance Rights

Name	Grant date	Grant number	Value per right at grant date $	Value of rights granted during year $	Number of rights exercised 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	23 Oct 2007	-	-	-	-	-	-	-
B. Soden	23 Oct 2007	27,700	6.50	180,050	-	-	-	180,050
C. Rex	23 Oct 2007	42,306	6.50	274,989	68,600	296,352	-	571,341
C. McNally	23 Oct 2007	20,146	6.50	130,949	34,300	148,176	-	279,125
D. Sims	23 Oct 2007	10,073	6.50	65,475	13,446	58,087	-	123,562
K. Cass-Ryall	23 Oct 2007	10,073	6.50	65,475	20,580	88,906	-	154,381

For details on the valuation of the rights, including models and assumptions used, please refer to note 26 of the financial statements. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Meetings of Committees		
	Scheduled	Special	Audit	Remuneration	Risk Management Committee
Number of Meetings held:	10	3	7	6	11
Number of Meetings attended:					
P.J. Ramsay	9	3	-	-	-
M.S. Siddle	10	3	-	5	-
A.J. Clark	10	3	7	-	-
P.J. Evans	10	3	7	6	9
I.P.S. Grier	8	3	-	-	4
R.H. McGeoch	9	3	-	6	-
K.C.D. Roxburgh	10	3	7	-	9
B.R. Soden	10	3	-	-	-

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, Rex

(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.

ERNST & YOUNG

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Auditor's independence declaration to the Directors of Ramsay Health Care Limited

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Neil Wykes
Partner
Sydney
Date: 23 September 2008

Liability limited by a scheme approved under
Professional Standards Legislation

ENVIRONMENTAL REGULATION & 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	$781,969
Other services	$729,917

CORPORATE GOVERNANCE

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

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Director

B.R. SODEN
Group Finance Director

Sydney, 23 September 2008

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Ramsay Health Care Limited, which comprises the balance sheet as at 30 June 2008, 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.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Ramsay Health Care Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the financial position of Ramsay Health Care Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 23 to 30 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Ramsay Health Care Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Neil Wykes
Partner
Sydney
Date: 23 September 2008

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Professional Standards Legislation

Ramsay Health Care Limited Directors' Declaration

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

In the opinion of the directors:

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

   i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 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 2008.

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

M.S. SIDDLE	**B.R. SODEN**
Director	Group Finance Director

Sydney, 23 September 2008

Ramsay Health Care Limited & Controlled Entities Income Statement for the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
Continuing operations					
Revenue and other income					
Revenue from services		2,673,730	2,099,043	905	872
Profit on disposal of assets		-	384	-	-
Interest income		4,570	9,224	-	-
Other income		921	11	110,002	70,000
Total revenue and other income	4	**2,679,221**	**2,108,662**	**110,907**	**70,872**
Employee benefits costs	5	(1,361,872)	(1,110,435)	(2,031)	(2,627)
Occupancy costs		(154,527)	(87,496)	-	-
Service costs		(144,971)	(74,645)	(1,988)	(1,624)
Medical consumables and supplies		(671,194)	(554,258)	-	-
Depreciation	5	(86,447)	(61,006)	-	-
Amortisation		(1,733)	(1,500)	-	-
Total expenses, excluding finance costs		(2,420,744)	(1,889,340)	(4,019)	(4,251)
Profit from continuing operations before tax, specific items and finance costs		**258,477**	**219,322**	**106,888**	**66,621**
Finance costs	5	(80,416)	(59,433)	-	(3)
Specific items					
Finance cost - Borrowing costs associated with re-financing	5	(7,513)	-	-	-
Finance cost - Ineffectiveness of interest rate hedge		15	-	-	-
Service cost - Restructuring and integration costs		(3,264)	(1,555)	-	-
Service cost - Development projects costs		(4,454)	(1,208)	-	-
Service cost - Unrealised foreign exchange gain on unhedged portion of GBP loan		273	-	-	-
Occupancy cost - Deferred rent from leases with fixed annual rent increment (non-cash)	5	(21,839)	-	-	-
Profit before income tax from continuing operations		**141,279**	**157,126**	**106,888**	**66,618**
Income tax (expense)/benefit	6	(46,384)	(50,295)	308	352
Profit after tax from continuing operations		**94,895**	**106,831**	**107,196**	**66,970**
Discontinued operations					
(Loss)/profit after tax from discontinued operations	7	(2,659)	274	-	-
Profit for the year		**92,236**	**107,105**	**107,196**	**66,970**
Profit attributable to minority interests		(38)	(49)	-	-
Profit attributable to members of the parent		92,198	107,056	107,196	66,970
Earnings per share (cents per share)					
- basic for profit (after CARES dividend) for the year	8	**43.1**	**52.6**		
- diluted for profit (after CARES dividend) for the year		**42.9**	**52.4**		
- basic for profit (after CARES dividend) from continuing operations	8	**44.6**	**52.4**		
- diluted for profit (after CARES dividend) from continuing operations		**44.5**	**52.2**		
Franked dividends paid per ordinary share (cents per share)	9	31.0	26.5		

Ramsay Health Care Limited
& Controlled Entities
Balance Sheet as at 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
ASSETS					
Current Assets					
Cash and cash equivalents	10	93,268	14,841	101	101
Trade receivables	12	347,881	231,837	656,297	614,208
Inventories	13	60,258	40,200	-	-
Derivatives		26,986	11,811	-	-
Other current assets	14	67,500	28,232	239	199
		595,893	326,921	656,637	614,508
Assets classified as held for sale	7(a)	5,240	3,200	-	-
Total Current Assets		601,133	330,121	656,637	614,508
Non-current Assets					
Other financial assets	15	1,422	2,147	139,997	139,997
Property, plant and equipment	16	1,497,271	1,162,271	-	-
Goodwill and intangible assets	17	843,854	576,595	-	-
Deferred tax asset	6	117,076	83,868	1,846	2,591
Non-current receivables	19	30,442	32,829	-	-
Total Non-current Assets		2,490,065	1,857,710	141,843	142,588
TOTAL ASSETS		3,091,198	2,187,831	798,480	757,096
LIABILITIES					
Current Liabilities					
Trade and other payables	20	415,934	281,299	2,290	2,138
Interest-bearing loans and borrowings	21	6,929	4,344	-	-
Provisions	22	108,034	97,102	-	-
Income tax payable		10,466	23,544	14,679	23,544
Total Current Liabilities		541,363	406,289	16,969	25,682
Non-current Liabilities					
Interest-bearing loans and borrowings	23	1,359,350	741,633	-	-
Provisions	22	163,457	71,215	-	-
Pension liability	30	2,158	-	-	-
Deferred income tax liabilities	6	110,706	85,057	-	-
Total Non-current Liabilities		1,635,671	897,905	-	-
TOTAL LIABILITIES		2,177,034	1,304,194	16,969	25,682
NET ASSETS		914,164	883,637	781,511	731,414
EQUITY					
Issued capital	24	437,622	425,289	437,622	425,289
Treasury shares	24	(13,599)	(7,624)	-	-
Convertible Adjustable Rate Equity Securities (CARES)	24	252,165	252,165	252,165	252,165
Net unrealised gains reserve		21,342	11,335	-	-
Equity based payment reserve		7,184	5,156	7,154	5,156
Vested employee equity		(6,495)	(3,167)	-	-
Other reserves		(6,673)	(1,329)	-	-
Retained earnings		222,263	201,495	84,570	48,804
Parent interests		913,809	883,320	781,511	731,414
Minority interests		355	317	-	-
TOTAL SHAREHOLDERS' EQUITY		914,164	883,637	781,511	731,414

Ramsay Health Care Limited & Controlled Entities
Statement of Changes in Equity for the year ended 30 June 2008

	Attributable to equity holders of the parent									Minority Interest	Total Equity
CONSOLIDATED	**Issued Capital $000**	**Treasury Shares $000**	**Convertible Preference Shares-CARES $000**	**Equity Based Payment Reserve $000**	**Retained Earnings $000**	**Net Unrealised Gains Reserve $000**	**Vested Employee Equity $000**	**Other Reserves $000**	**Total $000**	**$000**	**$000**
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	-	-	-	-	-	-	-	(3,248)	(3,248)	-	(3,248)
Net gains on cash flow hedges (net of tax)	-	-	-	-	-	4,982	-	-	4,982	-	4,982
Total income/(expense) for the year recognised directly in equity	-	-	-	-	-	4,982	-	(3,248)	1,734	-	1,734
Profit for the year	-	-	-	-	107,056	-	-	-	107,056	49	107,105
Total income/(expense) for the year	-	-	-	-	107,056	4,982	-	(3,248)	108,790	49	108,839
Shares purchased for Executive Performance Share Plan	-	(3,782)	-	-	-	-	-	-	(3,782)	-	(3,782)
Equity dividends – cash	-	-	-	-	(45,875)	-	-	-	(45,875)	-	(45,875)
CARES dividends – cash	-	-	-	-	(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

CONSOLIDATED	Attributable to equity holders of the parent									Minority Interest	Total Equity
	Issued Capital $000	Treasury Shares $000	Convertible Preference Shares- CARES $000	Equity Based Payment Reserve $000	Retained Earnings $000	Net Unrealised Gains Reserve $000	Vested Employee Equity $000	Other Reserves $000	Total $000	$000	$000
At 1 July 2007	425,289	(7,624)	252,165	5,156	201,495	11,335	(3,167)	(1,329)	883,320	317	883,637
Currency translation differences	-	-	-	-	-	-	-	(5,344)	(5,344)	-	(5,344)
Net gains on cash flow hedges (net of tax)	-	-	-	-	-	10,007	-	-	10,007	-	10,007
Total income/(expense) for the year recognised directly in equity	-	-	-	-	-	10,007	-	(5,344)	4,663	-	4,663
Profit for the year	-	-	-	-	92,198	-	-	-	92,198	38	92,236
Total income/(expense) for the year	-	-	-	-	92,198	10,007	-	(5,344)	96,861	38	96,899
Equity issue costs	(37)	-	-	-	-	-	-	-	(37)	-	(37)
Shares purchased for Executive Performance Share Plan	-	(9,303)	-	-	-	-	-	-	(9,303)	-	(9,303)
Equity dividends – cash	-	-	-	-	(41,379)	-	-	-	(41,379)	-	(41,379)
Equity dividends – shares	-	-	-	-	(12,370)	-	-	-	(12,370)	-	(12,370)
CARES dividends – cash	-	-	-	-	(17,681)	-	-	-	(17,681)	-	(17,681)
Share Placement	12,370	-	-	-	-	-	-	-	12,370	-	12,370
Treasury shares vesting to employees in the period	-	3,328	-	-	-	-	(3,328)	-	-	-	-
Cost of share based payment	-	-	-	2,028	-	-	-	-	2,028	-	2,028
At 30 June 2008	437,622	(13,599)	252,165	7,184	222,263	21,342	(6,495)	(6,673)	913,809	355	914,164

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

RAMSAY HEALTH CARE LIMITED	Issued Capital $000	Convertible Preference Shares - CARES $000	Equity Based Payment Reserve $000	Retained Earnings $000	Total $000
At 1 July 2006	425,289	252,165	2,981	44,003	724,438
Profit for the year	-	-	-	66,970	66,970
Total income for the year	-	-	-	66,970	66,970
Equity dividends – cash	-	-	-	(45,875)	(45,875)
CARES dividends – cash	-	-	-	(16,294)	(16,294)
Cost of share based payment	-	-	2,175	-	2,175
At 30 June 2007	425,289	252,165	5,156	48,804	731,414

RAMSAY HEALTH CARE LIMITED	Issued Capital $000	Convertible Preference Shares - CARES $000	Equity Based Payment Reserve $000	Retained Earnings $000	Total $000
At 1 July 2007	425,289	252,165	5,156	48,804	731,414
Profit/Loss for the year	-	-	-	107,196	107,196
Total income/(expense) for the year	-	-	-	107,196	107,196
Equity issue costs	(37)	-	-	-	(37)
Equity dividends – cash	-	-	-	(41,379)	(41,379)
Equity dividends – shares	-	-	-	(12,370)	(12,370)
CARES dividends – cash	-	-	-	(17,681)	(17,681)
Share Placement	12,370	-	-	-	12,370
Cost of share based payment	-	-	1,998	-	1,998
At 30 June 2008	437,622	252,165	7,154	84,570	781,511

Ramsay Health Care Limited & Controlled Entities Cash Flow Statement for the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,629,781	2,074,209	905	872
Payments to suppliers and employees		(2,326,186)	(1,832,613)	(1,709)	(1,285)
Income tax paid		(57,828)	(30,130)	-	-
Finance costs		(79,053)	(59,447)	3	(3)
Net cash flows from/(used in) operating activities	10	166,714	152,019	(801)	(416)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(198,044)	(147,838)	-	-
Interest received		4,595	9,278	-	-
Proceeds from sale of hospitals		-	100,697	-	-
Acquisition of businesses	10	(5,189)	(3,991)	-	-
Acquisition of subsidiary, net of cash received	10	(469,851)	-	-	-
Proceeds from sale of property, plant and equipment		-	1,966	-	-
Net cash flows (used in) investing activities		(668,489)	(39,888)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(59,060)	(62,169)	(59,060)	(62,169)
Repayment of principal to Bondholders		(2,256)	(2,256)	-	-
Repayment of finance lease - principal		(2,777)	(2,489)	-	-
Purchase of ordinary shares		(9,340)	(3,782)	-	-
Proceeds/(Repayment) of borrowings		655,455	(68,389)	-	-
Advances to related parties		-	-	59,861	62,585
Net cash flows from/(used in) financing activities		582,022	(139,085)	801	416
Net increase/(decrease) in cash and cash equivalents		80,247	(26,954)	-	-
Net foreign exchange differences on cash held		(1,820)	-	-	-
Cash and cash equivalents at beginning of year		14,841	41,795	101	101
Cash and cash equivalents at end of year	10	93,268	14,841	101	101

Ramsay Health Care Limited & Controlled Entities Notes to the Financial Statements for the year ended 30 June 2008

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited ('the Company') for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on the 23 September 2008.

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 and listed investments which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items are otherwise carried at cost.

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

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

	Consolidated	
	2008 $000	**2007 $000**
Core profit after tax from continuing operations		
Profit from continuing operations before tax, specific items and finance costs	258,477	219,322
Less: Finance costs	(80,416)	(59,433)
Profit from continuing operations before tax, specific items	178,061	159,889
Add: Amortisation	1,733	1,500
Profit from continuing operations before tax, specific items and amortisation	179,794	161,389
Profit attributable to minority interests	(38)	(49)
Income tax (expense) on continuing operations	(56,670)	(50,990)
Core profit after tax from continuing operations	123,086	110,350
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	123,086	110,350
Less: CARES Dividend	(17,681)	(16,294)
Core profit after tax from continuing operations used to calculate Core earnings per share continuing operations	105,405	94,056
Weighted average number of ordinary shares adjusted for the effect of dilution	173,621,853	173,268,928
Core earnings per share from continuing operations	60.71	54.28

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2008, are outlined in the table on the following pages.

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/ or an intangible asset – not as property, plant and equipment.	1 January 2008	The Group has entered into service concession arrangements or public-private-partnerships (PPP) and as such this interpretation may have an impact on the Group's financial report. The Group's preliminary assessment is that changes will effect balance sheet classifications with a potential unconfirmed impact to revenue recognition and profit.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group has a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. However, the Group has not yet determined the extent of the impact, if any.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The ammendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These 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 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (Continued)

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part 2 deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

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

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

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

The Capio Group (comprising 22 private hospitals in England) 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 The Capio Group for the period from its acquisition on 23 November 2007. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Nottingham Private Hospital 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 Nottingham Private Hospital for the period from its acquisition on 31 March 2008. The purchase consideration has been allocated to the assets and liabilities based on the fair value at the date of acquisition.

Cairns 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 Cairns Day Surgery for the period from its acquisition on 1 November 2007. The purchase consideration has been allocated to the assets and liabilities based on the fair value at the date of acquisition.

Bowral 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 Bowral Day Surgery for the period from its acquisition on 22 April 2008. 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 & 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 & 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) Share – based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation model, using the assumptions detailed in note 26. The Group measures the cost of cash settled share based payments at fair value at the grant date using a Monte Carlo simulation model taking into account the terms and conditions upon which the instruments were granted.

(iii) Medical malpractice provision

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

(e) Foreign currency translation

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

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

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

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

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

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

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

(f) Property, plant & equipment

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

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

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

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

(i) Impairment

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

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

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

Impairment losses are recognised in the income statement.

(ii) Derecognition & disposal

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

(g) Finance costs

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

(h) Goodwill

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

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

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

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

- It represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 "Segment Reporting".

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).

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

(i) Impairment of assets (continued)

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 & 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.

(i) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in 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 & other receivables

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

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

(m) Cash & 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 & 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 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').

(p) Share-based payment transactions (continued)

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 2008 and the date at which they were granted, respectively. The fair value is determined by an external valuer using the Monte Carlo model.

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

Equity-settled transactions

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Cash-settled transactions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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:

- 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 & 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.

(w) Derivative financial instruments & hedging (continued)

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

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

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

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

(i) Cash Flow Hedges

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

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

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

(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 (i.e. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Intangible assets (continued)

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 as follows:

Operating Rights
Useful lives
Finite (2007: Finite)
Amortisation method used
Amortised over the period of the lease (2007: 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 (2007: 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 & 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 & 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.

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 & disposal groups held for sale & discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are 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.

(ai) Pensions & other post-employment benefits

For defined benefit plans, pension costs are assessed using the projected unit credit method. Under the "corridor" approach, actuarial gains and losses are recognised as income or expense, when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the defined benefit obligation or the fair value of plan assets, in accordance with the valuations made by qualified actuaries. The defined benefit obligations are measured at the present value of the estimated future cash flows using interest rates on government bonds, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised over the average remaining service lives of employees. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised over the average remaining service lives of the employees.

The Group's contributions made to defined contribution superannuation plans are recognised as an expense when they are due.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

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

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

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

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

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

Risk Exposures & Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 32.

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

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
Financial Assets				
Cash and cash equivalents	93,268	14,841	101	101
Financial Liabilities				
Bank Loans	(332,608)	(79,533)	-	-
Net exposure	(239,340)	(64,692)	101	101

Interest rate swap contracts are outlined in note 25, with a fair value of $26,986,000 (2007: $11,811,000), are exposed to fair value movements if interest rates change.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain at least 50% of its borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 76% (2007: 89%) of the Group's borrowings are at a fixed rate of interest.

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

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

At 30 June 2008, if the prevailing market cash interest rates had moved by +/- 1% (100 basis points) per annum from the year end rates, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 $000	2007 $000	2008 $000	2007 $000
Consolidated				
+1% (100 basis points)	(2,824)	(451)	14,974	8,408
-1% (100 basis points)	3,807	450	(16,572)	(8,676)
Ramsay Health Care Limited				
+1% (100 basis points)	1	1	-	-
-1% (100 basis points)	(1)	(1)	-	-

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

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is higher in 2008 than in 2007 because of an increase of borrowings that has occurred due to the acquisition of Capio UK.

Risk Exposures & Reponses (continued)

Foreign currency risk

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

At 30 June 2008, the Group had the following exposure to GBP that is not designated in net investment hedges:

	Consolidated		Ramsay Health Care Limited	
	2008 £000	2007 £000	2008 £000	2007 £000
Financial Assets				
Cash and cash equivalents	4	-	-	-
Financial Liabilities				
Interest bearing loans and borrowings	(3,000)	-	-	-
Net exposure	(2,996)	-	-	-

The Group has a GBP borrowing of £114,000,000 (2007: £Nil) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 25.

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

At 30 June 2008, had the Australian Dollar moved +/-10% against the British Pound, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Consolidated				
AUD/GBP +10%	422	-	-	-
AUD/GBP -10%	(516)	-	-	-
Parent				
AUD/GBP +10%	-	-	-	-
AUD/GBP -10%	-	-	-	-

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

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

Credit risk

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

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

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

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

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

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

Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Reponses (continued)

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2008. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

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

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

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

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

Year ended 30 June 2007	≤ 1 year $000	1-2 years $000	2-5 years $000	> 5 years $000	Total $000
Consolidated					
Financial assets					
Cash and cash equivalents	15,207	-	-	-	15,207
Trade and other receivables	237,015	5,024	15,072	27,810	284,921
Other financial assets	-	-	-	2,147	2,147
Derivatives	3,399	5,028	4,768	-	13,195
	255,621	10,052	19,840	29,957	315,470
Consolidated					
Financial liabilities					
Trade and other payables	(281,299)	-	-	-	(281,299)
Interest-bearing loans and borrowings	(62,369)	(62,997)	(775,903)	(30,322)	(931,591)
	(343,668)	(62,997)	(775,903)	(30,322)	(1,212,890)
Net maturity	(88,047)	(52,945)	(756,063)	(365)	(897,420)

Risk Exposures & Reponses (continued)

Year ended 30 June 2007	≤ 1 year $000	1-2 years $000	2-5 years $000	> 5 years $000	Total $000
Ramsay Health Care Limited					
Financial assets					
Cash & cash equivalents	101	-	-	-	101
Ramsay Health Care Limited					
Financial liabilities					
Trade & other payables	(2,138)	-	-	-	(2,138)
Net maturity	(2,037)	-	-	-	(2,037)

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

Fair value

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

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
4. REVENUE					
REVENUE FROM CONTINUING OPERATIONS					
Revenue from patients		2,610,602	2,050,916	-	-
Management fees					
Controlled entities (fully owned)		-	-	905	872
Rental income					
Other persons/corporations		20,478	18,957	-	-
Dividends					
Controlled entities (fully owned)		-	-	110,000	70,000
Bad debts recovered		2,022	77	-	-
Income from ancillary services		40,628	29,093	-	-
Net gain on foreign exchange		903	-	-	-
Other income		18	11	-	-
Interest					
Controlled entities (fully owned)		-	-	2	-
Other persons/corporations		4,570	9,224	-	-
Profit on sale of property, plant and equipment		-	384	-	-
Total revenues from continuing operations before specific items		2,679,221	2,108,662	110,907	70,872
Net gains on disposal of businesses		-	666	-	-
Total revenues from continuing operations (including specific items)		2,679,221	2,109,328	110,907	70,872
REVENUE FROM DISCONTINUED OPERATIONS					
Revenue from patients		3,129	9,202	-	-
Total revenue from discontinuing operations	7	3,129	9,202	-	-

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
5. EXPENSES					
EXPENSES FROM CONTINUING OPERATIONS					
(a) Depreciation included in income statement					
- Plant and equipment		66,645	42,324	-	-
- Buildings		19,802	18,682	-	-
Total depreciation		86,447	61,006	-	-
(b) Operating lease costs and incentive					
Lease costs included in occupancy costs expenses in the income statement		73,299	22,484	-	-

The amount charged to the income statement in respect of operating lease costs for the Group under AIFRS has an adverse impact on reported profit relating to the treatment of deferred rent from leases with annual fixed increments in rent. The accounting for this is as follows:

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

Ramsay Health Care (UK) Limited has entered into 30 year term lease agreements for the rent of hospital properties. The lease agreements have fixed annual increases of 2.75% per annum which is currently lower than CPI. Where leases have fixed annual increases and not variable annual increases, AASB 117 requires that straight line accounting be applied. The cash rent paid for the year ended 30 June 2008 was lower than the rent expensed by $21,839,000. The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
(c) Employee benefits expense					
Wages and salaries		1,122,694	900,674	53	49
Leave provision		125,857	108,519	19	-
Workers' compensation costs		18,165	18,231	-	-
Superannuation expense		73,159	66,678	56	53
Termination benefits		2,653	429	-	-
Other employment costs		17,544	11,632	103	350
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)		1,800	4,272	1,800	2,175
		1,361,872	1,110,435	2,031	2,627
(d) Finance costs					
- Interest expense					
Other persons/corporations		82,980	60,929	-	3
- Finance charges - lease liability		956	353	-	-
- Finance charges - hire purchase		17	43	-	-
		83,953	61,325	-	3
Finance costs disclosed as specific items:					
- Finance costs related to refinancing		7,513	-	-	-
Total Finance costs		91,466	61,325	-	3
Less: Finance costs capitalised		(3,548)	(1,878)	-	-
Finance costs – discontinued operations		11	(14)	-	-
Total finance costs expensed for continuing operations (including specific items)		87,929	59,433	-	3
EXPENSES FROM DISCONTINUED OPERATIONS					
(e) Expenses					
Employee benefits costs		3,033	5,467	-	-
Occupancy costs		419	760	-	-
Service costs		661	570	-	-
Medical consumables and supplies		986	2,287	-	-
Depreciation		253	379	-	-
Total expenses from discontinuing operations	7	5,352	9,463	-	-

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000

6. INCOME TAX

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

Income Statement

	2008 $000	2007 $000	2008 $000	2007 $000
Continuing operations:				
Current income tax				
Current income tax charge/(benefit)	46,583	49,108	(1,251)	(1,015)
Deferred income tax				
Relating to origination and reversal of temporary differences	1,214	1,487	943	663
Adjustments relating to tax returns	(1,413)	(300)	-	-
Income tax expense/(benefit) reported in the income statement	**46,384**	**50,295**	**(308)**	**(352)**

Continuing & 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:

	2008 $000	2007 $000	2008 $000	2007 $000
Accounting profit before tax from continuing operations	141,279	158,043	106,888	66,618
Accounting (loss) before tax from discontinued operations	(3,723)	(526)	-	-
Accounting profit before income tax	137,556	157,517	106,888	66,618
Prima facie tax expense at 30% (2007: 30%)	41,267	47,255	32,067	19,985
Expenditure not allowable for income tax purposes	3,743	2,024	625	663
Income not assessable for tax purposes	-	-	(33,000)	(21,000)
Other	310	1,133	-	-
	45,320	**50,412**	**(308)**	**(352)**
Income tax expense/(benefit) reported in the consolidated income statement attributable to continuing operations	46,384	50,295	(308)	(352)
Income tax attributable to discontinued operations	(1,064)	117	-	-
	45,320	**50,412**	**(308)**	**(352)**
Deferred income tax related to items charged or credited directly to equity				
Net unrealised gains	(3,445)	(2,135)	-	-
Treasury shares	2,897	2,700	198	-
	(548)	**565**	198	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2008 $000	2007 $000	2008 $000	2007 $000
CONSOLIDATED				
Deferred tax liabilities				
Inventory	(9,048)	(7,878)	(1,170)	(635)
Recognition of revenue	(8,385)	(7,274)	(1,111)	3,538
Depreciable assets	(62,630)	(49,825)	(1,766)	4,685
Other	(10,897)	(3,283)	(1,058)	(5,081)
Borrowing costs	-	(284)	284	(555)
Other provisions & lease liabilities	(11,655)	(11,655)	-	-
Provision financial instruments	(8,091)	(4,858)	-	1
Total deferred tax liabilities	**(110,706)**	**(85,057)**	**(4,821)**	**1,953**
CONSOLIDATED				
Deferred tax assets				
Employee provisions	45,401	44,334	1,150	3,514
Other provisions & lease liabilities	52,254	36,096	(4,510)	213
Unearned income	1,673	1,744	(71)	(116)
Other	16,773	(256)	8,013	(6,077)
Share placement costs	975	1,950	(975)	(974)
Total deferred tax assets	**117,076**	**83,868**	**3,607**	**(3,440)**
Net movement in deferred income tax reported in the income statement			1,214	1,487

6. INCOME TAX (CONTINUED)

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
Deferred income tax (continued)				
CONSOLIDATED				
Movement of deferred tax liabilities				
Opening balance	(85,057)	(87,575)		
Charges recognised in income statement	(4,821)	1,953		
Amounts recognised against equity	(548)	565		
Exchange differences	3,076	-		
Balances acquired through acquisition	(23,356)	-		
Closing balance	**(110,706)**	**(85,057)**		
CONSOLIDATED				
Movement of deferred tax assets				
Opening balance	83,868	87,308		
Charges recognised in income statement	3,607	(3,440)		
Exchange differences	(3,910)	-		
Balances acquired through acquisition	33,511	-		
Closing balance	**117,076**	**83,868**		
RAMSAY HEALTH CARE LIMITED				
Deferred tax assets				
Share rights	198	-	-	-
Employee provisions	672	641	31	311
Share placement costs	976	1,950	(974)	(974)
Total deferred tax income assets	**1,846**	**2,591**	**(943)**	**(663)**
Net movement in deferred income tax reported in the income statement			**943**	**663**
RAMSAY HEALTH CARE LIMITED				
Movement of deferred tax assets				
Opening balance	2,591	3,254		
Charges recognised in income statement	(943)	(663)		
Amounts recognised against equity*	198	-		
Closing balance	**1,846**	**2,591**		

*:Costs associated with the issue of equity instruments

At 30 June 2008, there is $41,222,929 (2007: $41,022,414) 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 decreased by $8,865,000 (2007: increased $20,527,000).

7. DISCONTINUED OPERATIONS

	CONSOLIDATED 2008 $000	2007 $000
(a) Property classified as available for sale – written down to fair value	5,240	3,200

(b) The results of the discontinued operations for the 2008 year until disposal or discontinuation are presented below:

	CONSOLIDATED–2008			
	Harley St $000	Macarthur $000	Manningham $000	Total $000
Revenue	700	2,164	265	3,129
Expenses	(1,251)	(3,369)	(732)	(5,352)
Gross (loss)	**(551)**	**(1,205)**	**(467)**	**(2,223)**
Loss on disposal	-	-	(533)	(533)
Specific Items				
Restructuring costs	-	(689)	-	(689)
Impairment of assets	-	(289)	-	(289)
Finance costs	-	(14)	25	11
(Loss) before tax from discontinued operations	**(551)**	**(2,197)**	**(975)**	**(3,723)**
Income tax benefit	167	590	307	1,064
(Loss) for the year from discontinued operations attributable to members of the parent	**(384)**	**(1,607)**	**(668)**	**(2,659)**

Operating cashflows on discontinued operations approximate the gross loss in relation to the entities.

(c) The results of the discontinued operations for the 2007 year until disposal or discontinuation are presented below:

	CONSOLIDATED–2007				
	Macarthur $000	Casey Gardens $000	Coastal $000	Manningham $000	Total $000
Revenue	6,845	77	1,195	1,085	9,202
Expenses	(5,915)	(305)	(1,569)	(1,674)	(9,463)
Gross (loss)	**930**	**(228)**	**(374)**	**(589)**	**(261)**
Gain on disposal	-	-	666	-	666
Finance costs	(13)	-	(1)	-	(14)
(Loss) before tax from discontinued operations	**917**	**(228)**	**291**	**(589)**	**391**
Income tax benefit	(286)	72	(91)	188	(117)
(Loss) for the year from discontinued operations attributable to members of the parent	**631**	**(156)**	**200**	**(401)**	**274**

Operating cashflows on discontinued operations approximate the gross loss in relation to the entities.

(d) Earning per share.	2008 $000	2007 $000
Earnings per share (cents per share):		
Basic from discontinued operation	(1.54)	0.16
Diluted from discontinued operation	(1.53)	0.16

(e) On 31 August 2007, Ramsay Health Care Limited disposed of Manningham Day Procedures Centre for nil proceeds, resulting in a loss of $0.5 million before tax. Net assets disposed of were $4.8 million of plant and equipment of which $4.3 million had been provided for.

(f) 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.

(g) On 30 April 2008, Ramsay Health Care Limited announced its closure of Macathur Private Hospital. $289,000 has been recognised in relation to the impairment of assets and $689,000 has been provided for redundancy payments for employees.

(h) In June 2008, Ramsay Health Care Limited announced its closure of the Harley St business. No additional amounts were required to be provided in relation to the impairment of assets or redundancy payments for employees.

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.

	2008 $000	2007 $000
Net profit for the year attributable to the members of the parent	92,198	107,056
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(17,681)	(16,294)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	74,517	90,762
Less: Loss/(Profit) from discontinued operations	2,659	(274)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	77,176	90,488

	2008 No. of Shares	2007 No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	173,013,536	172,622,277
Effect of dilution – share rights	608,317	646,651
Weighted average number of ordinary shares adjusted for the effect of dilution	173,621,853	173,268,928

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 25) 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:

	2008 $000	2007 $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)	(2,659)	274

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
9. DIVIDENDS PAID OR PROPOSED				
(a) Dividend on ordinary shares paid during the year:				
(i) Interim dividend paid				
Franked dividends – ordinary				
(15.0 cents per share) (2007: 13.0 cents per share)	26,061	22,513	26,061	22,513
(ii) Previous year final dividend paid				
Franked dividends – ordinary				
(16.0 cents per share) (2007: 13.5 cents per share)	27,688	23,362	27,688	23,362
	53,749	45,875	53,749	45,875
(b) Dividend proposed and not recognised as a liability:				
Current year final dividend proposed				
Franked dividends – ordinary				
(17.5 cents per share) (2007: 16.0 cents per share)	30,490	27,688	30,490	27,688
(c) Dividends on CARES paid during the year	17,681	16,294	17,681	16,294
(d) Dividends on CARES proposed and not recognised as a liability	9,846	8,737	9,846	8,737
(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% (2007: 30%)			72,666	50,135
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *			13,350	24,858
			86,016	74,993
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.			(17,287)	(15,611)
			68,729	59,382

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

The tax rate at which paid dividends have been franked is 30% (2007: 30%). $40,336,000 (2007:$ 36,425,000) of the proposed dividends will be franked at the rate of 30% (2007: 30%).

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
10. CASH & CASH EQUIVALENTS				
Cash at bank and in hand	93,268	14,841	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	93,268	14,841	101	101
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Profit after tax	92,236	107,105	107,196	66,970
Adjustments for:				
Depreciation	86,700	61,369	-	-
Amortisation	1,733	1,500	-	-
Decrement in value of non-current assets	289	-	-	-
Interest received	(4,595)	(9,277)	-	-
Net gains on disposal of business	-	(666)	-	-
Dividends received from related entity	-	-	(110,000)	(70,000)
Changes in assets and liabilities				
Deferred tax asset	(3,650)	1,148	483	663
Receivables	(48,434)	(36,339)	-	-
Other assets	(19,064)	12,526	(40)	(898)
Creditors and accruals	20,660	(7,535)	49	(363)
Deferred tax liability	(1,920)	575	-	-
Provisions	56,654	5,825	1,511	3,212
Inventory	(5,656)	(3,070)	-	-
Tax provisions	(8,239)	18,858	-	-
Net cash from operating activities	166,714	152,019	(801)	(416)

Disclosure of financing facilities

Refer to note 32.

Disclosure of non-cash financing and investing activities

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

(a) Acquisition of The Capio Group – 2008

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

	$000
Accounts Receivable	76,787
Inventory	15,492
Other assets	19,908
Property, plant and equipment	237,231
Deferred Income tax asset	33,511
Creditors	(26,536)
Accruals and provisions	(57,163)
Non-current provisions	(114,294)
Deferred Income tax liability	(23,356)
Fair value of net assets	161,580
Goodwill arising on acquisition	290,693
	452,273
Consideration	
Cash	435,135
Costs associated with the acquisition	17,138
	452,273
The cash outflow on acquisition is	452,273

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

(a) Acquisition of The Capio Group – 2008 (continued)

The goodwill calculated on the acquisition of The Capio Group is provisional at 30 June 2008.

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

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

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

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

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

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

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

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

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

(c) Acquisition of Hastings Day Surgery - 2007

On 1 December 2006, Ramsay 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:

	$000
Property, plant and equipment	2,644
Other assets	40
	2,684
Employee entitlements	(63)
Other	(189)
	(252)
Fair value of identifiable net assets	2,432
Goodwill arising on acquisition	1,559
	3,991
Cost of combination:	
Cash	3,750
Costs associated with the acquisition	241
	3,991
The cash outflow on acquisition is	3,991

The fair value of the identifiable assets and liabilities of Hastings Day Surgery approximated the carrying value at acquisition.

The results of Hastings Day Surgery from acquisition to 30 June 2007 have not been disclosed separately as they are not significant to the total Group results.

The revenue and results of the total Ramsay Group for the year ended the 30 June 2007, as though Hastings Day Surgery was acquired on 1 July 2006 would not be significantly different to the Group results as currently reported.

11. SEGMENT INFORMATION

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

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

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

Geographical Segments

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

Australia

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

United Kingdom (UK)

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

Indonesia

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

11. SEGMENT INFORMATION (CONTINUED)

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

11. SEGMENT INFORMATION (CONTINUED)

	Continuing operations				Discontinued operations			Total operations
	Australia $000	UK $000	Indonesia $000	Total $000	Australia $000	UK $000	Total $000	$000
Year ended 30 June 2008								
Assets & liabilities								
Segment assets	2,290,573	645,665	37,884	2,974,122	-	-	-	2,974,122
Unallocated assets				117,076			-	117,076
Total assets				3,091,198			-	3,091,198
Segment liabilities	1,609,673	432,383	13,806	2,055,862	-	-	-	2,055,862
Unallocated liabilities				121,172			-	121,172
Total liabilities				2,177,034			-	2,177,034
Other segment information								
Capital expenditure	158,949	48,283	4,649	211,881	-	-	-	211,881
Depreciation	(65,043)	(17,868)	(3,536)	(86,447)	(253)	-	(253)	(86,700)
Amortisation	(1,500)	-	(233)	(1,733)	-	-	-	(1,733)
Deferred lease with fixed annual rent increment (non-cash)	-	(21,839)	-	(21,839)	-	-	-	(21,839)
Cash flow information								
Net cash flows from operating activities	172,413	(16,115)	10,416	166,714	-	-	-	166,714
Net cash flow from investing activities	(597,609)	(66,415)	(4,465)	(668,489)	-	-	-	(668,489)
Net cash flow from financing activities	519,033	68,655	(5,666)	582,022	-	-	-	582,022

11. SEGMENT INFORMATION (CONTINUED)

	Continuing operations			Discontinued operations	Total operations
	Australia $000	Indonesia $000	Total $000	Australia $000	$000
Year ended 30 June 2007					
Revenue					
Revenue from services	2,041,082	57,961	2,099,043	9,202	2,108,245
Other revenue	395	-	395	-	395
Total consolidated revenue	2,041,477	57,961	2,099,438	9,202	2,108,640
Results					
Segment results before tax, specific items, amortisation of intangibles, finance costs and before intersegment revenue and expenses	200,324	11,225	211,549	(261)	211,288
Specific Items					
- Restructuring, disposal and integrating costs	(1,555)	-	(1,555)	666	(889)
- Development projects costs	(1,208)	-	(1,208)	-	(1,208)
- Amortisation of intangibles	(1,500)	-	(1,500)	-	(1,500)
Segment results	196,061	11,225	207,286	405	207,691
Finance costs			(59,433)	(14)	(59,447)
Interest income			9,224	-	9,224
Profit/(loss) before income tax			157,077	391	157,468
Income tax expense			(50,295)	(117)	(50,412)
Net profit/(loss) for the year			106,782	274	107,056

11. SEGMENT INFORMATION (CONTINUED)

	Continuing operations			Discontinued operations	Total operations
	Australia $000	Indonesia $000	Total $000	Australia $000	$000
Year ended 30 June 2007					
Assets & liabilities					
Segment assets	2,058,143	45,820	2,103,963	-	2,103,963
Unallocated assets			83,868		83,868
Total assets			2,187,831		2,187,831
Segment liabilities	1,168,416	27,177	1,195,593	-	1,195,593
Unallocated liabilities			108,601		108,601
Total liabilities			1,304,194		1,304,194
Other segment information					
Capital expenditure	140,766	7,072	147,838	-	147,838
Depreciation	(57,700)	(3,306)	(61,006)	(362)	(61,368)
Amortisation	(1,500)	-	(1,500)	-	(1,500)
Cash flow information					
Net cash flows from operating activities	148,105	3,914	152,019	-	152,019
Net cash flow from investing activities	(37,494)	(2,394)	(39,888)	-	(39,888)
Net cash flow from financing activities	(137,474)	(1,611)	(139,085)	-	(139,085)

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000

12. RECEIVABLES

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
Trade Debtors	352,676	234,485	-	-
Allowances for impairment	(4,795)	(2,648)	-	-
	347,881	231,837	-	-
Amounts receivable from related parties	-	-	656,297	614,208
	347,881	231,837	656,297	614,208

(i) Allowances for impairment loss

Trade debtors are non-interest bearing and are generally on 15-30 day terms, dependent on the conditions of specific contracts. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $4,795,000 (2007:$2,648,000) has been recognised by the Group and $nil (2007:$nil) by the Company in the current year. These amounts have been included in the service costs item, in the profit and loss.

Movements in the provision for impairment loss were as follows:

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
At 1 July	(2,648)	(3,944)	-	-
Charge for the year	(1,546)	(858)	-	-
Acquisition of subsidiary	(1,485)	-	-	-
Foreign exchange translation	194	-	-	-
Amounts written off (included in service costs)	690	2,154	-	-
At 30 June	(4,795)	(2,648)	-	-

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

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Con-sidered Impaired
2008 - Consolidated	352,676	268,736	40,002	18,226	15,248	5,669	4,795
Ramsay Health Care Limited	656,297	656,297	-	-	-	-	-
2007 - Consolidated	234,485	198,206	18,153	8,217	4,862	2,399	2,648
Ramsay Health Care Limited	614,208	614,208	-	-	-	-	-

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: Consolidated $79,145,000 (2007:$33,631,000); Parent $nil (2007:$nil). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

(ii) Related party receivables

For terms and conditions of related party receivables refer to note 33.

(iii) Fair value & credit risk

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

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

(iv) Foreign exchange & interest rate risk

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

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000

13. INVENTORIES

	Note	2008 $000	2007 $000	2008 $000	2007 $000
Amount of medical and food supplies to be consumed in providing future patient services - at cost		60,258	40,200	-	-

(i) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2008 totalled $671,194,000 (2007:$554,258,000) for the Group and $nil (2007:$nil) for the company. This expense has been included in the medical consumables and supplies expense.

14. OTHER CURRENT ASSETS

	Note	2008 $000	2007 $000	2008 $000	2007 $000
Prepayments		31,041	7,122	239	199
Other current assets		36,459	21,110	-	-
		67,500	28,232	239	199

(i) Fair values

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

15. OTHER FINANCIAL ASSETS (NON – CURRENT)

(a) Investments comprise:

	Note	2008 $000	2007 $000	2008 $000	2007 $000
Ordinary Shares:					
- Listed on a prescribed stock exchange		4	4	-	-
- Other		1,276	2,001	-	-
		1,280	2,005	-	-
Units in unit trust:					
- Listed on a prescribed stock exchange		77	77	-	-
- Unsecured notes – unlisted		65	65	-	-
		142	142	-	-
		1,422	2,147	-	-
Investment in controlled entities:					
- Unlisted shares and units	15 (b)	-	-	139,997	139,997
		1,422	2,147	139,997	139,997

Entities subject to class order

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

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

The consolidated income statement and consolidated balance sheet of the closed group are set out in Note 35.

15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held		Ramsay Health Care Limited	
		2008	2007	2008	2007
		%	%	$000	$000

(b) Investments in controlled entities

Investments in controlled entities comprise:

RHC Nominees Pty Limited and its controlled entity: ^	Australia	100%	100%	*	*
Health Care Developments Unit Trust	-	100%	100%		
RHC Developments Pty Limited ^	Australia	100%	100%	139,997	139,997
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%	*	*
Directly controlled by Ramsay Health Care Investments Pty Limited:					
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%	*	*
Ramsay Hospital Holdings (Queensland) Pty Limited^	Australia	100%	100%	*	*
Ramsay Finance Pty Limited ^	Australia	100%	100%		
Ramsay Aged Care Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%		
Ramsay Aged Care Properties Pty Ltd ^	Australia	100%	100%		
RHC Ancillary Services Pty Limited and its controlled entities:^	Australia	100%	100%		
NewCo Enterprises Pty Limited and its controlled entity:	Australia	91%	89%		
Sydney & Central Coast Linen Services Pty Limited	Australia	91%	89%		
Benchmark Healthcare Holdings Pty Limited and its controlled entity:^	Australia	100%	100%		
Benchmark Health Care Pty Limited					
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%		
AH Holdings Health Care Pty Limited ^	Australia	100%	100%		
Ramsay Centauri Pty Limited and its controlled entity: ^	Australia	100%	100%		
Alpha Healthcare Pty Limited ^	Australia	100%	100%		
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%		
Ramsay Health Care (UK) Limited #	UK	100%	-		
Directly controlled by Benchmark Healthcare Pty Limited					
Donvale Private Hospital Pty Limited ^	Australia	100%	100%		
Donvale Private Hospital Unit Trust	-	100%	100%		
The Benchmark Hospital Group Pty Limited and its controlled entities: ^	Australia	100%	100%		
Beleura Holdings Unit Trust	-	100%	100%		
Dandenong Valley Private Hospital Pty Limited ^	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**

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

15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held 2008 %	2007 %	Ramsay Health Care Limited 2008 $000	2007 $000
(b) Investments in controlled entities					
Balance brought forward				**139,997**	**139,997**
Directly controlled by AH Holdings Health Care Pty Limited:					
Affinity Health Care Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%		
PT Affinity Health Indonesia #	Indonesia	92%	92%		
Affinity Health Holdings Australia Pty Ltd and its controlled entities: ^	Australia	100%	100%		
Affinity Health Finance Australia Pty Ltd ^	Australia	100%	100%		
Affinity Health Pty Limited ^	Australia	100%	100%		
Directly controlled by Affinity Health Pty Limited:					
Affinity Health Foundation Pty Limited ^	Australia	100%	100%		
Affinity Health Holdings Indonesia Pty Ltd^	Australia	100%	100%		
Hospitals of Australia Limited ^	Australia	100%	100%		
Relkban Pty Limited ^	Australia	100%	100%		
Relkmet Pty Limited and its controlled entity: ^	Australia	100%	100%		
Glenferrie Private Hospital Pty Limited	Australia	50%	50%		
Votraint No. 664 Pty Limited ^	Australia	100%	100%		
Votraint No. 665 Pty Limited ^	Australia	100%	100%		
Australian Medical Enterprises Pty Limited and its controlled entities: ^	Australia	100%	100%		
AME Hospitals Pty Limited ^	Australia	100%	100%		
Victoria House Holdings Pty Limited ^	Australia	100%	100%		
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%		
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%		
Directly controlled by AME Hospitals Pty Limited:					
AME Trust	-	100%	100%		
AME Trading Trust	-	100%	100%		
AME Properties Pty Limited and its controlled entity:^	Australia	100%	100%		
AME Property Trust	-	100%	100%		
AME Superannuation Pty Limited ^	Australia	100%	100%		
Attadale Hospital Property Pty Ltd ^	Australia	100%	100%		
Glengarry Hospital Property Pty Limited and its controlled entities: ^	Australia	100%	100%		
Glengarry Hospital Unit Trust No.1	-	100%	100%		
Glengarry Hospital Unit Trust No.2	-	100%	100%		
Hadassah Pty Limited ^	Australia	100%	100%		
Rannes Pty Limited ^	Australia	100%	100%		
Hallcraft Pty Limited ^	Australia	100%	100%		
Hallcraft Unit Trust	-	100%	100%		
Jamison Private Hospital Property Pty Ltd ^	Australia	100%	100%		
Directly controlled by C&P Hospitals Holdings Pty Limited:					
Affinity Health (FP) Pty Limited ^	Australia	100%	100%		
Armidale Hospital Pty Limited ^	Australia	100%	100%		
Caboolture Hospital Pty Limited ^	Australia	100%	100%		
Balance carried forward				**139,997**	**139,997**

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

	Country of Incorporation	Beneficial Percentage Held 2008 %	Beneficial Percentage Held 2007 %	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
(b) Investments in controlled entities					
Balance brought forward				139,997	139,997
Directly controlled by C&P Hospitals Holdings Pty Limited (continued):					
Joondalup Hospital Pty Limited and its controlled entities:	Australia	100%	100%		
Joondalup Health Campus Finance Limited	Australia	100%	100%		
Health Care Trust No. 1	Australia	90%	90%		
Logan Hospital Pty Limited ^	Australia	100%	100%		
Noosa Privatised Hospital Pty 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%		
Directly controlled by HCoA Hospital Holdings (Australia) Pty Ltd:					
HCoA Operations (Australia) Pty Ltd ^	Australia	100%	100%		
Hospital Corporation Australia Pty Ltd and its controlled entities: ^	Australia	100%	100%		
Dabuvu Pty Limited ^	Australia	100%	100%		
HOAIF Pty Limited ^	Australia	100%	100%		
HCA Management Pty Limited ^	Australia	100%	100%		
Malahini Pty Limited ^	Australia	100%	100%		
Tilemo Pty Limited ^	Australia	100%	100%		
Hospital Affiliates of Australia Pty Ltd and its controlled entities: ^	Australia	100%	100%		
C.R.P.H Pty Limited ^	Australia	100%	100%		
Hospital Developments Pty Limited ^	Australia	100%	100%		
P.M.P.H Pty Limited ^	Australia	100%	100%		
Pruinosa Pty Limited ^	Australia	100%	100%		
Australian Hospital Care Pty Limited ^	Australia	100%	100%		
Directly controlled by Australian Hospital Care Pty Limited:					
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%		
Australian Hospital Care (Latrobe) Pty Ltd ^	Australia	100%	100%		
Australian Hospital Care 1998 Pty Ltd and its controlled entities: ^	Australia	100%	100%		
AHC Tilbox Pty Limited ^	Australia	100%	100%		
Australian Hospital Care (Masada) Pty Ltd and its controlled entities: ^	Australia	100%	100%		
Masada Private Hospital Unit Trust	-	100%	100%		
Australian Hospital Care Investments Pty Limited^	Australia	100%	100%		
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%		
Australian Hospital Care (MSH) Pty Limited and its controlled entity: ^	Australia	100%	100%		
Australian Hospital Unit Trust	-	100%	100%		
Australian Hospital Care (Pindara) Pty Limited and its controlled entity:^	Australia	100%	100%		
Pindara Private Hospital Unit Trust	-	100%	100%		
Australian Hospital Care (The Avenue) Pty Limited^	Australia	100%	100%		
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%		
AHC Foundation Pty Limited ^	Australia	100%	100%		
eHealth Technologies Pty Limited	Australia	100%	100%		
Health Technologies Pty Limited ^	Australia	100%	100%		
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%		
Balance carried forward				139,997	139,997

 # Audited by other member firms of Ernst & Young

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

15. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

	Country of Incorporation	Beneficial Percentage Held 2008 %	Beneficial Percentage Held 2007 %	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
(b) Investments in controlled entities					
Balance brought forward				139,997	139,997
Directly controlled by Alpha Healthcare Pty Limited:					
Bowral Management Company Pty Ltd ^	Australia	100%	100%		
Simpak Services Pty Limited ^	Australia	100%	100%		
APL Hospital Holdings Pty Ltd and its controlled entity: ^	Australia	100%	100%		
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%		
Health Care Corporation Pty Limited and its controlled entities: ^	Australia	100%	100%		
Alpha Westmead Private Hospital Pty Ltd ^	Australia	100%	100%		
Illawarra Private Hospital Holdings Pty Ltd ^	Australia	100%	100%		
Northern Private Hospital Pty Limited ^	Australia	100%	100%		
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%		
Directly controlled by Alpha Pacific Hospitals Pty Limited:					
Herglen Pty Limited ^	Australia	100%	100%		
Mt Wilga Pty Limited ^	Australia	100%	100%		
Sibdeal Pty Limited ^	Australia	100%	100%		
Workright Pty Limited ^	Australia	100%	100%		
Directly controlled by Ramsay Health Care Australia Pty Limited:					
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%		
E Hospital Pty Limited ^	Australia	100%	100%		
New Farm Hospitals Pty Limited ^	Australia	100%	100%		
North Shore Private Hospital Pty Limited ^	Australia	100%	100%		
Phiroan Pty Limited ^	Australia	100%	100%		
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%		
Ramsay Health Care (South Australia) Pty Limited^	Australia	100%	100%		
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%		
Ramsay Health Care Services (QLD) Pty Limited^	Australia	100%	100%		
Ramsay Health Care Services (VIC) Pty Limited^	Australia	100%	100%		
Ramsay Health Care Services (WA) Pty Limited^	Australia	100%	100%		
Ramsay Professional Services Pty Limited ^	Australia	100%	100%		
Directly controlled by Ramsay Health Care (UK) Limited:					
GHG 2008 10A (BVI Property Holdings) Limited and its controlled entity: #	British Virgin Islands	100%	-		
GHG 2008 10A Propco Limited #	UK	100%	-		
Ramsay Health Care Holdings UK Limited #	UK	100%	-		
Directly controlled by Ramsay Health Care Holdings UK Limited: #					
Ramsay Health Care UK Management Limited #	UK	100%	-		
Ramsay Health Care Investments UK Limited # and its controlled entities:	UK	100%	-		
Independent British Healthcare (Doncaster) Limited #	UK	100%	-		
Ramsay Diagnostics UK Limited #	UK	100%	-		
Ramsay Health Care UK Operations Limited # and its controlled entities:	UK	100%	-		
Ramsay Eye UK Limited #	UK	100%	-		
Ramsay Health Care Assets UK Limited #	UK	100%	-		
Ramsay Health Care Leasing UK Limited #	Guernsey	100%	-		
Ramsay Diagnostics UK Limited #	UK	100%	-		
Ramsay Health Care UK Operations Ltd #	UK	100%	-		
Ramsay Eye UK Limited #	UK	100%	-		
Ramsay Health Care Assets UK Limited #	UK	100%	-		
Ramsay Health Care Leasing UK Limited #	Guernsey	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*

16. PROPERTY, PLANT & EQUIPMENT

	Consolidated			Ramsay Health Care Limited		
	Land & buildings $000	Plant & Equipment $000	Total $000	Land & buildings $000	Plant & Equipment $000	Total $000
At 1 July 2007, net of accumulated depreciation and impairment	977,571	184,700	1,162,271	-	-	-
Additions	99,772	112,109	211,881	-	-	-
Disposals	-	(1,292)	(1,292)	-	-	-
Assets reclassified as held for sale	(2,040)	-	(2,040)	-	-	-
Assets reclassified as intangibles	(7,962)	-	(7,962)	-	-	-
Impairment-Discontinued operations	(289)	-	(289)	-	-	-
Acquisition of subsidiaries and businesses	130,952	124,562	255,514	-	-	-
Exchange differences	(14,809)	(19,303)	(34,112)			
Depreciation for the year	(19,802)	(66,898)	(86,700)	-	-	-
At 30 June 2008, net of accumulated depreciation and impairment	1,163,393	333,878	1,497,271	-	-	-
At 1 July 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	-	-	-
At 30 June 2008						
Cost	1,305,733	763,961	2,069,694	-	-	-
Accumulated depreciation and impairment	(142,340)	(430,083)	(572,423)	-	-	-
Net carrying amount	1,163,393	333,878	1,497,271	-	-	-

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2008 is $17,953,691 (2007:$236,452). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

	Land & buildings $000	Plant & Equipment $000	Total $000	Land & buildings $000	Plant & Equipment $000	Total $000
At 1 July 2006, net of accumulated 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 a 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	-	-	-

17. GOODWILL & INTANGIBLE ASSETS

	Consolidated Goodwill $000	Consolidated Right to operate hospitals $000	Consolidated Total $000	Ramsay Health Care Limited Total $000
At 1 July 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	-
Year ended 30 June 2008				
At 1 July 2007, net of amortisation	550,995	25,600	576,595	-
Transfer from fixed assets	-	7,962	7,962	-
Acquisition of businesses	4,038	-	4,038	-
Exchange differences	(33,281)	(420)	(33,701)	-
Acquisition of subsidiaries	290,693	-	290,693	-
Amortisation	-	(1,733)	(1,733)	-
At 30 June 2008, net of amortisation	812,445	31,409	843,854	-
At 30 June 2008				
Cost (gross carrying amount)	812,445	36,142	848,587	-
Accumulated amortisation	-	(4,733)	(4,733)	-
Net carrying amount	812,445	31,409	843,854	-

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 9 and 29 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 businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

	Consolidated Goodwill $000	Consolidated Right to operate hospitals $000	Consolidated Total $000	Ramsay Health Care Limited Total $000
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	-
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	-

18. IMPAIRMENT TESTING OF GOODWILL

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

Goodwill acquired through business combinations have been allocated to three individual cash generating units, each of which is a reportable segment (refer to note 10), for impairment testing as follows:

- Australian cash generating unit;
- United Kingdom cash generating unit; and
- Indonesian cash generating unit

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

Australian cash generating unit

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2008 based on financial budgets approved by senior management covering a five-year period.

The post tax discount rate applied to cash flow projections is 9.6% (2007: 9.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2007: 3.0%).

United Kingdom cash generating unit

The recoverable amount of the United Kingdom business is also determined based on a value in use calculation using cash flow projections as at 30 June 2008 based on financial budgets approved by senior management covering a five-year period.

The post tax discount rate applied to cash flow projections is 8.88% (2007: n/a).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 3.0% (2007:n/a).

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

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

	Australian Segment		UK Segment		Total		Ramsay Health Care Ltd Total	
	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
Carrying amount of goodwill	555,033	550,995	257,412	-	812,445	550,995	-	-

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2008 and 30 June 2007

- Budgeted margins – the basis used to determine the value assigned to the budgeted margins is the average margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus values assigned to margins reflects past experience and expected efficiency improvements. The margins are driven by consideration of future admissions and occupancy case mix across all facilities within the group based on past experiences and management's assessment of growth.
- Tax rates have been estimated at 30%, for Australian operations and 28-30% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

Management has performed sensitivity testing by Cash Generating Unit (CGU), based on assessing the effect of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates. Management consider that any reasonable likely combination of changes in these key assumptions would not result in the carrying value of the Australian goodwill exceeding the recoverable amount.

Management's sensitivity testing on the UK CGU assess that the carrying value could exceed the recoverable amount at the point that occupancy and revenue decreased by more than 4% with other variable costs not being adjusted.

	Consolidated		Ramsay Health Care Limited	
	2008	2007	2008	2007
	$000	$000	$000	$000
19. NON-CURRENT RECEIVABLES				
Receivable from the Government in respect of the availability charge for the operation of a private hospital	30,438	32,824	-	-
Other	4	5	-	-
	30,442	32,829	-	-

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that the receivable is impaired. No allowance for impairment loss (2007:nil) has been provided on the basis that the receivables are not yet past due nor considered impaired.

(ii) Fair values

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

(iii) Interest rate risk

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

(iv) Credit risk

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

(v) Terms & Conditions

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

20. TRADE & OTHER PAYABLES

Trade payable	166,720	109,431	-	-
Sundry creditors and accrued expenses	158,719	95,088	-	-
Employee and director entitlements	90,495	76,780	2,290	2,138
	415,934	281,299	2,290	2,138

(i) Fair values

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

(ii) Interest rate, foreign exchange & liquidity risk

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

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
21. INTEREST BEARING LOANS & BORROWINGS (CURRENT)					
Secured:					
- Loan – bondholders	(i)	2,367	2,256	-	-
- Lease liabilities	(ii)	3,585	1,638	-	-
- Loan – insurance funding	(iii)	498	-	-	-
- Other		479	450	-	-
		6,929	4,344	-	-

(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.

(a) Fair values

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

Details regarding assets pledged as security are disclosed in note 23 (c).

(d) Defaults & breaches

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

22. PROVISIONS

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
CURRENT				
Restructuring provision	9,637	3,095	-	-
Unfavourable contracts	6,943	3,250	-	-
Insurance provision	91,454	90,757	-	-
	108,034	97,102	-	-
NON-CURRENT				
Non-current employee and director entitlements	71,981	69,288	-	-
Deferred lease provision	41,149	-	-	-
Unfavourable contracts	50,327	1,927	-	-
	163,457	71,215	-	-
Total	271,491	168,317	-	-

22. PROVISIONS (CONTINUED)

	Consolidated					Ramsay Health Care Ltd
	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable Contracts $000	Total $000	Total $000
At 1 July 2007	-	3,095	90,757	5,177	99,029	-
Arising during the year	21,839	-	10,512	-	32,351	-
Acquisition of subsidiaries	22,855	17,140	2,461	64,872	107,328	-
Utilised during the year	-	(10,598)	(11,966)	(5,501)	(28,065)	-
Exchange differences	(3,545)	-	(310)	(7,278)	(11,133)	-
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2008	41,149	9,637	91,454	57,270	199,510	-
Current 2008	-	9,637	91,454	6,943	108,034	-
Non-current 2008	41,149	-	-	50,327	91,476	-
	41,149	9,637	91,454	57,270	199,510	-
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	-

Restructuring provision

The restructuring provision primarily related to:

- the restructuring of the Group subsequent to the purchase of the Capio Group during the year and Affinity in the prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition; and
- costs expected to be incurred with the disposal of the facilities detailed in note 7, during 2007 and 2008.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover excesses arising under the Medical Malpractice Insurance Policy. This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 5-10% of the estimated Ramsay claim cost.

Deferred lease provision

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

Unfavourable contracts

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

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000

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

	Note	2008 $000	2007 $000	2008 $000	2007 $000
Unsecured liabilities:					
- Bank loans	(i)	1,309,956	705,507	-	-
Secured liabilities:					
- Lease liabilities	(ii)	17,739	2,104	-	-
- Loan - bondholders	(iii)	31,655	34,022	-	-
		1,359,350	741,633	-	-

(i) Further information on bank loans is set out in note 32.
(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)

(a) Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At balance date, the market interest rates vary from 7.13% to 8.09% (2007:6.34% to 6.97%) for Australia, 5.20% to 6.31% for UK and 8.86% to 11.65% (2007:7.83% to 8.75%) for Indonesia respectively.

	2008 Carrying Amount $000	2008 Fair Value $000	2007 Carrying Amount $000	2007 Fair Value $000
Bank loans	1,309,956	1,328,381	705,507	716,693
Bond holders	34,022	34,821	36,278	38,446
	1,343,978	1,363,202	741,785	755,139

The Group has potential financial liabilities which may arise from certain contingencies disclosed in note 34. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors estimate of amounts that will be payable by the Group.

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
Current				
Fixed and Floating charge				
Receivables	2,387	2,348	-	-
Total current assets pledged as security	2,387	2,348	-	-
Non-current				
Finance lease				
Leased assets	17,954	236	-	-
Fixed and Floating charge				
Receivables	30,438	32,824	-	-
Total non-current assets pledged as security	48,392	33,060	-	-
Total assets pledged as security	50,779	35,408	-	-

(d) Defaults & breaches

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

24. ISSUED CAPITAL & RESERVES

	Consolidated		Ramsay Health Care Limited	
	2008	2007	2008	2007
	$000	$000	$000	$000
24.1 Ordinary Shares				
(a) Issued & paid up capital				
- 174,228,332 ordinary shares fully paid (30 June 2007: 173,049,153 ordinary shares fully paid)	437,622	425,289	437,622	425,289

(b) Movements in share issue	Number of shares	$000
Balance at beginning of the period	173,049,153	425,289
Issued during the period		
- Share Placement (DRP)	1,179,179	12,370
- Issue costs	-	(37)
Balance at end of the period	174,228,332	437,622

(c) Terms & conditions of issued capital

Ordinary Shares

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

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 26 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.

	Consolidated		Ramsay Health Care Limited	
	2008	2007	2008	2007
	$000	$000	$000	$000
24.5 Convertible Adjustable Rate Equity Securities (CARES)				
(a) Issued & paid up capital				
2,600,000 CARES shares fully paid (30 June 2007: 2,600,000 CARES shares fully paid)	252,165	252,165	252,165	252,165

24. ISSUED CAPITAL & RESERVES (CONTINUED)
24.5 Convertible Adjustable Rate Equity Securities (CARES) (continued)

(b) Terms & conditions of CARES

Issuer	**Ramsay Health Care Limited**
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: Dividend Entitlement = $\frac{\text{Dividend Rate x Face Value x N}}{365}$ where: N is the number of days in the Dividend Period The payment of Dividends is at the Directors' discretion and is subject to there being funds legally available for the payment of Dividends and the restrictions which apply in certain circumstances under the financing arrangements. If declared, the first Dividend will be payable on each CARES in arrears on 20 October 2005 and thereafter on each 20 April and 20 October until CARES are converted or exchanged.
Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: Dividend Rate = (market Rate + Margin) x (1-T) where: The Market Rate is the 180 day Bank Bill Swap Rate applying on the first day of the Dividend Period expressed as a percentage per annum. The Margin for the period to 20 October 2010 is 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005. T is the prevailing Australian corporate tax rate applicable on the Allotment Date. If Ramsay does not convert or exchange by 20 October 2010 the Margin will be increased by a one time step up of 2.00% (200 basis points) per annum.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.
Conversion or exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or $100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than $50 million in aggregate Face Value of CARES on issue.
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.

24. ISSUED CAPITAL & RESERVES (CONTINUED)

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
24.6 Treasury Shares				
- 1,245,653 ordinary shares (30 June 2007: 714,078)	13,599	7,624	-	-

Movements in shares	Number of shares	$000
Balance at beginning of the period	714,078	7,624
Vested during the year	(311,679)	(3,328)
Purchased during the year	843,254	9,303
Balance at end of the period	1,245,653	13,599

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

24.7 Capital Management

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

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

The existing CARES (A$260 million) will need to be converted or exchanged by October 2010.

During 2008, dividends of $71,430,000 (2007: $62,169,000) were paid. For the year ended 30 June 2008 fully franked ordinary dividends of 32.5c per share were declared (Interim dividend of 15c, Final dividend of 17.5c). These dividends represented a payout ratio of approximately 50% of Core Earnings per Share of 60.7c. Management's target for dividends for 2009 – 2013, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the company that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 4.06 times** for the year ended 30 June 2008 (2007: 2.57 times).

Additionally under the current senior debt facility which was executed in Nov 07, the Group has committed funding until the expiry of the facility in Nov 2012. As such, the group has to comply with various financial and other undertakings in particular the following customary financial undertakings:
- Total net leverage ratio (Net Debt/*EBITDA)
- Interest Cover Ratio (*EBITDA/ Net Interest)
- Minimum Shareholders Funds

The group is not and has not been in breach of any of its financial and other undertakings of the senior debt facility agreement.

Note:
*EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation.
** For FY 2008 the leverage ratio is conservative given that Capio Group was acquired on 23 November 2008. Therefore, only 7.2 months worth of EBITDA for the Capio Group has been included in the leverage ration calculation.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
Current Assets				
Interest rate swap contracts – cash flow hedges	26,986	11,811	-	-

(a) Instruments used by the Group

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

(i) Interest rate swaps – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 8.84%. Interest bearing loans in British Pound of the Group currently bear an average variable interest rate of 6.99%.

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar and British Pound interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 76% (2007:89%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 5.73% and 6.43% (2007:5.73% and 6.43%) and the variable rates are the 90-day and 180-day bank bill swap bid rate, which at balance date were 7.89% and 8.01% (2007:6.49% and 6.64%). The British Pound interest rate swap contracts fixed interest rate was 5.46% and the variable rate is the 90-day London inter-bank offered rate, which at balance date was 5.95%.

At 30 June 2008 the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

0-1 years	21,630	-	-	-
1-2 years	566,399	68,109	-	-
2-3 years	-	566,399	-	-
3-5 years	416,233	-	-	-
	1,004,262	634,508	-	-

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

Movement in interest rate swaps cash flow hedge reserve:

Opening balance	11,335	6,353	-	-
Transferred to interest expense	(5,376)	(774)	-	-
Credited to equity	15,383	5,756	-	-
Closing balance	21,342	11,335	-	-
Gain on cash flow hedge ineffectiveness recognised immediately in profit and loss	15	-	-	-

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2008 is a GBP borrowing of £114,000,000, which has been designated as a hedge of the net investments in the UK subsidiaries. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net gain on the hedge of the net investment of $29,955,000 was recognised in equity for the period.

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

(b) Interest rate risk

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

(c) Credit risk

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

26. SHARE BASED PAYMENT PLANS

26.1 Recognised share-based payment expenses

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

	Consolidated		Ramsay Health Care Limited	
	2008 $000	2007 $000	2008 $000	2007 $000
Expense arising from equity				
- settled share based payment transactions	1,800	2,764	1,800	2,175
Expense arising from cash				
– settled share – based payment transactions	-	1,508	-	-
Total expense arising from share				
based payment transactions (note 5 (c))	1,800	4,272	1,800	2,175

26.2 Executive Incentive Rights Plan (Cash Settled)

An executive incentive rights plan was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to Executive directors of the consolidated entity. These rights, 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 can not 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:

	2008		2007	
	No. of Rights	Weighted Average Fair Value	No. of Rights	Weighted Average Fair Value
Balance at beginning of year	160,714	$8.71[(1)]	321,428	$11.21[(1)]
- rights cash settled	(154,350)		(160,714)	
Balance at end of year	6,364		160,714	
Exercisable at end of year	-		-	

The following table summarises information about rights held by the executive directors as at 30 June 2008:

No. of Rights	Grant date	Vesting date	Weighted Average Fair Value
6,364[(2)]	11 Sep 2004	31 July 08	$8.71[(1)]

[(1)] Fair value at reporting date

[(2)] As at 30 June 2008 these Incentives Rights have not been exercised. Under the Plan Rules, participants may exercise their rights at any time up until the business day immediately preceding the fifth anniversary date of the award date which is 11 September 2009.

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.

26.3 Executive Performance Rights Plan (Equity)

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

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

	2008		2007	
	No. of Rights	Weighted Average Fair Value	No. of Rights	Weighted Average Fair Value
Balance at beginning of year	1,065,063	6.13	1,208,765	5.05
- granted	175,774	6.50 [1]	190,670	7.44 [1]
- vested	(311,674)	4.32	(305,357)	2.80
- forfeited	(31,509)	4.32	(29,015)	4.92
Balance at end of year	897,654		1,065,063	
Exercisable at end of year	-		-	

The following table summarises information about rights held by the executive directors as at 30 June 2008:

No. of Rights	Grant date	Vesting date	Weighted Average Fair Value
12,254 [2]	11 Sep 2004	31 Jul 2008	$4.32 [1]
518,956	20 Jul 2005	31 Jul 2008	$6.75 [1]
190,670	31 Oct 2006	31 Jul 2009	$7.44 [1]
175,774	23 Oct 2007	31 Jul 2010	$6.50 [1]
897,654			

[1] Fair value at grant date

[2] As at the 30 June 2008 these Performance Rights have not been exercised. Under the Plan Rules, participants may exercise their rights at any time up until the business day immediately proceeding the fifth anniversary of the award date which is 11 September 2009.

Fair Values of Performance Rights (Equity)

The fair value of each performance right is estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for grants made on 12 September 2004, 22 November 2005, 31 October 2006 and 23 October 2007.

	Granted 23-Oct-07	Granted 31-Oct-06	Granted 22-Nov-05	Granted 12-Sep 04
Dividend yield	3.15%	2.70%	2.44%	3.11%
Expected volatility	20% to 25%	20% to 25%	20% to 25%	20% to 25%
Historical volatility	25%	27%	23%	35%
Risk-free interest rate	6.53%	5.97%	5.31%	5.27%
Effective life of incentive right	3 years	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.

26.4 Recognised cash – settled share based payment liability

The carrying amount of the liability related to the cash – settled share based payment at 30 June 2008 is $4,763,380 (2007:$4,345,813).

27. DIRECTORS & 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 (Retired as Managing Director on 30 June 2008 but remained on the Board as a Non-executive Director from 1 July 2008)
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 (Appointed Managing Director on 1 July 2008)
C. McNally	Business Development Manager
D. Sims	NSW State Operations Manager (Appointed Chief Operating Officer – Australia/Indonesia on 1 July 2008)
K. Cass-Ryall	WA State Operations Manager

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

(b) Compensation of Key Management Personnel

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

	Consolidated		Ramsay Health Care Limited*	
	2008 $000	2007 $000	2008 $000	2007 $000
Non-Executive Directors				
Short term	755,000	712,500	755,000	712,500
Post employment	188,779	1,095,411	188,779	1,095,411
	943,779	1,807,911	943,779	1,807,911
Executive Directors				
Short term	2,343,406	2,334,367	2,343,406	2,334,367
Post employment	26,258	25,372	26,258	25,372
Shared based payment options	941,307	2,389,055	941,307	2,389,055
	3,310,971	4,748,794	3,310,971	4,748,794
Executives				
Short term	2,691,165	2,508,841	-	-
Post employment	52,517	50,744	-	-
Shared based payment options	617,822	684,004	-	-
	3,361,504	3,243,589	-	-
Total				
Short term	5,789,571	5,555,708	3,098,406	3,046,867
Post employment	267,554	1,171,527	215,037	1,120,783
Shared based payment options	1,559,129	3,073,059	941,307	2,389,055
	7,616,254	9,800,294	4,254,750	6,556,705

*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 & 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 2007	Vested	Granted	Grant Date	Fair Value $ *(note 26)*	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
D. Sims (2)	-	11,521	31/10/06	7.44	30/06/09	31/12/09	30/06/10

(1) Cash settled incentive rights
(2) Equity based performance rights

30 June 2008	Vested	Granted	Grant Date	Fair Value $ *(note 26)*	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
P.Grier (1)	102,900	-	11/09/04	11.17	30/06/07	31/12/07	30/06/08
B.Soden (1)	51,450	-	11/09/04	11.17	30/06/07	31/12/07	30/06/08
B.Soden (2)	-	27,700	23/10/07	6.50	30/06/10	31/12/10	30/06/11
Executives							
C.Rex (2)	68,600	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
C. Rex (2)	-	42,306	23/10/07	6.50	30/06/10	31/12/10	30/06/11
C.McNally (2)	34,300	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
C.McNally (2)	-	20,146	23/10/07	6.50	30/06/10	31/12/10	30/06/11
K. Cass-Ryall (2)	20,580	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
K. Cass-Ryall (2)	-	10,073	23/10/07	6.50	30/06/10	31/12/10	30/06/11
D. Sims (2)	13,446	-	11/09/04	4.32	30/06/07	31/12/07	30/06/08
D. Sims (2)	-	10,073	23/10/07	6.50	30/06/10	31/12/10	30/06/11

(1) Cash settled incentive rights
(2) Equity based performance rights

27. DIRECTORS & EXECUTIVES DISCLOSURES (CONTINUED)

(d) Shares issued under the Performance Rights Plan

	No. of shares issued 30 June 2007	No. of shares issued 30 June 2008
Executives		
C. Rex	71,429	68,600
C. McNally	35,714	34,300
K. Cass-Ryall	21,429	20,580
D. Sims	-	13,446
	128,572	136,926

No amount was paid by the above executives to exercise vested performance rights. Refer Note 26.

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

30 June 2008	Performance/ Incentive Right	Balance at beginning of period 01 Jul 07	Granted as Remun-eration	Exercised	Balance at end of period 30 Jun 08	Vested at 30 Jun 08
Directors						
P.Grier	Equity Performance Rights	322,376	-	-	322,376	-
B.Soden	Equity Performance Rights	66,069	27,700	-	93,769	-
P.Grier	Cash settled Incentive Rights	107,143	-	(102,900)	4,243	-
B.Soden	Cash settled Incentive Rights	53,571	-	(51,450)	2,121	-
Executives						
C.Rex	Equity Performance Rights	172,913	42,306	(68,600)	146,619	-
C.McNally	Equity Performance Rights	84,039	20,146	(34,300)	69,885	-
K.Cass-Ryall	Equity Performance Rights	40,535	10,073	(20,580)	30,028	-
D. Sims	Equity Performance Rights	30,477	10,073	(13,446)	27,104	-

30 June 2007	Performance/ Incentive Right	Balance at beginning of period 01 Jul 06	Granted as Remun-eration	Exercised	Balance at end of period 30 Jun 07	Vested at 30 Jun 07
Directors						
P.Grier	Equity Performance Rights	323,376	-	-	322,376	-
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	-
D. Sims	Equity Performance Rights	18,956	11,521	-	30,477	-

(f) Shareholding of Key Management Personnel (consolidated)

30 June 2008	Balance 01 Jul 07		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 08	
	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.
Directors										
P.Grier	85,740	-	-	-	-	-	(75,000)	-	10,740	-
B.Soden	6,125	-	-	-	-	-	-	1,030	6,125	1,030
Executives										
C.Rex	71,429	-	-	-	68,600	-	2,081	5,334	142,110	5,334
C.McNally	68,971	-	-	-	34,300	-	987	-	104,258	-
K.Cass-Ryall	21,429	-	-	-	20,580	-	(7,032)	-	34,977	-
D. Sims	-	-	-	-	13,446	-	-	-	13,446	-

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	5,987	-	-	-	-	-	138	-	6,125	-
Executives										
C.Rex	-	-	-	-	71,429	-	-	-	71,429	-
C.McNally	33,257	-	-	-	35,714	-	-	-	68,971	-
K.Cass-Ryall	-	-	-	-	21,429	-	-	-	21,429	-
D. Sims	-	-	-	-	-	-	-	-	-	-

28. EXPENDITURE COMMITMENTS

(a) Finance leases & hire purchase commitments – Group as lessee

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
- not later than one year		3,740	1,718	-	-
- later than one year but not later than five years		10,610	2,191	-	-
- later than five years		17,842	-	-	-
Total minimum lease payments		32,192	3,909	-	-
- future finance charges		(10,868)	(167)	-	-
- lease liability		21,324	3,742	-	-
- current liability	21	3,585	1,638	-	-
- non-current liability	23	17,739	2,104	-	-
		21,324	3,742	-	-
Total lease liability accrued for:					
Current					
- Finance leases	21	3,585	1,638	-	-
		3,585	1,638	-	-
Non-current					
- Finance leases	23	17,739	2,104	-	-
		17,739	2,104	-	-
		21,324	3,742	-	-

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings and other equipment. The leases have lease terms of between two years and fifteen years and the average discount rate implicit in the leases is 12.6% (2007:12.6%). The security over finance leases is disclosed in note 21 and 23.

(b) Lease expenditure commitments – Group as lessee

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
Operating leases (non-cancellable):					
Minimum lease payments					
- not later than one year		103,767	18,652	-	-
- later than one year but not later than five years		429,098	59,975	-	-
- later than five years		3,148,166	76,611	-	-
Aggregate lease expenditure contracted for at balance date		3,681,031	155,238	-	-
Amounts provided for:					
- deferred lease – non-current	22	41,149	-	-	-
- surplus lease space – current	22	6,943	-	-	-
– non-current	22	50,327	-	-	-
		98,419	-	-	-
Amounts not provided for:					
- rental commitments		3,582,612	155,238	-	-
Aggregate lease expenditure contracted for at balance date		3,681,031	155,238	-	-

Operating leases have lease terms of between one and twenty nine years and an average implicit interest rate of 9% (2007:9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

	Consolidated 2008 $000	Consolidated 2007 $000	Ramsay Health Care Limited 2008 $000	Ramsay Health Care Limited 2007 $000
(c) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for, payable:				
- not later than one year	65,610	56,253	-	-
- later than one year but not later than two years	1,428	42,973	-	-
	67,038	99,226	-	-

(d) Commitment to manage & 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 & indemnity in relation to a hospital

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

29. 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.

30. DEFINED BENEFIT PENSION PLAN

The Group acquired two defined benefit plans as part of the acquisition of 'The Capio Group' during the year, consisting of a final salary plan, which requires contributions to be made to the separately administered fund. The defined benefit plan is only open to existing employees who have always been on the plan, and is not open to new employees.

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

	Consolidated Pension Plan 2008 $000	Consolidated Pension Plan 2007 $000
Net benefit expense (recognised in employee benefits)		
Current service cost	80	-
Interest cost on benefit obligation	210	-
Expected return on plan assets	(188)	-
Net actuarial (gains) recognised in the period	-	-
Past service cost	-	-
Net benefit expense (note 5) (recognised in superannuation expense)	102	-
Actual return on plan assets	104	-
Benefit (liability) included in the balance sheet		
Present value of defined benefit obligation	(7,394)	-
Fair value of plans assets	5,236	-
Net benefit (liability) – non-current	(2,158)	-

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

30. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plan	
	2008 $000	2007 $000
Opening defined benefit obligation	-	-
Acquisition of subsidaries	8,792	-
Current service cost	80	-
Interest cost	210	-
Benefits paid	(491)	-
Actuarial (gains) on obligation	(206)	-
Exchange differences on foreign plans	(991)	-
Closing defined benefit obligation	7,394	-

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

Opening fair value of plans assets	-	-
Acquisition of subsidiary	6,298	-
Expected return	188	-
Contributions by employer	143	-
Benefits paid	(491)	-
Actuarial (gains)	(195)	-
Exchange differences on foreign plans	(707)	-
Fair value of plans assets	5,236	-

The Group expects to contribute $260,000 to its defined benefit pension plan in 2009.

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

	Pension Plan	
	2008 %	2007 %
Equities	77	-
Bonds	23	-

	Pension Plan	
	2008 $000	2007 $000
Actuarial losses/(gains) recognised in the statement of recognised income and expenses	-	-
Adjustments recognised in the income statement in respect of limiting the amount recognised as a defined benefit asset	-	-
	-	-
Cumulative actuarial gains and losses recognised in the statement of recognised income and expense	-	-

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

	2008 %	2007 %
Discount rate	6.0	-
Expected rate of return on assets	6.8	-
Future salary increases	6.1	-
Future pension increases	3.8	-

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

31. AUDITORS' REMUNERATION

	Consolidated		Ramsay Health Care Limited	
	2008	2007	2008	2007
	$	$	$	$
Amounts received or due and receivable by the Auditors for:				
Audit of financial statements	1,877,591	1,338,000	-	-
Audit of other reports	53,500	20,000	-	-
Other audit related services	304,186	15,000	-	-
Total audit	2,235,277	1,373,000	-	-
Other services				
Taxation	781,969	494,000	-	-
Other	729,917	-	-	-
Total Other Services	1,511,886	494,000	-	-
	3,747,163	1,867,000	-	-

32. BORROWINGS

Terms & Conditions

i. Senior Debt Facility & Working Capital Facility

On 20 November 2007, the Ramsay Group repaid the total monies outstanding under the SSPA (Senior Sale and Purchase Agreement) of A$729,248,409 (comprising principal of A$716,000,000 and interest of A$13,248,409) and the SSPA was terminated on this date. No further liabilities and/or obligations are outstanding under the SSPA.

On 20 November 2007, the Ramsay Group repaid the total monies outstanding under the Working Capital Facility of A$20,021,452 (comprising principal of A$20,000,000 and interest of A$21,452) and this facility was terminated on this date. No further liabilities and/or obligations are outstanding under the Working Capital Facility.

On 20 November 2007 the Ramsay Group entered into a Syndicated Facility Agreement (SFA). It was used (in part) to refinance Ramsay's existing senior debt financing arrangements as described above. The SFA was fully arranged and underwritten by National Australia Bank Limited and Australia and New Zealand Banking Group Limited. The syndication of the SFA commenced in December 2007.

The SFA has three A$ tranches with a total commitment of A$1,385,000,000 and a separate pounds sterling tranche with a commitment of £260,000,000. The SFA matures in November 2012. The total amounts drawn down under the SFA as at 30 June 2008 were A$ 850,000,000 and £226,000,000.

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

As at 30 June 2008, the A$ undrawn commitment was A$535,000,000 and the £ undrawn commitment was £34,000,000.

ii. Bilateral Facilities

As part of the refinancing undertaken on 20 November 2007, the existing bilateral facility agreements with ANZ and NAB were terminated and rolled over into new bilateral facilities with each of them.

The commitment limit under the ANZ facility for working capital is comprised of an A$25,000,000 facility limit and a separate sterling facility limit of £15,000,000. The ANZ bilateral facility currently consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both A$ and £). A further transactional encashment facility is also provided which permits the encashment of payroll and other cheques at any ANZ bank.

The limit on the NAB facility for working capital also has 2 components, an A$25,000,000 facility limit and a further £15,000,000 facility limit and includes a cash advance facility, overdraft facility and indemnity/guarantee facility (in both A$ and £) together with certain transactional facilities.

Under the bilateral facilities as at 30 June 2008 the total outstanding was A$29,448,661 and £13,285,592. The undrawn commitment across the 2 bilateral facilities as at 30 June 2008 was together A$20,551,339 and £16,714,408.

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

iii. Indonesian Bank Loan

There is a bank loan with PT ANZ Panin Bank in place in relation to the three Indonesian hospitals. The total facility limit is IDR 107,596,500,000 (2007: IDR 107,596,500,000) AUD $12,192,295 (2007: AUD $14,041,298). At 30 June 2008 an amount of IDR 57,597,000,000 (AUD $6,526,573) was drawn under this loan facility (2007: 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.

iv. Other Interest Bearing Loans

At 30 June 2008 a loan to bondholders of $34,002,106 was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 19).

33. RELATED PARTY TRANSACTIONS

Directors

Directors of Ramsay Health Care Limited during the year ended 30 June 2008 were:
P.J. Ramsay
M.S. Siddle
A.J. Clark
P.J. Evans
I.P.S. Grier (Managing Director until 30 June 2008)
B.R. Soden (Group Finance Director)
R.H. McGeoch
K.C.D. Roxburgh

Non-Director key management personnel of Ramsay Health Care Limited at 30 June 2008 were:
C. Rex – Chief Operating Officer (Managing Director from 1 July 2008)
C. McNally – Business Development Manager
D. Sims – NSW State Operations Manager (Appointed Chief Operating Officer – Australia/Indonesia on 1 July 2008)

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 (2007: 4 September 2007) was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities(CARES)				Performance Rights	
	2008		2007		2008		2007		2008	2007
	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Indirect(1)	Direct	Direct
P.J. Ramsay	-	73,148,372	-	73,148,372	-	-	-	-	-	-
M.S. Siddle	151,667	-	151,667	-	-	-	-	-	-	-
A.J. Clark	80,000	-	85,000	-	-	1,000	-	-	-	-
P.J. Evans	6,312	-	6,312	-	-	-	-	-	-	-
I.P.S. Grier	333,116	-	10,740	-	-	-	-	-	-	429,520
R.H. McGeoch	-	133,334	-	133,334	-	257	-	-	-	-
C.P. Rex	187,608	2,081	-	-	-	5,334	-	-	99,040	-
K.C.D. Roxburgh	75,149	-	72,982	-	-	-	-	-	-	-
B.R. Soden	31,870	3,236	2,889	3,236	-	2,070	-	-	64,788	119,640

(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 26.

Mr Ramsay has a relevant interest in 73,148,372 (2007: 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 until the date of this report:

- Mr Rex was appointed Managing Director on 1 July 2008. Before his appointment as Managing Director, Mr Rex indirectly acquired 5,334 CARES on market. Mr Rex also acquired 116,179 ordinary shares through the Executive Performance Rights Plan.
- Mr Clark sold 5,000 shares, and indirectly acquired 1,000 CARES on market.
- Mr Roxburgh acquired 2,167 ordinary shares through the Dividend Reinvestment Plan.
- Mr McGeoch indirectly acquired 257 CARES on market.
- Mr Soden acquired 28,981 ordinary shares through the Executive Performance Rights Plan and indirectly acquired 2,070 CARES on market.

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 & the Group

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

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

During the year costs of $100,000 (2007:$120,000) were charged by and an amount of $180,000 (2007:$120,000) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

Other related party transactions within the wholly owned group

	2008 $000	2007 $000
Loans to Subsidiaries:		
- Interest free	656,297	614,208

34. CONTINGENCIES

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 set aside as part of the purchase price agreement to pay any potential duties arising are no longer available. Should the 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.

35. CONSOLIDATED INCOME STATEMENT & 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	
	2008 $000	2007 $000
Consolidated Income Statement		
Profit from operations before income tax	131,198	131,827
Income tax expense	(43,224)	(42,317)
Net profit for the period	87,974	89,510
Retained earnings at the beginning of the year	159,988	132,647
Retained earnings adjustments for addition of entities into the class order	(6,595)	-
Dividends provided for or paid	(71,430)	(62,169)
Retained earnings at the end of the year	169,937	159,988
Consolidated Balance Sheet		
ASSETS		
Current Assets		
Cash and cash equivalents	83,455	-
Trade and other receivables	304,479	277,304
Inventories	42,187	33,989
Derivatives	26,986	11,811
Other current assets	25,347	23,595
	482,454	346,699
Assets classified as held for sale	5,240	3,200
Total Current Assets	487,694	349,899
Non-current Assets		
Other financial assets	270,975	4,496
Goodwill and intangibles	548,010	543,973
Deferred tax assets	87,663	80,349
Property, plant and equipment	1,196,896	1,069,867
Total Non-current Assets	2,103,544	1,698,685
TOTAL ASSETS	2,591,238	2,048,584
LIABILITIES		
Current Liabilities		
Trade and other payables	354,125	251,807
Interest-bearing loans and borrowings	2,067	3,322
Provisions	99,045	97,102
Income tax payable	14,679	23,544
Total Current Liabilities	469,916	375,775
Non-current Liabilities		
Interest-bearing loans and borrowings	1,077,364	691,358
Deferred income tax liabilities	79,946	64,924
Provisions	69,288	81,132
Total Non-current Liabilities	1,226,598	837,414
TOTAL LIABILITIES	1,696,514	1,213,189
NET ASSETS	894,724	835,395
EQUITY		
Issued capital	427,075	414,243
Treasury shares	(13,599)	(7,624)
CARES	252,165	252,165
Retained earnings	169,937	159,988
Other reserves	59,146	16,623
TOTAL EQUITY	894,724	835,395

36. 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.

Additional shareholder information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 15 September 2008.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	No. of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	6,613	3,813,103	2.19
1,001 – 5,000	7,804	17,247,679	9.90
5,001 – 10,000	919	6,382,034	3.66
10,001 – 100,000	377	8,210,947	4.71
100,001 and over	61	138,574,569	79.54
Totals	**15,774**	**174,228,332**	**100.00**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 155 holders, with a total of 2,613 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

Name		No. of fully paid Ordinary Shares	% of Issued Capital
1.	Paul Ramsay Holding Pty Limited	73,148,372	41.98
2.	National Nominees Limited	12,478,119	7.16
3.	J P Morgan Nominees Australia Limited	11,815,609	6.78
4.	HSBC Custody Nominees (Australia) Limited	7,537,177	4.33
5.	ANZ Nominees Limited (Cash Income A/c)	4,961,811	2.85
6.	RBC Dexia Investor Services Australia Nominees Pty Limited (GSJBW A/c)	2,696,451	1.55
7.	Cogent Nominees Pty Limited	2,546,461	1.46
8.	Citicorp Nominees Pty Limited	2,472,165	1.42
9.	CPU Share Plans Pty Limited	1,806,472	1.04
10.	Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp A/c)	1,416,331	0.81
11.	ARGO Investments Limited	1,226,747	0.70
12.	Suncorp Custodian Services Pty Limited (AET)	1,071,373	0.61
13.	Queensland Investment Corporation	1,059,894	0.61
14.	Invia Custodian Pty Limited (GSJBW Managed A/c)	1,024,614	0.59
15.	Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	983,168	0.56
16.	AMP Life Limited	956,191	0.55
17.	Citicorp Nominees Pty Limited (CFS WSLE Industrial SHR A/c)	702,691	0.40
18.	Cogent Nominees Pty Limited (SMP A/c)	694,670	0.40
19.	Questor Financial Services Limited	640,387	0.37
20.	RBC Dexia Investor Services Australia Nominees Pty Limited (TPS RF A/c)	637,013	0.37
Totals		**129,875,716**	**74.54%**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 15 September 2008 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	No. of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,343	839,566	32.29
1,001 – 5,000	135	272,135	10.47
5,001 – 10,000	16	110,946	4.27
10,001 – 100,000	14	521,190	20.04
100,001 and over	5	856,163	32.93
Totals	**3,513**	**2,600,000**	**100.00**

(g) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 4 holders, with a total of 15.

(h) 20 Largest CARES Holders

	Name	No. of fully paid CARES	% of Issued Securities
1.	J P Morgan Nominees Australia Limited	378,246	14.55
2.	National Nominees Limited	144,810	5.57
3.	Australian Foundation Investment Company Limited	115,000	4.42
4.	ANZ Nominees Limited (Cash Income A/c)	110,230	4.24
5.	RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIP A/c)	107,877	4.15
6.	HSBC Custody Nominees (Australia) Limited	85,493	3.29
7.	Cogent Nominees Pty Limited (SMP A/cs)	74,983	2.88
8.	Questor Financial Services Limited (TPS A/c)	58,530	2.25
9.	Citicorp Nominees Pty Limited	50,898	1.96
10.	RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	49,826	1.92
11.	Goldman Sachs JBWere Capital Markets Limited	43,551	1.67
12.	Cogent Nominees Pty Limited	28,776	1.11
13.	Australian Executor Trustees Limited (No 1 A/c)	28,396	1.09
14.	ARGO Investments Limited	25,000	0.96
15.	UBS Nominees Pty Limited	22,776	0.88
16.	ANZ Nominees Limited (SL Cash Income A/c)	20,000	0.77
17.	RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	11,671	0.45
18.	Australian Executor Trustees Limited	10,862	0.42
19.	Executor Trustee Australia Limited	10,428	0.40
20.	Merrill Lynch (Australia) Nominees Pty Limited	8,920	0.34
Totals		**1,386,273**	**53.32%**

(i) On-Market Buy-Backs

There is no current on-market buy-back in relation to the Company's securities

Notes

People caring for people

www.ramsayhealth.com