

People caring for people



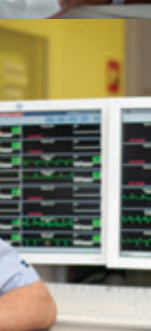
People caring for people

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RAMSAY HEALTH CARE LIMITED
ANNUAL REPORT

2010



Key dates for 2011 (Indicative)

Results Release Dates:

Interim Results – Thursday, 24 February 2011

Preliminary Final Results – Thursday, 25 August 2011

Dividend Payment Dates – Ordinary Shares:

Interim Dividend: Monday, 11 April 2011 (Record Date: 25 March 2011)

Final Dividend: Monday, 26 September 2011 (Record date: 8 September 2011)

Dividend Payment Dates - CARES:

Wednesday, 20 April 2011 (Record Date: 7 April 2011)

Thursday, 20 October 2011 (Record Date: 10 October 2011)

Annual General Meeting 2011

The 2011 Annual General Meeting of Ramsay Health Care Limited will be held on Tuesday, 15 November 2011 (venue & time to be advised)

Annual General Meeting 2010

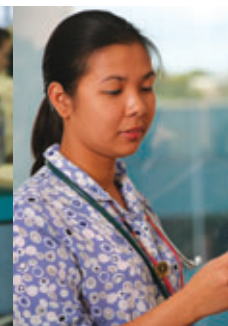
The 2010 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at **10.30am, Tuesday, 16 November 2010**. The full venue details are:

Grand Ballroom 1
Shangri-La Hotel Sydney
176 Cumberland Street
The Rocks, Sydney
New South Wales
Australia

For more information

To view our interactive Annual Report & for more information on the Company & market announcements, visit the 'Investor Centre' at:

www.ramsayhealth.com



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2010 FINANCIAL YEAR HIGHLIGHTS

Group EBIT up 10%
to \$333.8 million

↑ 10%

Core⁽¹⁾ Net Profit
After Tax up 22%
to \$178.5 million

↑ 22%

Core⁽²⁾ Earnings Per
Share (EPS) up 14%
to 84.5 cents

↑ 14%

2010 SUMMARY OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE	2010 (\$ millions)				2009 (\$ millions)	% increase
	Australia & Indonesia	UK	France ⁽³⁾	Group ⁽³⁾	Group	
Operating revenue	\$2,716.7	\$628.0	\$54.6	\$3,399.3	\$3,223.8	5.4%
EBITDA	\$369.9	\$90.4	\$8.5	\$468.8	\$411.6	13.9%
EBIT	\$280.0	\$48.4	\$5.4	\$333.8	\$303.3	10.0%
Core Net Profit after tax⁽¹⁾				\$178.5	\$146.4	21.9%
Core EPS⁽²⁾				84.5¢	74.1¢	14.0%
DIVIDENDS PER SHARE (cents)						
Final dividend fully franked				25.0¢	21.5¢	16.3%
Full year dividend fully franked				43.5¢	38.0¢	14.5%

(1) CORE NPAT IS FROM CONTINUING OPERATIONS, BEFORE SPECIFIC ITEMS & AMORTISATION OF INTANGIBLES.

(2) CORE EARNINGS PER SHARE ARE BEFORE SPECIFIC ITEMS & AMORTISATION OF INTANGIBLES & AFTER CARES DIVIDENDS.

(3) THREE MONTHS OF RESULTS FROM RAMSAY SANTÉ HAVE BEEN INCLUDED IN FY2010.

Ramsay Health Care acquired a majority stake (57%) in French hospital operator, Groupe Proclif (now Ramsay Santé)

Australia & Indonesia revenue up 7.2% to \$2.7 billion

UK revenue up 10.0% to £350.2 million

Final dividend 25.0c fully franked up 16.3% on the previous corresponding period, bringing the full year dividend to 43.5c



AS AT 30 JUNE 2010

*INCLUDES DAY SURGERY CENTRES, TREATMENT CENTRES, REHABILITATION & PSYCHIATRIC UNITS. INCLUDES THE CAIRNS CLINIC, OPENED IN OCTOBER 2010.

	AUSTRALIA	UK	INDONESIA	FRANCE	TOTAL
Hospitals & Facilities*	66	38	3	9	116

PAUL RAMSAY AO – Chairman



CHAIRMAN'S REPORT

Ramsay Health Care recorded another solid performance in fiscal 2010 and, with strong industry fundamentals, the outlook for the Company is very positive. Organic growth and the ramp-up of brownfield developments at our Australian business, growth in National Health Service (NHS) volumes in our United Kingdom (UK) hospitals and a three-month contribution from French hospital group Ramsay Santé (which we acquired on 29 March), helped deliver a 21.9% rise in full-year core net profit.

The strength and geographic spread of our business, combined with favourable demographic factors, puts Ramsay Health Care in an excellent position to capture future demand for healthcare. The ageing population, technological advances and rising expectations for improved standards of care will underpin this demand and will drive further investment in capacity at our existing hospitals as well as future acquisitions.

A key highlight of the year was Ramsay's acquisition of a majority stake (57%) in French hospital group – Groupe Proclif (now Ramsay Santé) which marked an important step in our European expansion strategy. Ramsay Santé owns and operates nine facilities located in the central Paris region – Île de France. The acquisition is part of our overarching vision

to become a major global hospital operator.

We are very keen to grow our business in Europe and after the success of integrating and growing our business in the UK, I am confident that Ramsay Santé will be another strong performer for the Group.

In addition to this major acquisition, I am pleased to report Ramsay's capacity expansion programme is running on time and to budget and, importantly, continues to add to earnings. Approximately \$460 million of the \$680 million (gross) has been spent on hospital expansion projects to date of which \$325 million has been spent on completed projects.

I was delighted to be part of the opening ceremonies for several of these projects including the significant expansions at St George Private Hospital in Sydney and Hollywood Private Hospital in Perth as well as the major refurbishment of Lawrence Hargrave Rehabilitation Hospital in Wollongong. An expansion of our psychiatric hospital in Brisbane, New Farm Clinic, was completed and we are already proposing to expand this facility further to meet the ever increasing demand for acute mental health services.

We are looking forward to several other significant projects coming on stream in fiscal 2011 including the expansion of North Shore

and Westmead Private Hospitals in Sydney, Pindara Private Hospital on the Gold Coast and Kareena Private Hospital, in Southern Sydney. Ramsay's investment in these hospitals means we are now able to meet growing demand for healthcare services in these areas.

For the year ended 30 June 2010, Group core net profit after tax from continuing operations (before specific items and amortization of intangibles) was \$178.5 million representing a 21.9% increase on the previous year. This result delivered core earnings per share (EPS) of 84.5 cents for the year, an increase of 14% on last year, and slightly ahead of our guidance.

The Ramsay Health Care Board has determined to pay a final dividend of 25.0 cents per share fully franked, up 16.3% from the previous corresponding period, bringing the full year dividend to 43.5 cents, up 14.5%.

The Company benefited from lower interest rates during the period and continued to proactively manage its interest rate exposure. Approximately 65% of the Group's debt is hedged at fixed rates. The Company has committed senior bank debt facilities of \$1.9 billion in place until November 2012 with headroom of \$500 million to \$600 million after allowing for funding of current brownfield commitments.

“ THE HIGHLIGHT OF THE YEAR WAS RAMSAY'S ACQUISITION OF A MAJORITY STAKE (57%) IN FRENCH HOSPITAL GROUP – GROUPE PROCLIF (NOW RAMSAY SANTÉ), WHICH MARKED AN IMPORTANT STEP IN OUR EUROPEAN EXPANSION STRATEGY. ”



“ THANKS TO OUR STAFF & DOCTORS, WHO WORK IN OUR HOSPITALS THROUGHOUT THE WORLD & MAKE OUR COMPANY WHAT IT IS TODAY. ”

In relation to our hybrid security CARES, Ramsay Health Care decided not to convert or redeem the security on 20 October 2010. As a result, the CARES dividend margin will 'step-up' by 2% to 4.85% with effect from, and including the dividend payable on 20 April 2011.

Under the terms of the CARES, the Company retains the ability to redeem or convert CARES at subsequent CARES dividend payment dates. Ramsay will continue to monitor hybrid market conditions in conjunction with its capital management programme and overall funding objectives.

Of course, while the excellent financial results achieved by Ramsay Health Care in 2010 are pleasing, what is very important to me is that the Company continued to adhere to 'The Ramsay Way.' We continued to recognize the value of the people who work for us, our staff and our doctors, and we continued to deliver high quality outcomes for our patients.

When I am told that our patients have had a wonderful experience in our hospitals or that staff, who have worked for the Company for more than 20 years, love coming to work every day, it is immensely pleasing. This is what is important and this is 'The Ramsay Way'.

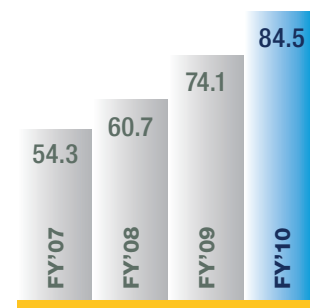
I would like to thank the Board of Directors whose knowledge and experience guide the quality decisions that this Company makes. I would also like to thank Christopher Rex, our Managing Director and his senior management team who expertly guide the day-to-day operations of the Company.

Finally, I would especially like to pass on my thanks to our staff and doctors, who work in our hospitals throughout the world and who help make our Company what it is today.

PAUL RAMSAY AO | Chairman

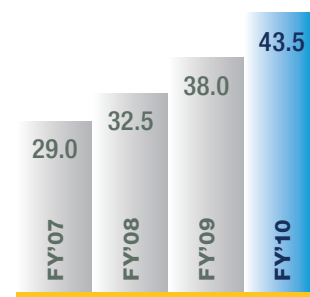
CORE EARNINGS PER SHARE
(CENTS PER SHARE)

Group Core EPS up
↑ 14.0%



DIVIDENDS PER ORDINARY SHARE
(CENTS PER SHARE)

Total Dividend up
↑ 14.5%



FRANCE

In March 2010, Ramsay Health Care finalised its acquisition of a 57% interest in leading French private hospital operator Groupe Proclif (now Ramsay Santé) marking Ramsay's first acquisition in Continental Europe and providing a solid base for expansion and further acquisitions in the French market.

Ramsay Santé is the second largest hospital group in the Île de France (greater Paris) region, comprising nine acute hospitals in the fields of medicine, surgery and obstetrics and generating annual revenue of approximately €133 million.

The remaining 43% interest in Ramsay Santé is held by Predica, the insurance arm of Crédit Agricole Assurances. Predica has considerable experience investing in the French healthcare sector and has been an investor in Proclif since July 2009.

As part of the acquisition, Ramsay shares a long term vision with Predica to grow the business and build a quality portfolio of hospitals in the French acute care sector.

Ramsay Health Care believes that the market dynamics are very attractive in France which has an integrated private and public hospital system, a strong regulatory framework and sustainable funding regime.

Demand for health care is also growing steadily in France and is underpinned by an ageing population, increasing birth rate and growth in outpatient treatments.

Of particular importance to Ramsay Health Care is the highly fragmented nature of the French hospital market which has more than 400 small private operators. This presents significant opportunities for Ramsay to expand its quality portfolio of hospitals in France and apply its proven model and management expertise.

Ramsay Health Care now operates in four countries and the investment in France is an important step in the Company's broader strategy of becoming a major global hospital operator.

ÎLE DE FRANCE

PARIS



1 CLINIQUE DE LA MUETTE



2 CMC VAL NOTRE DAME BEZONS



3 CMC VAL NOTRE DAME ASNIERES



4 CLINIQUE DE LA MONTAGNE



5 CLINIQUE LAMBERT



6 CLINIQUE DES FRANCISCAINES



7 CLINIQUE DE LA MAYE



8 CMCO EVRY (MOUSSEAU)



9 POLYCLINIQUE VILLENEUVE ST GEORGES



HOSPITAL EXPANSIONS

In 2010, Ramsay Health Care continued with its capacity expansion (brownfield) programme in Australia and the United Kingdom (UK).

Ramsay's Australian brownfield programme is well advanced. Approximately \$460 million of the \$680 million (gross) has been spent on brownfield projects to date. Several projects were completed in the 2010 fiscal year period including the major redevelopment of Hollywood Private Hospital in Perth incorporating a 130 bed ward block, additional operating theatres, a new specialist centre and multistory carpark. A further two floors, incorporating 44 beds and specialist consulting suites, were added to St George Private Hospital in Sydney and capacity expansion projects were opened at New Farm Clinic in Brisbane and Lawrence Hargrave Private Hospital in Wollongong.

A number of other projects are under development and tracking to expectations. Key projects due to be completed in the 2011 financial year include North Shore, Westmead and Kareena Private Hospitals in Sydney, Pindara Private Hospital on the Gold Coast and North West Private Hospital in Brisbane.

Construction of the \$320 million Joondalup Health Campus (\$90 million funded by Ramsay Health Care with the

remaining funded by the Western Australian Government) began in November 2009 and remains on track for completion in mid 2013.

In the UK, funds approved for capacity expansion projects increased to £41 million from £28 million during the period. All projects in the UK are progressing to plan with more than 60% of these projects complete and operational and the balance of the funds approved to be spent over the 2011 financial year.

Ramsay will continue to assess expansion opportunities via brownfield developments which add long term value to shareholders.



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Developments in 2010:

- 1 & 3 LAWRENCE HARGRAVE PRIVATE HOSPITAL (WOLLONGONG)
- 2 OPENING OF FULWOOD PRIVATE HOSPITAL (PRESTON, UK)
- 4 HOLLYWOOD PRIVATE HOSPITAL (PERTH)
- 5 JOONDALUP PRIVATE HOSPITAL (PERTH) CONSTRUCTION BEGINS
- 6 & 7 ST GEORGE PRIVATE HOSPITAL (SYDNEY) & OPENING
- 8 NEW FARM CLINIC (BRISBANE)

CHRIS REX – Managing Director



MANAGING DIRECTOR'S REPORT

In 2010, Ramsay Health Care took a key step in realizing its vision to become a truly global health care company with its acquisition in France. Ramsay Health Care is now one of the largest private hospital operators in the world, present on three continents (Australia, Asia and Europe), employing over 30,000 staff and with more than two million patient days per annum.

This is an extraordinary growth story and one which I believe will continue as we pursue our successful and sustainable growth strategy.

Our Company slogan *"People Caring for People"* is not just a value statement but a critical part of the way we go about our daily operations in order to meet the expectations of our patients, our staff and our doctors.

In 2010, the Company continued its excellent record of delivering quality patient care through actively managing clinical risks and focusing on achieving measurable improvements in this area. Ramsay Health Care prides itself on listening and responding to the needs of its patients and we continue

to evaluate and improve on all aspects of our performance through customer satisfaction surveys and formal feedback processes.

Employing more than 30,000 staff, Ramsay Health Care is also very focused on maintaining high levels of staff satisfaction and keeping occupational health and safety risks at a minimum. To that end, we recorded a significant reduction in our Lost Time Injury Frequency Rate (LTIFR) in 2010, which remains well below the industry average.

Ramsay Health Care has a history of delivering excellent operating results and the 2010 financial year was no exception, with a strong performance recorded for Ramsay's Australian business and continued growth in the United Kingdom (UK) where National Health Service (NHS) volumes helped lift overall private hospital admissions.

Ramsay's Australian hospitals achieved revenue growth of 8% and EBIT growth of 11.6% (excluding prostheses for both measures), which predominantly came from organic growth but also from the ramp up of brownfield developments.

Ramsay's Australian brownfield programme is well-advanced with those projects under development tracking to expectations and all completed projects running on time and on or under budget. Australian hospital EBITDA margins (excluding prostheses) rose to 18.3% from 17.6% in the previous corresponding period.

In the UK, Ramsay Health Care continued to achieve cost efficiencies with operating margins before rent (EBITDAR margin) increasing to 25.9% from 23.5%. Revenue climbed 10% reflecting growth in NHS volumes which now comprise 54% of Ramsay UK's admissions, up from 44% a year ago. Growth in NHS activity continued throughout the year and while PMI (private medical insurance) and self-pay volumes softened, they continue to show signs of recovery. Negotiations for the extension of Wave 1 ISTC (Independent Sector Treatment Centres) contracts have been completed on satisfactory terms with all ISTCs retained.

Ramsay remains confident about the growth prospects of its UK business

“RAMSAY HEALTH CARE IS NOW ONE OF THE LARGEST PRIVATE HOSPITAL OPERATORS IN THE WORLD, PRESENT ON THREE CONTINENTS...EMPLOYING OVER 30,000 STAFF & WITH MORE THAN TWO MILLION PATIENT DAYS PER ANNUM.”



“ THESE ARE EXCEPTIONALLY PLEASING RESULTS WHICH DEMONSTRATE THAT OUR HOSPITALS ARE PERFORMING STRONGLY ACROSS THE GROUP & THAT THEY ARE BEING RUN EFFICIENTLY. ”

which continues to perform well in a challenging economic environment and where the new government has firmly indicated a growing role for the private sector in the delivery of health care.

In France, Ramsay Santé's first three month contribution to the Group was in line with expectations and we are now focused on improving the business, generating efficiencies and identifying additional hospitals for acquisition in this region.

These are exceptionally pleasing results which demonstrate that our hospitals are performing strongly across the group and that they are being run efficiently. But these results also reflect strengths in many facets of our business. Excellent management and a culture of continuous improvement in all areas of our business are contributing factors to the success of Ramsay Health Care.

As we move into the 2011 financial year, I remain confident about our future. Ramsay has a quality portfolio of hospitals which continue to generate strong organic growth and we are capitalising on the earnings generated by our pipeline

of quality brownfields projects. With positive market demographics we are well placed to capture future demand.

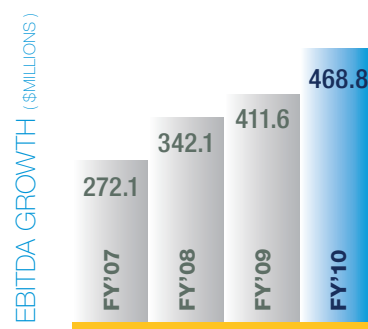
We are excited by our growth prospects in the UK and the wider European market and will continue to explore further acquisition opportunities.

Barring unforeseen circumstances, Ramsay is targeting Core NPAT growth for the Group of 13%-15% in the 2011 financial year, translating to Core EPS growth of 10% to 12%.

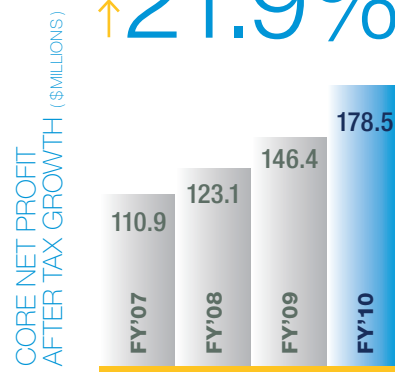
I would like to thank the Ramsay Health Care Board of Directors for their support and expert guidance, senior management for their ongoing commitment to the Company and its strategy and all the staff and doctors who work in our facilities across the world.

CHRISTOPHER REX | Managing Director

Group EBITDA up
↑ **13.9%**



Group Core NPAT up
↑ **21.9%**



BOARD OF DIRECTORS



1 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 organizations. In 2009, Mr Ramsay was appointed Chairman of Sydney Football Club.

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

- Prime Media Group Limited (Appointed April 1985) (Currently Chairman)
- Broadcast Production Services Limited (Resigned May 2008)

2 Michael S Siddle

Deputy Chairman

– Appointed 26/05/75

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

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

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

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

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

3 Christopher P Rex

Managing Director

– Appointed 01/07/08

Mr Chris Rex is Managing Director and Chief Executive Officer of Ramsay Health Care having assumed this role on 1 July 2008 after 13 years as Chief Operating Officer of the Company.

Mr Rex has played a key role in developing the Company's excellent record in hospital management 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 ten fold over the past decade and included the transformational acquisitions of Affinity Health Care 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.

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

4 Bruce R Soden

B.Comm CA MAICD

Group Finance Director

– Appointed 02/01/97

Mr Bruce Soden is Group Finance Director of Ramsay Health Care and has almost 23 years of experience with the Company at a senior executive level. Since joining Ramsay in 1987, Mr Soden has led the Company's capital management strategy through many critical milestones including the acquisition of the privatised Department of Veteran Affairs' hospitals Hollywood (1994) and Greenslopes (1995), debt and equity raisings and Ramsay's listing in 1997. As Group Finance Director, Mr Soden also presided over the acquisition of Affinity Health Care in 2005, Ramsay's first significant offshore acquisition of Capio UK in 2007 and its move into continental Europe with the acquisition of a majority stake in the French hospital group, Groupe Proclif, in March 2010.

During the time of Mr Soden's financial leadership, Ramsay's annual revenues have grown from approximately \$30 million in 1987 to revenue approaching \$4 billion today. Ramsay's market capitalisation now exceeds \$3 billion.

Mr Soden was appointed Finance Director of Ramsay in January 1997 and since 1994 was a Director of Ramsay's operating entities. Prior to that he spent four years based in New Orleans as Director and Senior Vice President of Ramsay Health Care Inc, a listed United States Health Care company.

Before joining Ramsay Health Care, Mr Soden worked as a financial consultant for a major global accounting firm for 11 years.

5 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)

6 Peter J Evans

FCA

Non-Executive Director

– Appointed 29/12/90

Mr Peter Evans is a Chartered Accountant who was in public practice for over 20 years with predecessor firms of KPMG. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 40 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)
- Broadcast Production Services Limited (Appointed July 2007)
- Destra Corporation Limited (Appointed April 2008)



7 I Patrick S Grier AM 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 Chief Executive Officer 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 become 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 for over 10 years and sits on a number of industry committees. He has been one of the main architects of the balanced health care system in Australia and for his contribution to the health care sector was awarded the Order of Australia. Mr Grier served as an Executive Director on the Ramsay Health Care Board for 12 years and from 1 July 2008 continues as a non-executive Director of the Ramsay Health Care Board. In July 2008, Mr Grier was appointed as a director of Careers Australia Group Limited.

On 23 April 2010, Mr Grier was appointed as Chairman of Relevare Pharmaceuticals Limited. He is also the Chairman of the Australian Health Workforce Institute and Chairman of the Southern Cross University Foundation.

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)

8 Rod H McGeoch AM LLB MAICD

Non-Executive Director
– Appointed 03/07/97

Mr Rod McGeoch is a past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 40 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Currently, Mr McGeoch is Chairman of Vantage Private Equity Group Limited and a Trustee of the Sydney Cricket & Sports Ground Trust. Mr McGeoch also holds a number of honorary positions and in 1990 was awarded membership of the Order of Australia for services to Law and the Community. Mr McGeoch is Co-Chairman of the Australian New Zealand Leadership Forum.

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

- Sky City Entertainment Group Limited (Appointed September 2002) (Currently Chairman)
- Telecom Corporation of New Zealand Limited (Retired 30 September 2010)
- Lipa Pharmaceuticals Limited (Resigned November 2007)
- BGP Holdings Plc. Malta and BGP Investment S.a.r.l Luxembourg (Appointed November 2009)

9 Kerry C D Roxburgh B.Comm MBA MESAA

Non-Executive Director
– Appointed 03/07/97

Mr Kerry Roxburgh is a Stockbrokers Association of Australia - Practitioner Member. 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, of Money Switch Limited and of Tasman Cargo Airlines Pty Limited. He is a non-executive director of The Medical Indemnity Protection Society Group and also LawCover Insurance Pty Limited. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

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

- Charter Hall Limited (Appointed April 2005) (Currently Chairman)
- Eircom Holdings Limited (Resigned January 2010)
- Everest Financial Group Limited (Resigned May 2009)



Group Company Secretary

John D C O'Grady LLB FAICD

Group General Counsel & Company Secretary – Appointed 23/01/07

Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales. He is a Fellow of the Australian Institute of Company Directors (AICD) and is a facilitator with the AICD's education programme. He has served as a non-executive director of a number of boards, including the Defence Housing Authority (DHA) and the Major Events Board in South Australia. Prior to joining Ramsay, he was in private practice with a strong corporate governance focus and experience in contract negotiation, finance and corporate law.

Mr O'Grady heads up the Legal Services team within the Group and has responsibility for coordinating the Risk Management Strategy. He also provides input into all major acquisitions 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.

CORPORATE GOVERNANCE STATEMENT

Ramsay Health Care Limited ('the Company') is committed to delivering high quality health care services and ensuring sustainable long-term shareholder returns. The Board recognises the importance of good governance in achieving these corporate objectives, in discharging its responsibilities to all stakeholders and in addressing the broader undertakings of the Company as a good corporate citizen.

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.

Unless otherwise stated, this statement outlines the Company's governance framework, policies and procedures as at 20 September 2010 reported by reference to and in accordance with the Corporate Governance Principles and Recommendations (2nd Edition) published in August 2007 by the ASX Corporate Governance Council (hereafter referred to as the **ASX Corporate Governance Principles and Recommendations**). We have also included commentary with respect to those amendments to the ASX Principles and Recommendations published by the ASX Corporate Governance Council on 30 June 2010 (and applicable in the financial year commencing after 1 January 2011) that Ramsay has early-adopted.

The Ramsay website referred to in this corporate governance statement is: www.ramsayhealth.com.au

Comparison of Ramsay Health Care Corporate Governance Practices to ASX Corporate Governance Principles & Recommendations

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 1	Lay solid foundations for management & oversight	
Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company has established the functions reserved to the Board and those delegated to senior management as detailed in the Board Charter, which has recently been reviewed and updated. The Amended Board Charter approved by the Board in June 2010 is posted on the Corporate Governance area of the Ramsay website.
Recommendation 1.2	Companies should disclose the process for evaluating the performance of senior executives.	An annual assessment of the performance of senior executives is undertaken by the Board on the basis of recommendations by the Managing Director, who conducts a performance review interview with each senior executive. Advice from external remuneration consultants is obtained at regular intervals and as required. Further details of the financial and non-financial KPIs that are utilised to monitor senior executive performance are set out on page 34 of the Remuneration report.
Recommendation 1.3	Companies should disclose: <ul style="list-style-type: none"> An explanation of any departure from 1.1, 1.2 or 1.3; Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed; and Publicly available statement of matters reserved for the board, or the board charter or statement of areas of delegated authority to senior executives. 	<p>No departures.</p> <p>Performance evaluation for senior executives has been undertaken in the reporting period in accordance with the process disclosed above.</p> <p>Ramsay's Board Charter is publicly disclosed as noted above. A Statement of Delegated Authorities is in place and is distributed internally. The Statement is the subject of ongoing review.</p>
Principle 2	Structure the board to add value	
Recommendation 2.1	A majority of the Board should be independent directors.	The Board consists of 2 executive and 7 non-executive directors. Whilst the existence of relationships listed in Box 2.1 of the ASX Corporate Governance Principles and Recommendations could suggest that a majority of the Board are not independent, notwithstanding these relationships the Board considers that, as a practical matter, the Board is able to exercise its judgement in an independent and unfettered manner.



ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 2.1...cont.		Also, the Board has determined that a majority of the non-executive directors (Mr Roxburgh, Mr McGeoch, Mr Evans and Mr Clark) are independent. Further information with respect to the independence of the Company's non-executive directors is set out in the extended commentary on page 22 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".
Recommendation 2.2	The chair should be an independent director.	Mr Paul Ramsay AO is the chairman, however he is not an independent director. Please refer to the extended commentary on page 22 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Paul Ramsay is the Chairman and Mr Christopher Rex is the CEO/Managing Director.
Recommendation 2.4	The Board should establish a Nomination Committee.	In line with this recommendation, the Board established a separate Nomination Committee on 25 May 2010. Prior to this, the whole Board served as a 'Nomination Committee'.
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>During the financial year, the Board undertook a formal, structured evaluation approved by the Board and completed confidentially by directors. Results consistently indicated that the role, composition, effectiveness, procedure, culture, working style and administration of the Board and the Board Committees are efficient and highly functional.</p> <p>The same evaluation process was undertaken by each of the Board Committees during the financial year with the exception of the newly formed Nomination Committee as it was only established on 25 May 2010. All of the Committees that were evaluated were assessed as efficient and highly functional and the evaluation process identified strengths, improvements and areas for increased focus.</p> <p>As an ongoing process, the chair regularly discusses with each director their individual performance and contribution to the Board and Board Committees.</p>
Recommendation 2.6	<p>Companies should disclose:</p> <ul style="list-style-type: none"> • The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report; • The names of the directors considered by the Board to constitute independent directors and the Company's materiality thresholds; • The existence of any relationships listed in Box 2.1 and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships; 	<p>Details of the background, particular qualifications, expertise and period of service of each director are set out in the Board of Directors section on pages 11 and 12 of this Annual Report.</p> <p>The Company does not utilise materiality thresholds for the purposes of assessing director independence and instead assesses independence on a case by case basis.</p> <p>A full discussion of the Board's assessment of the independence of each director and relationships listed in Box 2.1 is set out in the extended commentary on page 22 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".</p>

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
<i>Recommendation 2.6...cont.</i>	<ul style="list-style-type: none"> A statement as to whether there is a procedure agreed by the Board to take independent professional advice at the expense of the Company; The period of office held by each director in office at the date of the annual report; The names of the members of the Nomination Committee and their attendance at meetings of the Committee, or where a company does not have a Nomination Committee, how the functions of a Nomination Committee are carried out; Whether a performance evaluation for the Board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and An explanation of any departures from 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6. 	<p>Directors are advised that they 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 approval of, the Chairman. Similarly Board Committees may obtain independent professional advice at the expense of the Company as required in relation to their functions. In the evaluations of the Board Committees that took place during the financial year, the members of each Committee indicated that they considered that they had adequate access to such advice.</p> <p>Details of the period of office for each director are set out in the Board of Directors section on pages 11 and 12 of this Annual Report.</p> <p>On 25 May 2010, the Board established a Nomination Committee, the members of which are:</p> <ul style="list-style-type: none"> Mr Rod McGeoch AM – Independent, Non-executive Director (Chair); Mr Kerry Roxburgh – Independent, Non-executive Director; and Mr Paul Ramsay AO – Non-executive Director. <p>Prior to the establishment of the Nomination Committee the nomination, selection and appointment of directors were dealt with at Board meetings and the whole Board served as an informal 'Nomination Committee'.</p> <p>The first meeting of the Nomination Committee was held on 22 June 2010. For details of attendance of each director please refer to the Directors' Report on page 45 of this Annual Report.</p> <p>The nomination and appointments of directors are made in accordance with the Company's Constitution and, from 25 May 2010, in accordance with the Nomination Committee Charter, both of which are posted on the Corporate Governance area of the Ramsay website. Appointment of directors must now also be in accordance with the Diversity Policy which was approved by the Board in May 2010, in early-adoption of the amended ASX Corporate Governance Principles and Recommendations published on 30 June 2010, specifically the amended Recommendations 2.4, 3.2, 3.3 and 3.4. For further details of the Board selection process and the Diversity Policy please see extended commentary on page 22 of this Corporate Governance Statement entitled "Diversity".</p> <p>A performance evaluation of the Board, its Committees and directors was undertaken in the reporting period in accordance with the process disclosed in 2.5 above.</p> <p>Departures in 2.2 noted above are explained in the section entitled "Independence of Non-Executive Directors" on page 22 of this Corporate Governance Statement.</p>



ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 3	Promote ethical & responsible decision making	
Recommendation 3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of the shareholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Company has established a Code of Conduct for employees, directors and officers as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations from time to time and the reasonable expectations of the shareholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. <p>The Code of Conduct is posted on the Corporate Governance area of the Ramsay website and is currently undergoing internal review.</p> <p>Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, bribery, dishonesty, harassment, unethical or negligent behaviour, workplace safety hazards and medical negligence through the Ramsay Whistleblower Programme. The programme has been implemented in all Ramsay facilities in Australia, the UK and Indonesia and includes an independent hotline service operated by Deloitte to encourage anonymous disclosures. All reports are monitored by the Whistleblower Committee, which reports to the Audit Committee. Whistleblower procedures in the Company's recently acquired French facilities are under review.</p>
Recommendation 3.2	<p>Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.</p>	<p>The Company's Securities Trading Policy prohibits employees (including directors and officers) from trading directly or indirectly in Company securities outside three annual periods:</p> <ul style="list-style-type: none"> the two 6 week periods after the release of half and full year financial results; and the 2 week period after the AGM. <p>The policy allows trading outside these periods only where a director, officer or employee first obtains written approval in accordance with the policy. Approval is granted for a limited time and subject to compliance with a rigorous procedure requiring the employee to establish and declare that he/she is not in possession of price-sensitive information at the time of the trade. Employees are prohibited from trading (or causing a third party to trade) in Company securities at any time while in possession of price-sensitive information.</p> <p>This policy will be reviewed in the next financial year in light of amendments to the ASX Listing Rules which come into effect on 1 January 2011.</p>
Recommendation 3.3	<p>An explanation of any departures from recommendations 3.1 or 3.2 should be included in the corporate governance statement.</p> <p>The following information should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section: any applicable code of conduct and the trading policy or a summary.</p>	<p>No departures</p> <p>The Ramsay Code of Conduct is posted on the Corporate Governance area of the Ramsay website.</p> <p>A summary of the Company's Securities Trading Policy is set out above at 3.2.</p>

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 4	Safeguard integrity in financial reporting	
Recommendation 4.1	The Board should establish an Audit Committee.	The Company has an established Audit Committee.
Recommendation 4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members. 	<p>The Audit Committee consists of the following independent non-executive directors:</p> <ul style="list-style-type: none"> • Mr Peter Evans (Chair) - Chartered Accountant; • Mr Kerry Roxburgh - Stockbroker / Chartered Accountant; and • Mr Tony Clark AM - Chartered Accountant. <p>The independence of the members of the Audit Committee is discussed in the extended commentary on page 22 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".</p>
Recommendation 4.3	The Audit Committee should have a formal charter.	The Company's Audit Committee Charter is posted on the Corporate Governance area of the Ramsay website and is currently under review.
Recommendation 4.4	<p>The following material should be included in the corporate governance statement:</p> <ul style="list-style-type: none"> • the names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the Committee; • the number of meetings of the Audit Committee; and • explanation of any departures from recommendations 4.1, 4.2, 4.3 or 4.4. <p>The following information should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • Audit Committee Charter; and • Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. 	<p>Names and qualifications of Audit Committee members are set out at 4.2 above.</p> <p>Details of Audit Committee meetings and attendance by each Committee member are contained in the Directors Report at page 45 of this Annual Report.</p> <p>No departures.</p> <p>The Company's Audit Committee Charter and Charter of Audit Independence (information on selection, appointment and rotation of external auditor) are posted on the Corporate Governance area of the Ramsay website.</p>
Principle 5	Make timely & balanced disclosure	
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	<p>The Company's Continuous Disclosure Policy is designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability for compliance at a senior executive level. In summary, the policy:</p> <ul style="list-style-type: none"> • explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001; • establishes internal processes for reporting and disclosure of price sensitive information and briefing of analysts, investor and media groups; and • delegates authority to the Disclosure Committee and Company Secretary to release information or make disclosures to the ASX.
Recommendation 5.2	An explanation of any departures from recommendations 5.1 or 5.2 should be included in the corporate governance statement. The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	<p>No departures.</p> <p>A summary of the Company's Continuous Disclosure Policy is set out at 5.1 above.</p>



ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 6	Respect the rights of shareholders	
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	<p>A formal Communications Policy has been adopted by the Board. The Communications Policy establishes internal protocols and authorisations for communications with media, disclosure of corporate and confidential information and communications with shareholders and investors. The policy is to be read in conjunction with the Continuous Disclosure Policy (a summary of which is provided above at 5.1) which deals with the disclosure of price-sensitive information.</p> <p>The Company has the following mechanisms in place designed to ensure that shareholders are kept fully informed and able to participate at general meetings:</p> <ul style="list-style-type: none"> • Financial reports and market reports are posted on the Investor Centre on the Company's website; • Shareholders are sent email alerts via the Company's share registry manager facility, which is provided by Registries Limited; • An investor email inquiry facility has been established to ensure timely responses by the Company Secretary or the Group Finance Director to all investor questions; • Correspondence from the Chairman is sent to shareholders for significant events (including via the Company's website and email alerts); and • Participation by shareholders at the AGM is actively encouraged.
Recommendation 6.2	An explanation of any departures from recommendations 6.1 or 6.2 should be included in the corporate governance statement. The Company should describe how it will communicate with its shareholders publicly, ideally by posting this information on its website in a clearly marked corporate governance section.	<p>No departures.</p> <p>The manner in which the Company communicates with its shareholders publicly is described at 5.1 above.</p>
Principle 7	Recognise & manage risk	
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>The Company Risk Management Framework (the Framework), endorsed by the Board in August 2008, together with the Risk Management Committee Charter are being reviewed for consistency with current practice and the new standard AS/NZS ISO 31000:2009.</p> <p>In summary, the Framework provides an organisation-wide standardised approach which outlines the structure and policies for the identification, assessment, management, reporting and oversight of material business risks. It also provides guidance on risk treatment. The Company has also developed a governance structure for oversight of risk whereby material business risks are ultimately reported to the Board via the Risk Management and Audit Committees. Reporting encompasses both formal and informal material risks such as financial, strategic, clinical, OH&S, environmental and legal matters.</p> <p>Strategic and operational risks are considered at least annually by all operating divisions as part of the annual strategic planning, forecasting and budgeting process.</p>

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
<p>Recommendation 7.1...cont.</p>		<p>During the year the Company engaged Deloitte to review reporting and assess the effectiveness of the Framework. Deloitte found that the Company has a good breadth of understanding of the Framework and a culture of awareness and commitment to managing risk, both from the top down and the bottom up. Recommendations were made by Deloitte for improvements to the Company's risk management processes which are now in the process of implementation. Steps have also been taken towards, and resources dedicated to, implementing an improved risk governance structure, with tools and information available throughout the organisation to assist in the identification, analysis, reporting and management of risk.</p> <p>The Risk Management Committee comprises:</p> <ul style="list-style-type: none"> • Mr Peter Evans, Non-Executive Director (Chair); • Mr Kerry Roxburgh, Non-Executive Director; • Mr Patrick Grier, Non-Executive Director; • Mr Christopher Rex, Managing Director; • Mr Bruce Soden, Group Finance Director; • Mr Danny Sims, Chief Operating Officer (Australia and Indonesia); and • Mr John O'Grady, Chief Risk Officer and Group General Counsel.
<p>Recommendation 7.2</p>	<p>The Board should require management to design and implement the risk management internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.</p> <p>The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</p>	<p>The Board has required management to design and implement a risk management and internal control system to manage the material business risks to the Group. This has been done through several mechanisms including, but not limited to the following:</p> <ul style="list-style-type: none"> • During the year, the Company engaged an external consultant to conduct a series of interviews and a workshop involving members of the Board, senior managers and selected facility managers to identify strategic risks presenting a material business risk to the Group and to assess the effectiveness of control systems in place to manage the risks identified. A report was compiled by the external consultant profiling the risks identified and suggesting how the Company's strategic risk profile may be used to develop and progress the Risk Management Framework. • Detailed internal control questionnaires are completed annually by all major divisions in relation to financial and other key risk areas. • Specialist risk sub-committees have been established within the Company, such as the Clinical Governance and Workforce, Safety and Culture Committees, each of whom report to the Risk Management Committee on a regular basis. • The Company's internal audit function conducts a series of audits in accordance with a risk-based plan that is agreed with management and the Audit Committee. The results of these reviews are reported to the Audit and Risk Management Committees. • Other material and emerging risks that are identified by the Company's executive are also reported directly to the CEO through the Chief Risk Officer. <p>By the processes listed above, management has reported to the Board as to the effectiveness of the Company's management of its material business risks.</p>



ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 7.3	The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	<p>The Board confirms that it has received assurance from the Managing Director and the Group Finance Director that, to the best of their knowledge and belief, 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 compliance and control systems and that those systems are operating effectively in all material respects in relation to financial reporting risks.</p> <p>The Board notes that due to its nature, internal control assurance from the Managing Director and the Group Finance Director can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.</p>
Recommendation 7.4	<ul style="list-style-type: none"> • An explanation of any departures from recommendations 7.1, 7.2, 7.3 or 7.4; • Whether the Board has received the report from management under 7.2; • Whether the Board has received assurance from the CEO or CFO under 7.3; and <p>A summary of the company's policies on risk oversight and management of material business risks should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.</p>	<p>No departures.</p> <p>The Board has received the reports from management described in 7.2 and receives regular reporting as described in the Risk Management Framework from the Risk Management Committee and its sub-committees, the Audit Committee and the Chief Risk Officer.</p> <p>Assurance has been received by the Board from the Managing Director and Group Finance Director as noted above.</p> <p>The Company's Risk Management Committee Charter is posted on the Corporate Governance area of the Ramsay website. The Company's policies on risk oversight and management of material business risks are summarised in 7.1 and 7.2 above.</p>
Principle 8	Remunerate fairly & responsibly	
Recommendation 8.1	The Board should establish a Remuneration Committee.	<p>The Board has established a Remuneration Committee, whose members are independent of management and who, as a practical matter, exercise their judgement in an unfettered and independent manner.</p> <p>The Remuneration Committee comprises:</p> <ul style="list-style-type: none"> • Mr Rod McGeoch AM, Non-executive Director (Chair); • Mr Peter Evans, Non-executive Director; and • Mr Michael Siddle, Non-executive Director.
Recommendation 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>For details of the Company's remuneration structure please refer to the Remuneration Report at page 31 of this Annual Report. In response to developments in corporate governance practice and stakeholder feedback, the Remuneration Report has undergone significant review and is designed to be both more contemporary and easier to understand than previous Company remuneration reports.</p>

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
<p>Recommendation 8.3</p> <p>The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement:</p> <ul style="list-style-type: none"> The names of the members of the Remuneration Committee and their attendance at meetings of the Committee; The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and An explanation of any departures from recommendations 8.1, 8.2 or 8.3. <p>The following material should be made publicly available:</p> <ul style="list-style-type: none"> The charter of the Remuneration Committee; and A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. 		<p>Names of the members of the Remuneration Committee are set out at 8.1 above. Details of the Remuneration Committee's meetings and attendance by each Committee member are contained in the Directors' Report at page 45 of this Annual Report.</p> <p>For details of the schemes for retirement benefits for non-executive directors, refer to the Remuneration Report at page 43 of this Annual Report. In response to corporate governance developments and feedback from some shareholders, the Board has resolved to freeze benefits under the Non-Executive Director Remuneration Benefits Plan as at 31 December 2009, subject to shareholder approval. Accordingly, except for indexation, these benefits were frozen at that date and are no longer linked to increases in non-executive director fees.</p> <p>No departures.</p> <p>The Remuneration Committee Charter is posted on the Corporate Governance area of the Ramsay website. It is expected that it will be reviewed during the next year in light of the amendments to the ASX Principles and Recommendations published on 30 June 2010.</p> <p>The Company's Securities Trading policy prohibits hedging arrangements, dealing in derivatives or other arrangements that vary the economic risk related to the Company's securities, including hedging or arrangements that have the effect of limiting the economic risk in connection with unvested securities issued under an employee or director option or share plan.</p>



Independence of Non-Executive Directors – Recommendations 2.1, 2.2, 2.6 & 4.2

The Board acknowledges the importance of directors exercising independent judgement in making decisions regarding the Company. Robust discussion of issues is encouraged by the Chairman and it is the consensus of all directors that the presentation of independent or divergent views is common and is constructively received.

The Board has considered the commentary on the independence of directors contained in ASX Principle 2 and is satisfied that none of the directors are hindered in their ability to exercise unfettered and independent judgement.

We note the statement of the ASX Corporate Governance Council that it “has always considered that the determination of a director’s independence is a matter for the Board”¹. The Board has determined that the following directors are independent for the reasons set out below:

- The Board considers that Mr Kerry Roxburgh and Mr Rod McGeoch AM are independent directors as they are independent 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.
- The Board considers and has resolved that Mr Tony Clark AM and Mr Peter Evans, both non-executive directors and independent of management, are independent directors despite both also holding directorships of Paul Ramsay Holdings Pty Limited, (the Company’s largest shareholder) because:
 - a. neither are shareholders of, or have a direct or indirect beneficial interest in, Paul Ramsay Holdings Pty Limited;
 - b. they do not receive any remuneration from Paul Ramsay Holdings Pty Limited other than directors’ fees;
 - c. they do not receive any remuneration from the Company other than directors’ fees and committee/chairmanship fees as disclosed in the Directors’ Report;
 - d. they are each voted on to the Board of the Company by the shareholders generally; and
 - e. 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 Limited.

It is noted that the following non-executive directors are not independent directors:

- The current Chairman of the Board, Mr Paul Ramsay AO, is a non-executive Director who is also a director and shareholder of Paul Ramsay Holdings Pty Limited. 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. In addition to his extensive experience and in-depth knowledge of the health care sector and the Company, Mr Ramsay brings significant skills and experience gained in other businesses to the role of Chairman. The Company believes that Mr Ramsay’s experience in the industry and in business generally is invaluable and that the introduction of an independent Chairman would not adequately compensate Ramsay Health Care for the loss of Mr Ramsay’s valuable contributions to the management and strategy of the Ramsay Group.
- Deputy Chairman of the Board Mr Michael Siddle has had a long association with the Chairman. 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 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 had a contractual relationship as a consultant to the Managing Director and Chairman. This consulting agreement was implemented to ensure a smooth and successful transition between outgoing and incoming managing directors. The Board considers that this transition has now effectively occurred and the agreement has expired, as intended, on 30 June 2010. It is acknowledged that both of these relationships are listed in the commentary to ASX Recommendation 2.1 as potentially affecting independence. Despite the existence during this financial year of these relationships, the Board considers that Mr Grier’s experience, skills and standing add significant value to the Board’s ability to deal with current and emerging issues in the health care sector and the market and outweigh any perceived lack of independence.

Diversity

- Considerable diversity exists throughout the organisation. The Company has been assessed as compliant with the Equal Opportunity for Women in the Workplace Act 2010 and received congratulations on a number of progressive employee programmes, including training initiatives and keeping older employees in the workplace.
- Gender diversity throughout the organisation is generally exceptional. Women comprise 84.2% of employees throughout the Group and occupy 59.9% of senior manager² positions. Of the eight senior executive³ positions in the Group, two are currently occupied by women. There are currently no female directors on the Board.
- The Company has in place very comprehensive and well developed Workplace Diversity Guidelines for Employees and diversity criteria in its Recruitment and Selection Guidelines. On 25 May 2010 the Board also approved a Board Diversity Policy in early adoption of amendments to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010, which are due to commence on 1 January 2011 and which will require Boards to approve, monitor and report on diversity at all levels, including at Board level.
- The Board Diversity Policy provides for the Board to develop an appointment process for future directors that takes diversity of background into account (in addition to previous Board and leadership experience, candidates’ skills and experience in a variety of specified fields) to fit and enhance the Board skills matrix.
- In order to promote the specific objective of gender diversity, the Board Diversity Policy requires that the selection process for Board appointments must involve the following steps (including where the Company engages an external recruitment agency to identify and assess candidates):
 - a short-list identifying potential candidates for the appointment must be compiled and must include at least one female candidate; and
 - if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.
- The Board Diversity Policy also covers senior executive appointments and requires the CEO to have reference to the policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the senior executive team. The Policy requires the Board to also consider gender diversity and the objectives of the policy when considering those recommendations.

¹ PARAGRAPH 46 OF THE ASX CORPORATE GOVERNANCE COUNCIL RESPONSE TO SUBMISSIONS ON REVIEW OF CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS AUGUST 2007 (2ND ED)

² SENIOR MANAGER POSITIONS FOR THE PURPOSE OF THIS STATEMENT MEAN HOSPITAL MANAGERS, AREA MANAGERS AND DEPARTMENT MANAGERS UP TO (BUT NOT INCLUDING) SENIOR EXECUTIVE LEVEL

³ SENIOR EXECUTIVE POSITIONS ARE THOSE REPORTING DIRECTLY TO THE MANAGING DIRECTOR

- In order to facilitate greater gender diversity in management and leadership roles, the Board Diversity Policy requires the Company to:
 - implement policies which address impediments to gender diversity in the workplace and review their availability and utilisation;
 - monitor the effectiveness of, and continue to expand on, existing initiatives designed to identify, support and develop talented women with leadership potential; and
 - continue to identify new ways to entrench diversity as a cultural priority across the organisation.
- The Board Diversity Policy further provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior executive level and that performance against these objectives will be reviewed annually by the Nomination Committee. The measurable objectives that have been set for 2010/2011 are set out in the table below.

Measurable Diversity Objectives – 2010/2011		Achievement Goal
Objective 1:	Flexible Work Practices Policy to be approved by the Board.	June 2011
Objective 2:	Establish partnership/sponsorship/ membership with an external body promoting a women's leadership initiative	June 2011
Objective 3:	The Company to expand the scope of the Ramsay Succession Planning programme to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles. The Manager People and Culture to report annually to the Nomination Committee on the success of this initiative.	Annually from June 2011
Objective 4:	The Company to implement an internal mentoring programme which aims to increase opportunities for Ramsay female employees in management or professional positions and from the Ramsay Future Leaders programme to have access to senior managers and (for women in senior management) directors.	June 2012
Objective 5:	Aim to increase the percentage of women in senior management positions (those positions either in the Ramsay Executive or reporting directly to the Ramsay Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	June 2013
Objective 6:	The Board to develop a succession plan with an aim of increasing the representation of women on the Board, subject to identification of candidates with appropriate skills.	June 2013

CORPORATE DIRECTORY

Directors

Non Executive Directors

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

Executive Directors

Christopher Rex (Managing Director)
Bruce Soden (Group Finance Director)

Group 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
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Share Registry

Registries Limited

Level 7, 207 Kent Street
Sydney NSW
Australia 2000

Email: registries@registries.com.au
Website: www.registries.com.au

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FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010



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

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RAMSAY HEALTH CARE LIMITED

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2010.

DIRECTORS

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

Names

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

Particulars of each Director's experience and qualifications are set out on pages 10 to 12 of this Annual Report.

Interests in the shares & options of the Company & 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 (CARES)	Rights over Ordinary Shares
P.J. Ramsay	73,149,269	-	-
M.S. Siddle	152,564	-	-
C.P. Rex	315,109	5,334	105,000
B.R. Soden	100,791	3,335	95,000
A.J. Clark	82,000	1,200	-
P.J. Evans	7,209	-	-
I.P.S. Grier	133,116	-	-
R.H. McGeoch	74,231	257	-
K.C.D. Roxburgh	79,500	-	-

Mr Paul Ramsay has a relevant interest in 73,149,269 (2009: 73,148,372) shares held by Paul Ramsay Holdings Pty Limited and is a director of that company.

Interests in Contracts or Proposed Contracts with the Company

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

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS & DIVIDENDS

Consolidated Results

Consolidated profit attributable to members of the parent after providing for income tax was \$148,282,000 (2009: profit of \$106,473,000). The operating profit before tax from continuing operations was \$220,757,000 (2009: \$154,270,000).

Earnings per Share

Basic earnings per share (after CARES dividend) 69.4 cents (2009: 51.3 cents)

Basic earnings per share (after CARES dividend) from continuing operations 69.4 cents (2009: 51.3 cents)

Dividends

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

Final dividend recommended @ 25.0 cents per share (2009: 21.5 cents)	\$50,520,313 (2009: \$37,680,010)
Interim dividend paid during the year @ 18.5 cents per share (2009: 16.5 cents)	\$37,385,032 (2009: \$28,856,000)

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

Final dividend recommended @ \$2.65 per security (2009: \$2.06)	\$6,901,000 (2009: \$5,365,460)
Interim dividend paid during the year @ \$2.50 per security (2009: \$2.82)	\$6,495,000 (2009: \$7,347,863)

REVIEW OF OPERATIONS

Group core net profit after tax from continuing operations (before specific items and amortisation of intangibles) increased 21.9% to \$178.5 million for the year to 30 June 2010 and translates to core earnings per share (EPS) of 84.5 cents.

Ramsay recorded specific items and amortisation of intangibles of \$30.2 million (net of tax) for the 2010 financial year which mostly relate to deferred non-cash rent expenses from the UK hospitals and acquisition, restructuring and integration costs.

CORPORATE INFORMATION

This annual report covers the Ramsay Health Care Limited consolidated group which comprises Ramsay Health Care Limited and its subsidiaries (**the Group**). The Group's functional and presentational 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. 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 2010 was authorised for issue on 14 September 2010 in accordance with a resolution of the directors.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 822,701 (2009: 654,850) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to note 27 of the financial statements for further details of any rights outstanding.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 26 August 2010, the Company announced that it will not convert or redeem CARES on 20 October 2010 and, as a result, the dividend margin will "step up" by 2.0% to 4.85% with effect from the dividend payable on 20 April 2011. The Board took this decision having regard to the ongoing best interests of the Company as a whole.

The Company retains the ability to redeem or convert CARES at subsequent CARES dividend payment dates.

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

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 this Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (**Act**) for the Company and its controlled entities (**the Group**) for the year ended 30 June 2010. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act.

USING THIS REMUNERATION REPORT

In response to corporate governance developments and feedback received from last year's Remuneration Report, the Company has undertaken a number of initiatives to improve the robustness of the remuneration framework and has also devoted significant attention to the layout, structure and content of its 2010 Remuneration Report with a view to ensuring it meets the needs and expectations of shareholders and other stakeholders.

This 2010 Remuneration Report is designed to provide transparent, clear disclosure of the Company's remuneration structures, whilst still making the Report as concise and readable as possible. In addition to the disclosures required under the Act, the Company has included some additional information that is likely to be of interest to shareholders, including the summary of actual remuneration received by the Managing Director and Senior Executives during the year ended 30 June 2010 (**FY2010**) which appears in table 3 of this Report.

This Remuneration Report is presented in four sections:

2010 Essentials – this section provides a concise summary of the information that is likely to be of most interest to shareholders.

Setting Executive Remuneration – this section explains how remuneration decisions are made within the Group and summarises the guiding principles and objectives that underpin the Group's remuneration arrangements.

Senior Executive Remuneration: In Detail – this section provides more information regarding senior executive remuneration arrangements, including the detailed disclosures required by the Act.

Non-executive director arrangements – this section outlines the remuneration arrangements in place for Non-Executive Directors.

The table below provides a content guide for the 2010 Report and outlines the particular information included in each of the Report's four sections.

Table 1 – 2010 Report: content guide

Section	Subsection	What it covers	Page(s)
2010 ESSENTIALS	Who's Who	The names and roles of the directors and senior executives whose remuneration details are disclosed in this Report.	29
	Remuneration Initiatives	A summary of the key remuneration initiatives introduced by the Company in FY2010.	29
	Remuneration Outcomes	The actual remuneration earned by senior executives for FY2010.	29 - 30
SETTING EXECUTIVE REMUNERATION	How We Make Decisions	Explains how the Board and Remuneration Committee make remuneration decisions, including the use of external remuneration consultants.	30
	Guiding Principles	The guiding principles adopted by the Board which underpin all remuneration decisions.	30 - 31
	Supporting Business Objectives	Shows how remuneration is structured to support business objectives and how it aligns outcomes with company performance.	31 - 32
SENIOR EXECUTIVE REMUNERATION: IN DETAIL	Remuneration Components	Provides a breakdown of the various components of senior executive remuneration, and summarises the key terms and performance conditions for the 'at risk' components (short-term incentives (STI) and long-term incentives (LTI)).	33 - 39
	Total Remuneration	The total remuneration provided to senior executives (calculated pursuant to accounting standards) for FY2010 and FY2009.	40
	Service Agreements	The key contract terms governing senior executives' employment with the Group.	41
NON-EXECUTIVE DIRECTOR ARRANGEMENTS	Guiding Principles	The guiding principles which govern the process and basis for setting Non-Executive Director remuneration.	42
	Board and Committee Fees	Board and Committee fees for FY2010.	42 - 43
	Freezing Retirement Benefits	Explains the impact of the Board's decision to freeze the Non-Executive Directors Retirement Benefits Plan.	43
	Total Remuneration	The total remuneration provided to Non-Executive Directors (calculated pursuant to the accounting standards) for FY2010 and FY2009.	44

REMUNERATION REPORT – AUDITED (CONTINUED)

2010 ESSENTIALS

Who's who

This Remuneration Report sets out the compensation arrangements in place for the Company's Non-Executive Directors and the senior executives (including the executive directors) who are the five highest remunerated executives of the Group for FY2010 (**Senior Executives**). The Senior Executives include the key management personnel (**KMP**) of the Company and the Group for the purposes of the Act and the Accounting Standards (see table 2 below).

Table 2: Directors and Senior Executives

Senior Executives		Non-Executive Directors	
Name	Position	Name	Position
C.P. Rex	Managing Director	P.J. Ramsay AO	Non-Executive Chairman
B.R. Soden	Group Finance Director	M.S. Siddle	Non-Executive Deputy Chairman
D.A. Sims	Chief Operating Officer – Australia/Indonesia	A.J. Clark AM	Non-Executive Director
C.R. McNally	Head of Global Strategy & European Operations	P.J. Evans	Non-Executive Director
J.M. Watts ¹	Chief Executive Officer – Ramsay UK	I.P.S. Grier AM	Non-Executive Director
		R.H. McGeoch AM	Non-Executive Director
		K.C.D. Roxburgh	Non-Executive Director

¹ Although Ms Watts is one of the top five remunerated executives, she is not part of the Company's KMP.

Remuneration initiatives

During the year, the Board reassessed its remuneration strategy in light of feedback received from shareholders and other stakeholders, and to take into account the shift in corporate governance expectations regarding remuneration issues.

As a result of this process, the Company identified and implemented several remuneration initiatives which build on and continue to improve the Company's remuneration structures. These include:

- The Board determining that, subject to shareholder endorsement, the Directors Retirement Benefits Plan is to be frozen effective from 31 December 2009. Frozen entitlements will be indexed annually against the one year Commonwealth Government Bond Rate (adjusted twice a year) to preserve their value, but will no longer be linked to Directors' fees;
- Where appropriate, the Company has early adopted the Recommendations made by the Productivity Commission in its final report on executive remuneration (Productivity Commission Report);
- The introduction of a Remuneration Committee Performance Evaluation process, as part of the Company's commitment to continuous improvement;
- Full disclosure of the EPS component of the Executive Performance Rights Plan (LTI Plan) for the financial year to which this Remuneration Report relates; and
- A more 'user friendly' and transparent Remuneration Report for 2010.

These initiatives are discussed in further detail throughout the Report.

Remuneration outcomes

In response to shareholder feedback and comments made in the Productivity Commission Report, the Company has recognised the need to provide information in the Remuneration Report to make it easier for shareholders to understand and assess the links between remuneration outcomes for Senior Executives and Company performance.

Table 3 below provides a guide as to the actual reward outcomes for the Senior Executives, by setting out the actual 'dollar value' of remuneration received by Senior Executives for FY2010 (i.e. amounts to which they have become entitled, having satisfied any applicable performance hurdles). Details of Senior Executives' remuneration prepared in accordance with statutory obligations and accounting standards are set out in table 16 of this Report.

Note: The table below is in line with Recommendation 8 of the Productivity Commission Report that suggests that companies disclose actual levels of remuneration received by the individuals named in the report.

Remuneration calculated in accordance with accounting standards, included in the Statement of Comprehensive Income for the Senior Executives, is shown in Table 16.

Table 3: Actual remuneration received by the Managing Director and Senior Executives for FY2010

	Fixed Remuneration	STI ¹	LTI ²	Superannuation	Other ³	Total
C.P. Rex	1,306,250	1,083,300	851,729 ⁴	14,461	13,458	3,269,198
B.R. Soden	832,000	340,000	333,190	14,461	30,472	1,550,123
D.A. Sims	624,000	200,000	121,163	14,461	35,072	994,696
C.R. McNally	550,000	220,000	242,315	14,461	15,861	1,042,637
J.M. Watts	594,092	143,190	-	55,844	20,222	813,348

1. This figure represents the actual STI paid in FY2010 (relating to FY2009) to the Senior Executives (or in the case of Mr Rex, the value of his STI as he is obliged to accept half of his STI in cash and half in shares to be held for 3 years). For further details of the Company's STI programme, please see table 8 of this Report.

2. This figure represents the value of Performance Rights (at the date of vesting) which actually vested during the financial year. The value is calculated by multiplying the number of rights that vest by the 5-day volume weighted average share price at vesting. After vesting, the shares are held in trust and continue to be subject to disposal restrictions. Performance Rights that were granted during FY2010 and other grant years that are still in progress do not appear in this table, as they are not eligible for vesting until the conclusion of the performance period (3 years) or vesting period. For further details of the Company's LTI programme, please see table 11 of this Report.

3. This figure represents non-monetary benefits such as health insurance cover and motor vehicles.

4. This figure includes the value of Mr Rex's Performance Rights that vested during the financial year (\$508,872) and the value of dividends paid in respect of the 600,000 underlying shares for Mr Rex's Performance Rights (\$342,857). Mr Rex is entitled to a dividend equivalent payment in respect of his retention rights pursuant to his Executive Service Agreement - the terms of which are set out in table 17 of this Report.

REMUNERATION REPORT – AUDITED (CONTINUED)**2010 Essentials (continued)***Remuneration Outcomes (continued)*

In addition the 'Supporting Business Objectives' section on pages 31 - 32 of this Report includes an analysis of the links between Company performance and 'at-risk' remuneration outcomes for Senior Executives over a 5 year time horizon.

The actual remuneration figures for FY2010 demonstrate that remuneration outcomes for the Managing Director and Senior Executives continue to align with the overall performance of the Group. Only 3 companies out-ranked Ramsay in its ASX comparator group, described on page 36 of this Report, for Total Shareholder Return (TSR) performance over the 3 years ended 30 June 2010.

The high levels of at-risk rewards earned in FY2010 reflect the Group's continuing strong performance, both in absolute terms and relative to its peers. In particular:

- The Managing Director received 92% of his maximum STI bonus opportunity for FY2010, being:
 - 100% of his possible base component (for performance against base KPIs worth 60% of the total STI); and
 - 80% of his possible stretch component (for performance against stretch targets, worth 40% of the total STI).
- Other Senior Executives received their maximum STI bonuses based on performance against challenging targets.
- All of the Performance Rights granted to Senior Executives in 2007 vested on 31 July 2010, based on Ramsay's strong performance over the three year performance period to 30 June 2010 relative to its peers in the comparator group. The actual percentile ranking achieved over the performance period against the ASX 101 to 200 index was 95.59%, which was significantly above the percentile ranking of 75% required for full vesting.

Further details of the terms of the STI and LTI plans are set out in tables 8 and 11 in the 'Senior Executive Remuneration: In Detail' section of this Report.

SETTING EXECUTIVE REMUNERATION**How we make decisions*****Board responsibility***

The Board is responsible for ensuring that the Company's remuneration structures are equitable and aligned with the long term interests of the Company and its shareholders.

In performing this function, it is critical that the Board is fully informed and acts independently of management when making decisions affecting employee remuneration.

The Board carefully considers the recommendations of the Remuneration Committee prior to making decisions affecting remuneration.

Independence of the Remuneration Committee

In discharging its duties, a critical factor for any remuneration committee is that it is independent of management. Each member of the Ramsay Remuneration Committee is a Non-Executive Director who is independent of management.

Note: Recommendation 2 of the Productivity Commission Report states that a majority of the Remuneration Committee should be independent.

Adopting the broader independence test applied under the Corporate Governance Principles and Recommendations (2nd Edition) published by the ASX Corporate Governance Council (**ASX Corporate Governance Principles and Recommendations**), the Chairman of the Remuneration Committee (Mr McGeoch) is an independent director. The Board is also of the view that, for the reasons set out in the Corporate Governance Statement of the Annual Report, Mr Evans is an independent director. Accordingly, the Remuneration Committee comprises a majority of independent directors using the test applied under the ASX Corporate Governance Principles and Recommendations.

Where appropriate, members of management attend Remuneration Committee meetings by invitation, however they do not participate in the formal decision-making process. The two Executive Directors and the Company Secretary do not attend the Remuneration Committee meetings when their own remuneration is being discussed. Further, each of them absent themselves from Board meetings when their own remuneration is being discussed.

Details of the members of the Remuneration Committee and information regarding their skills, qualification and experience are set out in the Statement of Corporate Governance and Information on Directors section of the Annual Report.

Engagement of remuneration consultants

To ensure that it has all relevant information at its disposal, the Board also seeks and considers advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by and report directly to the Remuneration Committee. Potential conflicts of interest are taken into account when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require their independence from, the Company's management.

The advice and recommendations of external consultants are used as a guide, but do not serve as a substitute for thorough consideration of the issues by the Directors. All decisions relating to remuneration strategy and approach are made by the Board itself, following careful consideration of the Remuneration Committee's recommendations, the Company's position, strategic objectives and current requirements.

Guiding principles

Note: Recommendation 8 of the Productivity Commission Report states that remuneration reports should include a plain English summary of the Company's remuneration policies. Accordingly the following is a summary of the Company's remuneration policies.

The following 'guiding principles' represent the key policy drivers and considerations that underpin the Board's approach to executive remuneration.

Talent management & succession planning

The success of the Group depends on the quality of its directors and executives. Attracting and retaining exceptional people to lead and manage the Group is critical to achieving the Company's objective of delivering shareholder value compared to its peers in the Australian and international healthcare industry, and the Company's remuneration structures are set having regard to this objective.

The Board believes that people who have developed their career within the Company are in the best position to understand the Company's operations, challenges and opportunities. Accordingly the Board supports internal development and promotion of executive talent.

Performance driven outcomes

While the Board recognises that regulations, guidelines and market forces necessarily influence remuneration practices and benchmarks, the Board strongly believes that the fundamental driver behind the Company's remuneration structure should be Company performance. Accordingly, while remuneration is structured to attract, motivate and retain executives, the amount of remuneration received by an individual is dependent on superior performance and generating value for shareholders. This is mainly achieved through the 'at-risk' component of executive remuneration (consisting of both long-term and short-term incentives).

REMUNERATION REPORT – AUDITED (CONTINUED)**Setting Executive Remuneration (continued)***Guiding Principles (continued)***Long term value for shareholders**

Remuneration is structured to drive sustainable growth and returns to shareholders. Both short term and long term performance targets are linked to the core conditions necessary to build competitive advantages for the Company's business, without excessive risk. To ensure that executives remain focussed on long term Company outcomes:

- under the STI Plan, the Managing Director is required to take 50% of his total STI bonus (less applicable tax) in the form of shares in the Company acquired on-market and at market price. These shares are subject to restrictions and cannot be dealt with by the Managing Director until the earlier of 3 years or the termination of his employment;
- under the LTI Plan, 'vesting' of the LTI (which is the point at which the executive can derive value from their LTI award) does not occur before three years; and
- consistent with the objective of creating a meaningful alignment of interests, Senior Executives are not permitted to hedge any LTI awards that have not yet vested. Any shares acquired under the LTI Plan are subject to transfer and disposal restrictions. A Senior Executive may not sell, transfer or otherwise deal in his or her shares without first applying for and receiving Board approval for the transaction. Where the Board has approved an application to sell shares acquired under the LTI Plan, the shares may only be sold within one of the Company's 'securities trading windows' (the trading windows) and otherwise in accordance with the Company's Securities Trading Policy.

To further enhance the alignment of remuneration with long term shareholder interests, LTI grants are now tested against up to three performance hurdles that combine the relative TSR measure used for previous LTI grants with an Earnings Per Share growth hurdle (EPS) and, where appropriate, a business unit performance hurdle. This combination of measures ensures that rewards to senior executives under the LTI Plan are reflective of the Group's overall performance.

Communication & engagement of stakeholders

The Board is committed to clear disclosure and explanation of the Company's remuneration structures. In keeping with this commitment, the Board has made significant changes to the format and content of the 2010 Remuneration Report to make it more user-friendly.

In addition, the Board has had regard to the interests and views of shareholders and other stakeholders when considering remuneration issues.

The Board will, where appropriate, seek the views of shareholder representative bodies in designing and implementing changes to the Company's remuneration structures, and invite questions from shareholders on the Remuneration Report either prior to or at the 2010 Annual General Meeting (AGM).

Supporting business objectives**Remuneration structures support business objectives**

Sustained performance over the long-term is the key focus of the Company and it is the efforts of employees, under the leadership of the Board and Senior Executives, which makes the achievement of this possible.

The remuneration structures for Senior Executives support the achievement of the Company's core business objectives, as illustrated by the diagram below.

Diagram 1 - Aligning Remuneration Structures to Corporate Objectives



STIs are based on the individual performance of senior executives and linked to strategic milestones and operational targets set at the beginning of the financial year.

Key financial and non-financial performance indicators used to assess individual performance include:

- Performance to budget
- Delivering high quality patient care
- Team leadership and culture
- Succession planning
- Effective risk management
- OH&S

LTIs are aimed at aligning senior executive remuneration with shareholder returns and are delivered in the form of equity settled Performance Rights.

The vesting of LTI awards are subject to the satisfaction of the following performance hurdles measured over a specified 3-year performance period:

- EPS targets
- TSR targets
- In some cases, business unit performance is a third hurdle

REMUNERATION REPORT – AUDITED (CONTINUED)**Setting Executive Remuneration (continued)**

Supporting business objectives (continued)

Remuneration outcomes demonstrate alignment with performance objectives

The success of our remuneration structures in aligning shareholder and executive rewards is demonstrated by the close correlation between Company performance and the value derived by Senior Executives from their 'at risk' remuneration over the past 5 years.

The table below sets out the Company's performance over the past 5 years in respect of the key financial indicators identified by the Board to assess the Company's performance and future prospects.

Table 4: Year-on-year performance snapshot

Financial Year	Share Performance (\$)				Earnings Performance (\$m)		Enterprise Value ³ (\$m)
	Closing share price (A\$)	Dividend (cents/share)	TSR ¹ (%)	Core EPS (cents/share) ²	Core EBIT (\$m)	Core NPAT (\$m)	
2010	\$14.05	42.5¢	95.59%	84.5¢	\$333.8	\$178.5	\$4,254.0
2009	\$11.54	38.0¢	89.39%	74.1¢	\$303.3	\$146.4	\$3,626.1
2008	\$8.71	32.5¢	67.14%	60.7¢	\$255.6	\$123.1	\$3,050.5
2007	\$11.21	29.0¢	73.02%	54.3¢	\$212.5	\$110.9	\$2,931.0
2006	\$9.61	24.0¢	80.77%	45.3¢	\$194.2	\$91.9	\$2,712.3

1. TSR is determined over a rolling 3-year performance period

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

3. Enterprise Value is the Company's market capital (being the total number of issued ordinary shares on 30 June at the closing market share price) plus CARES and net debt.

The Company's strong year-on-year performance has resulted in Senior Executives receiving a substantial proportion of the available STI bonuses for FY2010 and the four preceding financial years. Table 5 below sets out the average proportion of the maximum bonuses that Senior Executives received for each of the past 5 financial years.

Whilst in each of these years the Company paid maximum STI bonuses or close to maximum bonuses for all Senior Executives, the Board emphasises that this result is not an indication of the KPIs being 'too soft', but instead reflects the outstanding performance and contribution of each of the Senior Executives.

Table 5: Average proportion of STI awarded, FY2006-FY2010

Financial Year	2006	2007	2008	2009	2010
% of maximum STI awarded (average for Senior Executives)	100%	100%	98%	92%	96%

Strong year-on-year performance has enabled Ramsay to outperform its peers over a longer-term time horizon. Consistent with the strong relative performance of Ramsay compared to its comparator group described on page 36 of this Report, Senior Executives have derived significant value from their LTI grants over the past 4 years – as shown in table 6 below.

Table 6: Vesting levels achieved under the LTI Performance Rights Plan over the last four years

Financial Year	TSR Percentile Ranking for Vesting to Commence	TSR Percentile Ranking for Full Vesting	Actual TSR Percentile Ranking Achieved ¹	Performance Rights Vesting under LTI Plan
2010	50%	75%	95.59%	100%
2009	50%	75%	89.39%	100%
2008	50%	75%	67.14%	84.28% ²
2007	50%	75%	73.02%	96.04% ²

1. TSR measured over the 3-year performance period up to the close of each relevant Financial Year

2. Unvested rights subsequently vested on re-testing in accordance the terms of issue

The table above shows a high level of correlation between the returns delivered by the Company to its shareholders (against its comparator group) and the level of vesting of Senior Executive LTIs, which demonstrates that the intended alignment between shareholder and Senior Executive interests is being achieved in practice. It is envisaged that the introduction of two, and in some cases, three separate performance hurdles under the LTI plan will reinforce and strengthen this alignment and will ensure that it continues to operate effectively in changing market conditions.

Further details of the terms of the STI and LTI plans are set out in the 'Senior Executive Remuneration: In Detail' section below.

REMUNERATION REPORT – AUDITED (CONTINUED)

SENIOR EXECUTIVE REMUNERATION: IN DETAIL

Remuneration Components

Remuneration components & their relative weightings

Total remuneration for the Managing Director and Senior Executives is made up of fixed remuneration (comprising base salary and superannuation) and variable remuneration.

The variable remuneration has two 'at risk' components:

- STI – an annual bonus linked to Company performance and achievement of strategic objectives; and
- LTI – equity grants tied to vesting conditions dependent on the satisfaction of challenging performance hurdles.

The relative weightings of the three remuneration components of the senior executives are determined by the Board on the recommendation of the Remuneration Committee and are set out in the table below:

Table 7: Relative weightings of remuneration components for FY2010

	% of total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
		STI	LTI ¹
C.P. Rex	34%	30%	36%
B.R. Soden	56%	23%	21%
D.A. Sims	57%	24%	19%
C.R. McNally	58%	22%	20%
J.M. Watts	71%	16%	13%

1. Assumes all hurdles are achieved in full.

Fixed remuneration

The remuneration for all Senior Executives includes a fixed component expressed as a dollar amount. This fixed component is comprised of base salary and employer superannuation contributions. The executive may take their base salary in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans.

Fixed remuneration is reviewed annually by the Remuneration Committee with reference to:

- each Senior Executive's individual and business unit performance; and
- relevant comparative compensation in the market.

Executive remuneration levels are market-aligned by comparison to similar roles in industrial companies with international operations of similar size to Ramsay in terms of enterprise value and revenue. The comparator group chosen for benchmarking comprised 20 companies, with 10 larger and 10 smaller than the Group's enterprise value and revenue.

The independent consultant engaged by the Remuneration Committee to provide the benchmarking data for purposes of the FY2010 remuneration review process was Godfrey Remuneration Group. The comparator group referred to above was chosen by the Godfrey Remuneration Group after excluding incompatible companies and companies from the Finance and Resource sectors. The Godfrey Remuneration Group has no link to the Company, its Directors, or Senior Executives other than as a professional service provider.

The Board is satisfied after receiving independent advice, and having given due consideration to the level of fixed remuneration paid by the companies in the comparator group, that the fixed remuneration of the Managing Director and the other Senior Executives is fair and reasonable.

Short-term Incentive (STI)

Table 8 – Summary of STI Plan

What is the STI program?	An incentive plan under which participants are eligible to receive an annual bonus if they satisfy pre-determined operational, strategic and individual performance targets.
Who participates in the STI program?	Senior Executives (including the Managing Director) as well as other key executives below the senior executive team on a discretionary basis.
Why does the Board consider the STI program an appropriate incentive?	<p>The STI program and the performance conditions set under the program are designed to motivate and reward high performance.</p> <p>The STI program puts a significant proportion of Senior Executive remuneration at-risk against meeting targets linked to the Company's business objectives. This aligns executive interests with the Company's financial performance and with the management principles and cultural values of the Company.</p> <p>The total potential STI available is set at a level designed to provide sufficient incentive to the executive to achieve the operational targets at a cost to the Company that is appropriate in the circumstances.</p>
Are both target and stretch performance conditions imposed?	<p>Stretch targets apply to the Managing Director's STI bonus so that if his performance exceeds the already challenging targets, the STI program will deliver higher rewards. The Managing Director's STI bonus is determined on the basis of key performance indicators (KPIs), with 60% of the total maximum award available where target performance is achieved and a further 40% of the total maximum award available for satisfying stretch targets. The stretch targets are designed to be met only in exceptional circumstances. They are broken down into two equal components, namely non-financial and financial criteria.</p> <p>For all other Senior Executives, a single set of challenging KPIs apply to the entire STI bonus (although the specific targets vary between individual executives – as explained below).</p>

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)***Remuneration Components – Short-term Incentive (STI) (continued)*

Table 8 – Summary of STI Plan...cont.

What are the key performance indicators (KPIs)?	<p>The KPIs vary, depending on the individual executive's position. Formal KPIs have been set for each of the Senior Executives, including the Managing Director. STI awards for all other executives below Senior Executive level are made on a discretionary basis.</p> <p>For the Managing Director, STI awards, as noted above, are linked to both base and stretch KPI targets:</p> <ul style="list-style-type: none">• Base KPIs – 60% of the potential STI award is determined by reference to base KPI targets, which are equally divided between financial and non-financial measures.• Stretch KPIs – 40% of the STI award is determined by reference to the additional KPIs, or stretch targets which are designed to be met only in exceptional circumstances. The STI stretch targets are also equally divided between financial and non-financial measures. <p>For other Senior Executives, STI awards are linked to performance against specific operational targets set around the beginning of the financial year. Operational targets consist of a number of KPIs covering both financial and non-financial measures.</p> <p>Depending upon the Senior Executive's responsibilities, the emphasis upon financial and non-financial measurements can vary significantly.</p> <p><i>Table 9 – Financial and Non-Financial KPIs for FY2010</i></p> <table><tr><th></th><th>% Financial KPIs</th><th>% Non-financial KPIs</th></tr><tr><td>C.P. Rex</td><td>50%</td><td>50%</td></tr><tr><td>B.R. Soden</td><td>65%</td><td>35%</td></tr><tr><td>C.R. McNally</td><td>15%</td><td>85%</td></tr><tr><td>D.A. Sims</td><td>50%</td><td>50%</td></tr><tr><td>J.M. Watts</td><td>60%</td><td>40%</td></tr></table>		% Financial KPIs	% Non-financial KPIs	C.P. Rex	50%	50%	B.R. Soden	65%	35%	C.R. McNally	15%	85%	D.A. Sims	50%	50%	J.M. Watts	60%	40%
		% Financial KPIs	% Non-financial KPIs																
	C.P. Rex	50%	50%																
	B.R. Soden	65%	35%																
	C.R. McNally	15%	85%																
	D.A. Sims	50%	50%																
	J.M. Watts	60%	40%																
	<p>Specific examples of financial measures used for FY2010 include:</p> <ul style="list-style-type: none">• Core NPAT performance to budget• Core EBIT performance to budget• Business unit contribution to EBIT• Capital and Financial Management• Strategic financial planning <p>Specific examples of non-financial measures used for FY2010 include:</p> <ul style="list-style-type: none">• Delivering safe, high quality patient care• Promotion of the 'Ramsay Way' culture• Team leadership• Risk management• OH&S• Private health fund and doctor relationship• Strategic planning and development• New business initiatives• Succession planning• Investor relations																		
	How are the performance conditions measured?	<p>Performance is assessed against the relevant operational targets annually as part of the broader performance review process for the individual executives. Financial KPIs are assessed quantitatively against predetermined benchmarks. Non-financial KPIs are assessed quantitatively where possible and otherwise by periodic qualitative performance appraisal.</p> <p>Where applicable any abnormal, extraordinary or unanticipated factors which may have affected the Company's performance during the year are considered and where necessary, the relevant performance measure is adjusted.</p>																	
	Who assesses the performance of Senior Executives?	<p>The Remuneration Committee assesses the Managing Director's performance against his KPIs and stretch KPIs and makes a recommendation to the Board for final determination.</p> <p>The Managing Director assesses the performance of all other senior executives and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination.</p>																	
In what form is the STI delivered?	<p>All STI awards are delivered as a cash bonus to Senior Executives, with the exception of the Managing Director.</p> <p>Under the Managing Director's Executive Service Agreement, the Company must withhold 50% of his total STI bonus, less applicable tax, to be applied towards on-market purchase of ordinary shares in the Company at market price. These shares do not form part of the share based payments for the purposes of note 27.1 of the Financial Statements. The shares are restricted and cannot be dealt with by the Managing Director until the earlier of his ceasing employment with the Group or 3 years from the date they are acquired. The restriction on trading is aimed at strengthening the link between the Managing Director's remuneration and shareholder interests, as it provides an additional incentive for the Managing Director to focus on long-term, sustainable growth. These shares are only ever acquired on-market during the trading windows, in accordance with the Company's Securities Trading Policy.</p> <p>The remaining 50% of the Managing Director's total STI bonus is paid in cash, less applicable tax.</p>																		

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)***Remuneration Components – Short-term Incentive (STI) (continued)*

Table 8 – Summary of STI Plan...cont.

What if a Senior Executive ceases employment?	If a Senior Executive ceases employment with the Company before STI targets are achieved, then they will generally not be entitled to receive any STI bonus. If cessation is due to illness, disability, death or Company-initiated termination other than for cause (for example redundancy) the Senior Executive may receive a pro-rata STI entitlement.
What STI awards did Senior Executives earn in FY2010?	STI bonuses for FY2010 are set out in table 10 below. The bonuses are only paid after the statutory auditors have signed off on the financial accounts for the full year. The shares for the Managing Director are acquired on-market and within the trading windows.

Table 10 – STI bonuses for FY2010 – to be paid in FY2011

STI Bonuses – Base KPI's	Actual STI awarded to be paid in FY2011 (\$)	Maximum potential STI bonus ¹ (\$)	Actual STI awarded as % of maximum STI
C.P. Rex ²	783,750	783,750	100%
B.R. Soden	374,000	374,000	100%
D.A. Sims	300,000	300,000	100%
C.R. McNally	250,000	250,000	100%
J.M. Watts	148,917	148,917	100%
STI Bonuses – Stretch KPI's			
C.P. Rex ²	418,000	522,500	80%

1. The maximum potential value of the Managing Director's FY2010 STI award will depend on movements in the Company's share price over the 3 year restriction period for the deferred component. The maximum potential value of the FY2010 STI awards for other Senior Executives (who receive STI awards wholly in cash) is the amount disclosed. A minimum level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI for all participants in FY2010 was nil.
2. For Mr Rex, 60% of his total maximum bonus is awarded where KPI performance levels are achieved. The remaining 40% only becomes available where performance exceeds stretch KPI target levels, in which case some or all of this 40% may be awarded based on performance against stretch KPI targets.
3. As Mr Rex exceeded target performance levels for FY2010 and partially succeeded in meeting the stretch targets, his total FY2010 STI award is 92% of the total maximum STI available for the financial year.

Long-term Incentive (LTI)

Table 11 – Summary of LTI Plan

What is the purpose of the LTI program?	The purpose of the LTI program is to align Senior Executive reward with shareholder wealth by tying this component of Senior Executive remuneration to the achievement of performance conditions which underpin sustainable long term growth.
Who participates in the LTI program?	Participation in the LTI program is only offered to Senior Executives who are able to significantly contribute to the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles.
What proportion of total remuneration does the LTI program represent?	The Senior Executives, including the Managing Director were offered grants under the LTI program for FY2010 designed to be equivalent to approximately 34% of their total remuneration (on an annualised basis) subject to full satisfaction of performance hurdles. However, Senior Executives will not derive actual value from their LTI grants unless challenging performance hurdles are achieved.
How is reward delivered under the LTI program?	LTI grants are delivered to participating Senior Executives in the form of equity-based Performance Rights under the Company's Executive Performance Rights Plan previously approved by shareholders. Each Performance Right is an entitlement to receive a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a 3 year period. If the vesting conditions are satisfied, the Performance Rights vest and shares will be delivered to the Senior Executive.
Do participants pay for the Performance Rights?	Performance Rights are offered at no cost to the Senior Executive.
What rights are attached to the Performance Rights?	Performance Rights do not carry voting or dividend rights, however shares allocated upon vesting of Performance Rights will carry the same rights as other ordinary shares. The Company prohibits hedging of Performance Rights. Shares acquired under the LTI Plan are subject to transfer and disposal restrictions. Shares cannot be sold, transferred or otherwise disposed without Board approval. Where the Board has approved an application for the disposal restrictions to be lifted on shares acquired under the LTI Plan, the shares may only be sold within one of the 'share trading windows' and otherwise in accordance with the Company's Securities Trading Policy.

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)***Remuneration Components – Long-term Incentive (LTI) (continued)*

Table 11 – Summary of LTI Plan...cont.

What are the performance hurdles?	<p>Grants made prior to FY2009 had a single performance hurdle, namely relative Total Shareholder Return.</p> <p>In response to shareholder feedback, this was reviewed for FY2009.</p> <p>For Performance Rights granted since FY2009, vesting is linked to two (or, in some cases, three) independently applying performance conditions:</p> <ul style="list-style-type: none"> • Relative Total Shareholder Return (TSR); • Earnings Per Share Growth (EPS); and • Business unit performance. <p>Where a grant is not subject to the business unit hurdle, the Performance Rights granted to a Senior Executive are split into two equal components, one of which is tested against the relative TSR hurdle and the other against the EPS hurdle. Where the business unit hurdle applies to a grant, the grant is split into three equal components, one of which is tested against the relative TSR hurdle, one of which is tested against the EPS hurdle and one of which is tested against the business unit hurdle.</p> <p>The business unit hurdle only applies to grants made to Senior Executives who have a degree of control over a discrete business unit.</p> <p>There has been no change to the structure of the LTI Plan since FY2009.</p> <p>Diagram 2 below demonstrates the way in which these performance conditions interact and the times at which an LTI grant is tested and has the opportunity to vest.</p>										
How is the relative TSR hurdle measured?	<p>Relative TSR hurdle</p> <p>The relative TSR hurdle is determined by measuring and ranking the Company's return relative to a comparator group comprising the last 100 companies in the ASX 200 index at the end of the 3 year performance period. This comparator group is adjusted to exclude companies in the metals and mining category and companies which have undergone mergers, takeovers or insolvency during the performance period. This broad industry group is used as there are too few Australian healthcare companies of similar size to Ramsay for benchmarking purposes.</p> <p>Performance Rights vest on a sliding scale, with half vesting for performance at the 50th percentile ranking, up to full vesting for performance at or above the 75th percentile ranking.</p> <p>The following table outlines the vesting schedule:</p> <p><i>Table 12 – TSR vesting schedule</i></p> <table data-bbox="464 1077 1385 1296"> <tr> <th>Company's TSR ranking in the comparator group</th><th>% of Performance Rights that vest</th></tr> <tr> <td>TSR below 50th percentile</td><td>Nil</td></tr> <tr> <td>TSR at 50th percentile</td><td>50%</td></tr> <tr> <td>TSR between 51st & 75th percentile</td><td>Between 50% and 100% increasing on a straight line basis</td></tr> <tr> <td>TSR above 75th percentile</td><td>100%</td></tr> </table> <p>If the TSR hurdle is not achieved on the first test date then unvested Performance Rights will be rolled forward for re-testing on two more occasions at six monthly intervals.</p> <p>As the comparator group used for assessing Ramsay's TSR is very broad, with a composition of companies from a range of sectors, the Directors believe that the measurement of the Company's TSR performance on the first test may not necessarily reflect the Company's true relative TSR performance. In particular, the Company's share price may be significantly impacted by unexpected market forces external to the Company. Accordingly it is felt that re-testing on two further occasions (if necessary) will afford a fairer opportunity for assessing the Company's TSR performance.</p> <p>If the TSR hurdle is not satisfied on the second and final re-test, all unvested Performance Rights will immediately lapse.</p>	Company's TSR ranking in the comparator group	% of Performance Rights that vest	TSR below 50th percentile	Nil	TSR at 50th percentile	50%	TSR between 51st & 75th percentile	Between 50% and 100% increasing on a straight line basis	TSR above 75th percentile	100%
Company's TSR ranking in the comparator group	% of Performance Rights that vest										
TSR below 50th percentile	Nil										
TSR at 50th percentile	50%										
TSR between 51st & 75th percentile	Between 50% and 100% increasing on a straight line basis										
TSR above 75th percentile	100%										
How is the EPS hurdle measured?	<p>EPS hurdle</p> <p>EPS was introduced as an LTI performance hurdle for the first time in FY2009.</p> <p>EPS is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations.</p> <p>The EPS hurdle is measured by comparing the Company's aggregate EPS over 3 years against the aggregate threshold (or minimum) EPS target and the maximum EPS target as set by the Board after the announcement of the full year financial results.</p> <p>These targets are set annually by the Board to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook. The Board believes that this approach is better aligned to shareholders' interest than setting a 3 year target in advance which may become unrealistically high or unrealistically low as market conditions change over the 3 year period. The annual targets are then aggregated to provide the threshold and maximum 3 year targets for vesting of Performance Rights.</p> <p>Performance Rights vest on a sliding scale, with half vesting for achieving the aggregate threshold EPS target up to full vesting for achieving the aggregate maximum EPS growth.</p> <p>No retesting of the EPS hurdle is permitted.</p>										

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)***Remuneration Components – Long-term Incentive (LTI) (continued)*

Table 11 – Summary of LTI Plan...cont.

How is the EPS hurdle measured?...cont.	<p>The Performance Rights that vest in relation to the Company's EPS will vest in accordance with the following table.</p> <p><i>Table 13 – EPS vesting schedule</i></p> <table border="1"> <thead> <tr> <th>Aggregate EPS Performance</th><th>% of Performance Rights that vest</th></tr> </thead> <tbody> <tr> <td>Less than aggregate threshold EPS target</td><td>Nil</td></tr> <tr> <td>Equal to aggregate threshold EPS target</td><td>50%</td></tr> <tr> <td>Greater than aggregate threshold EPS target up to the aggregate maximum EPS target</td><td>Between 50% and 100% increasing on a straight line basis</td></tr> <tr> <td>Greater than aggregate maximum EPS target</td><td>100%</td></tr> </tbody> </table> <p>Due to their commercial sensitivity, the annual EPS hurdles and the extent to which the hurdles have been achieved can only be disclosed retrospectively. However, the Company is able to disclose that for the year ended 30 June 2010 the maximum EPS target was set at 78.1 cents per share and the threshold EPS target was 90% of the maximum target, 70.2 cents.</p> <p>The EPS targets were adjusted to take into account the capital raising that took place in September/October 2009. This adjustment was necessary to take into account the additional shares that were issued under the capital raising and the effect that this had on the Company's expected EPS.</p> <p>The FY2010 audited accounts indicate that the EPS achieved was 84.54 cents per share. Since the EPS component is determined as the aggregate EPS performance over a 3 year period, the extent of vesting of the EPS component of the LTI for the first year of introduction will not be determined until after 30 June 2011. There is no retesting mechanism for the EPS component of the LTI.</p>	Aggregate EPS Performance	% of Performance Rights that vest	Less than aggregate threshold EPS target	Nil	Equal to aggregate threshold EPS target	50%	Greater than aggregate threshold EPS target up to the aggregate maximum EPS target	Between 50% and 100% increasing on a straight line basis	Greater than aggregate maximum EPS target	100%
Aggregate EPS Performance	% of Performance Rights that vest										
Less than aggregate threshold EPS target	Nil										
Equal to aggregate threshold EPS target	50%										
Greater than aggregate threshold EPS target up to the aggregate maximum EPS target	Between 50% and 100% increasing on a straight line basis										
Greater than aggregate maximum EPS target	100%										
How is the business unit hurdle measured?	<p>Business unit performance hurdle</p> <p>As noted above, the business unit performance hurdle only applies to grants made to executives who have a real degree of control over a specific business unit.</p> <p>Examples of executives subject to business unit performance hurdles include State Managers in Australia and the CEO of the Group's UK Operations. Specific performance conditions for those executives regarding their relevant business units are determined by the Managing Director and endorsed by the Remuneration Committee and the Board.</p> <p>These performance conditions vary from executive to executive and include specific financial targets.</p> <p>The component of an executive's LTI grant that is subject to a business unit performance hurdle will be assessed at the end of the 3-year performance period in accordance with various strategic objectives and milestones derived from the Company's 5-year plan. Separate performance conditions are set by the Board in respect of each business unit at the beginning of the performance period.</p> <p>Those executives to whom this hurdle is applicable need to fully satisfy the performance condition for their relevant business unit. There is no sliding scale and there is no re-testing mechanism.</p>										
Why have the performance hurdles been chosen?	<p>The TSR hurdle has been chosen because it provides a direct link between executive reward and shareholder return (relative to the Company's peers). Executives will not derive any value from the LTI grants made in FY2010 unless the Company's performance is at least at the median of the comparator group.</p> <p>The EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings and is linked to shareholder returns. The EPS growth hurdle is also linked to the Company's overall strategic objectives and requires that the Company's EPS growth over the performance period is greater than the targets set by the Board.</p> <p>The business unit performance measure is an additional hurdle chosen only for those executives who have a degree of control over the performance of discrete parts of the Group's business. The purpose of this additional hurdle for these executives is to help focus their efforts towards continually improved performance of the business unit for which they are responsible.</p> <p>Diagram 2 on page 38 demonstrates the operation of the performance hurdles noted above.</p>										
What if a Senior Executive ceases employment?	<p>Under the terms of issue of the LTI grants and the LTI Plan Rules, if a participant ceases employment with the Company before the performance conditions are tested, then the unvested Performance Rights will generally lapse.</p> <p>If cessation is due to death, illness, disability or redundancy, or where the Board consents, some or all of the unvested Performance Rights may vest at the Board's discretion having regard to pro-rata performance.</p> <p>Where an executive acts fraudulently, dishonestly or is, in the Board's opinion, in breach of his or her obligations to the Company, then any unvested Performance Rights will lapse.</p> <p>Any Performance Rights that vest upon cessation of employment will remain subject to the trading restrictions set out above.</p>										
What happens in the event of a change in control?	<p>In the event of a takeover or change of control of the Company, any unvested Performance Rights may vest at the Board's discretion, having regard to pro-rata performance.</p>										

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)****Remuneration Components – Long-term Incentive (LTI) (continued)**

Table 11 – Summary of LTI Plan...cont.

What Performance Rights were granted for FY2010?	These are summarised in table 14 below. The Board, consistent with past practice, sources the underlying shares on-market for the Performance Rights that it is granting. However, in the interests of transparent corporate governance, the Company will be seeking shareholder approval for the proposed grants of Performance Rights to its Executive Directors, Mr Rex and Mr Soden, at the 2010 AGM.
What was the movement in the number and value of Performance Rights by Senior Executives during FY2010?	These are summarised in table 15 below.

Diagram 2 – Operation of LTI hurdles

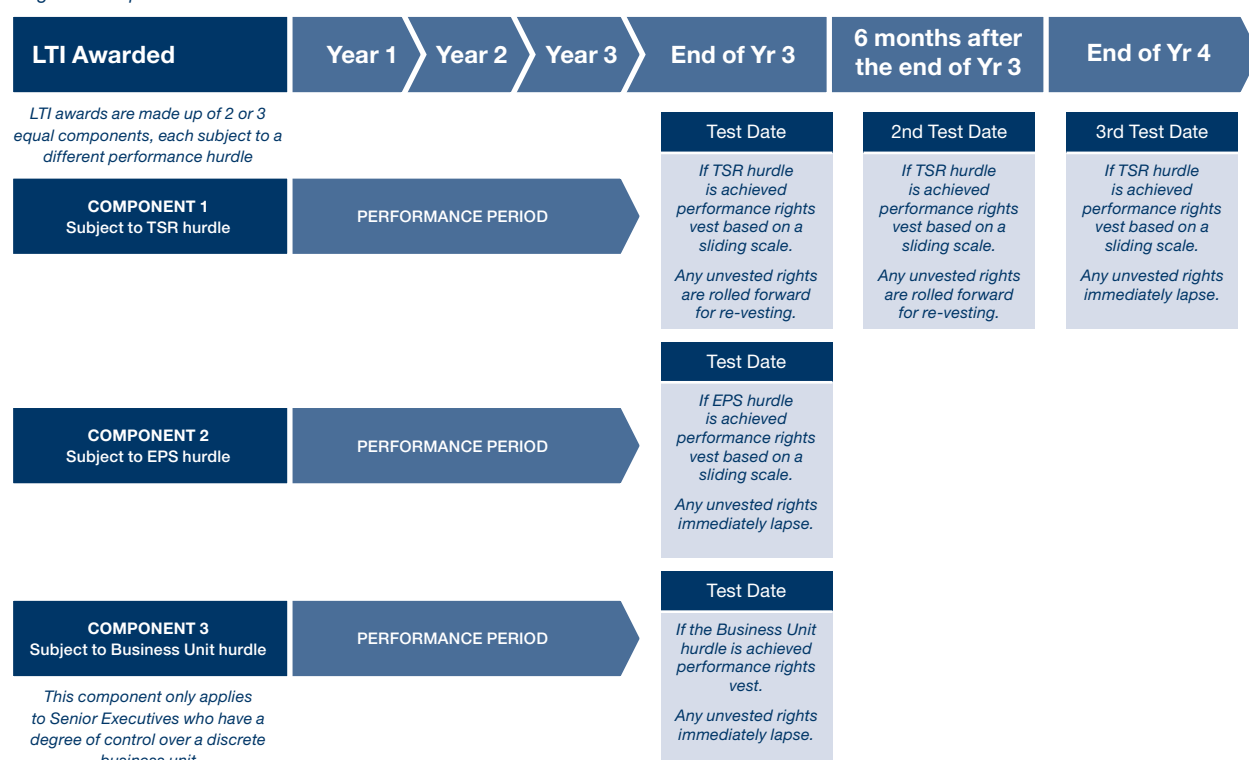


Table 14 – Performance Rights granted in FY2010

Senior Executive	Performance Condition	Number of Performance Rights Granted ¹	Fair value per Performance Right ³	Maximum value of grant ⁴
C.R. Rex	TSR	27,500	\$7.58	\$208,450
	Core EPS	27,500	\$9.68	\$266,200
		55,000		\$474,650
B.R. Soden	TSR	25,000	\$7.58	\$189,500
	Core EPS	25,000	\$9.68	\$242,000
		50,000		\$431,500
C.R. McNally	TSR	17,500	\$7.58	\$132,650
	Core EPS	17,500	\$9.68	\$169,400
		35,000		\$302,050
D.A. Sims	TSR	20,000	\$7.58	\$151,600
	Core EPS	20,000	\$9.68	\$193,600
		40,000		\$345,200
J.M. Watts	TSR	6,666	\$7.58	\$50,528
	Core EPS	6,667	\$9.68	\$64,536
	Business Unit	6,667	\$9.68	\$64,536
		20,000		\$179,600

1. The grants made to Senior Executives constituted their full LTI entitlement for FY2010 and were made on 20 October 2009 on the terms summarised above.

2. Performance Rights vest subject to performance over the 3 year period from 1 July 2009 through to 30 June 2012. Performance Rights lapse where the performance conditions are not satisfied on testing. As the Performance Rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the Senior Executives forfeited Performance Rights during FY2010.

3. The fair value was calculated by independent consultants, PriceWaterhouseCoopers, as at the grant date of 20 October 2009. An explanation of the pricing model used to calculate these values is set out in note 27 to the financial statements.

4. The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.

REMUNERATION REPORT – AUDITED (CONTINUED)**Senior Executive Remuneration: In Detail (Continued)***Remuneration Components – Long-term Incentive (LTI) (continued)*

Table 15 – Movement in Performance Rights to date of this report

	Date of grant	Number of rights granted	Vesting date	Number of rights vested ¹	Value of rights vested ² \$	Number of rights forfeited / lapsed ³	Value of rights forfeited / lapsed \$
C.P. Rex							
Equity Settled Performance Rights	31-Oct-06	48,387	31-Jul-09	48,387	\$508,872	-	-
	23-Oct-07	42,306	31-Jul-10	42,306	\$609,160	-	-
	30-Dec-08	50,000	31-Aug-11	-	-	-	-
	20-Oct-09	55,000	30-Sep-12	-	-	-	-
Equity based retention rights	1-Jul-08	600,000	1-Jul-13	-	-	-	-
B.R. Soden							
Equity Settled Performance Rights	31-Oct-06	31,682	31-Jul-09	31,682	\$333,190	-	-
	23-Oct-07	27,700	31-Jul-10	27,700	\$398,850	-	-
	30-Dec-08	45,000	31-Aug-11	-	-	-	-
	20-Oct-09	50,000	30-Sep-12	-	-	-	-
C.R. McNally							
Equity Settled Performance Rights	31-Oct-06	23,041	31-Jul-09	23,041	\$242,315	-	-
	23-Oct-07	20,146	31-Jul-10	20,146	\$290,080	-	-
	30-Dec-08	25,000	31-Aug-11	-	-	-	-
	20-Oct-09	35,000	30-Sep-12	-	-	-	-
D.A. Sims							
Equity Settled Performance Rights	31-Oct-06	11,521	31-Jul-09	11,521	\$121,163	-	-
	23-Oct-07	10,073	31-Jul-10	10,073	\$145,040	-	-
	30-Dec-08	35,000	31-Aug-11	-	-	-	-
	20-Oct-09	40,000	30-Sep-12	-	-	-	-
J.M. Watts							
Equity Settled Performance Rights	30-Dec-08	20,000	31-Aug-11	-	-	-	-
	20-Oct-09	20,000	30-Sep-12	-	-	-	-

1. On the vesting of each Performance Right, the holder received one fully paid ordinary share in the Company.

2. The amount is based on the Company's 5-day volume weighted share price (VWAP) on the date of vesting (as there is no exercise price payable in respect of Performance Rights).

The value of each Performance Right on vesting was:

- \$10.5167 on 31 July 2009
- \$14.3989 on 31 July 2010

3. The performance conditions attaching to Performance Rights which vested on 31 July 2009 and 31 July 2010 were fully satisfied, and there were no forfeitures or lapsing Performance Rights for the respective performance periods.

Total Remuneration

Table 16 – Senior Executive remuneration (calculated in accordance with accounting standards) for FY2010 and FY2009

6. Ms Stock who was in the top five remunerated executives in FY2009, ceased employment with Ramsay UK in April 2009.

REMUNERATION REPORT – AUDITED (CONTINUED)
Senior Executive Remuneration: In Detail (Continued)

Service Agreement

Mr Christopher Rex

Details of the Managing Director's Executive Service Agreement are set out in the table below.

Table 17 – Key terms of Executive Service Agreement for C. Rex

Duration	From 1 July 2008 to 30 June 2013 (5 years). The Company must notify Mr Rex at least 3 months prior to the end of the 5 year 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.
Termination by Managing Director	12 months' notice. Company may elect to make payment in lieu of notice. No further STI entitlement. All unvested equity instruments (under the Company's LTI Plan and the Retention Benefit) will lapse.
Termination for illness / disability	6 months' notice. Company may elect to make payment in lieu of notice. Pro-rata STI entitlement. Full vesting of Retention Benefit. Unvested entitlements under the LTI Plan will lapse.
Termination upon death	Pro-rata STI entitlement. Full vesting of Retention Benefit and LTI Plan entitlements (subject to satisfaction of performance hurdles).
Termination for cause	No notice required. No further STI entitlement. All unvested equity instruments will lapse.
Other Company initiated termination	12 months' notice. Company may elect to make payment in lieu of notice. Pro-rata STI entitlement. Full vesting of Retention Benefit. Unvested entitlements under the LTI Plan will lapse.

Upon his appointment on 1 July 2008, the Managing Director was granted 600,000 share rights in the Company that vest on 1 July 2013 (or on termination by the Company other than for cause). This grant, which is retention-driven and is therefore not subject to performance hurdles, reflects the kind of equity opportunity that the Managing Director would have been offered at the time of his appointment by private equity funds in Europe seeking new management for health care businesses. As disclosed to the ASX at the time of Mr Rex's appointment in February 2008, he is entitled to any dividends (or cash equivalent) paid on the underlying shares.

Other Senior Executives

No other senior executives have written employment/service contracts and therefore their employment is continuing until terminated by either the individual executive or the Company. On termination, reasonable notice will apply and the executive will be entitled to any benefits that they have earned prior to termination (including statutory entitlements) and any applicable payments under Ramsay policies.

Mr Patrick Grier

Following his retirement as Managing Director on 30 June 2008, Mr Patrick Grier agreed to provide on-going management consultancy services to the Company as part of transitional arrangements to the current Managing Director, Mr Christopher Rex.

Under the terms of the agreement, a company related to Mr Grier was paid a consultancy fee of \$10,000 per month during FY2010. This was in addition to his fees as a Non-Executive Director shown in table 21.

As the transitional arrangements are now complete, the consultancy arrangement ceased as at 30 June 2010 and no further consultancy fees are payable to Mr Grier.

REMUNERATION REPORT – AUDITED (CONTINUED)

NON-EXECUTIVE DIRECTOR REMUNERATION

Guiding Principles

The Company's remuneration policy as set by the Board is summarised below and highlights how the Company's remuneration approach achieves both the remuneration policy objective and broader business objectives.

Table 18 – Non-Executive Director remuneration – guiding principles

Principle	Explanation
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of \$1,400,000 (excluding the superannuation guarantee levy) was approved by shareholders at the 2007 AGM. A resolution will be put to shareholders at the 2010 AGM to increase the fee pool to \$2,000,000 which would be inclusive of superannuation contributions made by the Company for the benefit of Non-Executive Directors. This proposal is discussed further on page 43 of this Report.
Fees are set by reference to key considerations	The annual amount of the aggregate fee pool for Non-Executive Directors and the manner in which it is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration a number of relevant factors including: <ul style="list-style-type: none"> the responsibilities and risks attaching to the role of Non-Executive Directors; the time commitment expected of Non-Executive Directors; the fees paid by peer companies to Non-Executive Directors; and the independent advice received from external advisers. In the FY2010 review of Non-Executive Directors' fees, the Remuneration Committee engaged the services of independent consultants, Godfrey Remuneration Group. The comparator group which was used to benchmark Non-Executive Director fees with similar sized companies with international operations, was prepared by the Godfrey Remuneration Group on the same basis as that used for the review of senior executive remuneration, refer page 33.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, no element of Non-Executive Director remuneration is 'at risk'. In other words, it is not based on the performance of the Company. However, to create alignment between Directors and Shareholders, Directors are encouraged to hold shares in the Company (purchased by the Director on-market). All Non-Executive Directors have acquired shares in the Company, and hold them in their own right.
Reviews of remuneration	The Remuneration Committee and the Board annually reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of good corporate governance.

Board & Committee Fees

Table 19 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	Fees, per annum, for FY2010: <ul style="list-style-type: none"> Board: <ul style="list-style-type: none"> Chairman - \$261,250 Deputy Chairman - \$130,625 Members - \$104,500 Audit Committee: <ul style="list-style-type: none"> Chairman - \$35,000 Members - \$22,500 Risk Management Committee: <ul style="list-style-type: none"> Chairman - \$30,000 Members - \$20,000 Remuneration Committee: <ul style="list-style-type: none"> Chairman - \$17,500 Members - \$12,500 Nomination Committee: <ul style="list-style-type: none"> Chairman - Nil Members - Nil
Other fees/benefits	No additional fees for special duties or exertions were paid during FY2010 (except for Mr Grier – refer to page 41). Non-Executive Directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.
Post-employment benefits	Superannuation contributions are made on behalf of the Non-Executive Directors at a rate of 9%, which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was \$14,469 per Director for FY2010. Certain Non-Executive Directors are entitled to retirement benefits under the Directors Retirement Benefits Plan. During the year, the Board resolved to suspend the Retirement Benefits Plan and participating Directors' benefits were frozen with effect from 31 December 2009. Further details are provided below.

REMUNERATION REPORT – AUDITED (CONTINUED)

Board & Committee Fees (Continued)

The Company is proposing to increase the Non-Executive Director fee cap to \$2,000,000 (inclusive of superannuation) per annum at the 2010 Annual General Meeting. Unlike the current fee pool, the proposed fee pool would be inclusive of superannuation contributions made by the Company for the benefit of Non-Executive Directors (which is consistent with recent changes made to the ASX Listing Rules) and any fees which a Non-Executive Director agrees to sacrifice on a pre-tax basis. The current fee pool of \$1,400,000, excluding superannuation, was approved by shareholders at the 2007 AGM.

The Company believes that this proposed increase is reasonable because it will:

- include superannuation contributions made by the Company for the benefit of Non-Executive Directors;
- allow for some growth in Non-Executive Directors' remuneration in future years, to reflect market competitiveness for Non-Executive Directors with the skills and experience which are most relevant to the business strategy of the Company;
- create flexibility to appoint additional Non-Executive Directors, as the Company continues to expand in Australia and overseas and as the Board considers potential additional appointments to satisfy on-going board renewal and board diversity objectives; and
- recognise the increased workload of Non-Executive Directors due to the growth in scale and complexity of the Company's business since November 2007, when the aggregate of Non-Executive Directors fees (\$1,400,000 per annum) was last approved by shareholders. Since then, the Company has commenced operations in the United Kingdom (33 facilities acquired on 23 November 2007, expanded to 38 facilities at the date of this report) and in France (9 facilities acquired on 29 March 2010). This expansion has increased the commitments of directors, particularly by requiring knowledge and understanding of the Company's businesses, governance requirements and business practices in the markets and health sectors of Australia, Indonesia, UK and France. The scale of expansion of the Ramsay business is illustrated in the financial indicators of Company growth in table 4 of this Report.

Freezing Retirement Benefits

Overview of Retirement Benefit Plan

Prior to 1 January 2010, Non-Executive Directors were entitled to retirement benefits after serving a minimum service period of three years with the Company. The amount of the retirement benefit did 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, accrued 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 was the later).

In October 2003, the Directors' Retirement Benefit Plan was 'grandfathered' to apply only to the then currently serving Non-Executive Directors. Hence the Directors' Retirement Benefit Plan does not apply to any Non-Executive Directors appointed after October 2003.

Suspension of Retirement Benefit Plan

In June 2010, the Board resolved, subject to shareholder approval, to freeze the operation of the Directors' Retirement Benefit Plan with effect from 31 December 2009. The Company, as a result of amendments to the termination benefit provisions in the Act, is required to obtain shareholder approval for the frozen entitlement to be paid upon retirement of each affected Non-Executive Director in accordance with sections 200B and 200E of the Act. As a result of this decision:

- the accrued benefits of participating Directors will be frozen as at 31 December 2009;
- to preserve their real value, the frozen benefits will be indexed in line with the one year Commonwealth Government Bond Rate (adjusted twice a year);
- no other adjustments will be made to the value of the frozen benefits. In particular, a Director's entitlement will no longer be adjusted based on future increases in directors' fees or years of service; and
- upon retirement, a payment equal to the indexed value of the frozen benefit will be made to the participating Director.

The Board engaged external consultants to assist the Company in its proposal to freeze the Non-Executive Directors' Retirement Benefits Plan. This included advice on taxation, accounting and governance issues relating to this proposal.

A range of options were considered, including freezing the levels of retirement benefits and paying the balance to Non-Executive Directors immediately and converting retirement benefits into a notional value of shares in the Company.

It was recognised by the Remuneration Committee and the Board that alignment with the interests of shareholders as a whole was the paramount consideration.

Hence it was decided:

- 1) to bring forward the date of freezing of the retirement benefits to 31 December 2009;
- 2) not to pay the balance to Non-Executive Directors at this time. All Non-Executive Directors will only receive their benefit on retirement;
- 3) to keep the plan simple and not to convert the funds into notional shares in the Company; and
- 4) to freeze the benefits existing as at 31 December 2009, subject only to indexation (based on the one year Commonwealth Bond Rate, adjusted twice a year) to preserve the real value of the benefits.

The Board believes that the freezing of the Non-Executive Directors' Retirement Benefits Plan as at 31 December 2009 is in the best interests of all shareholders as it breaks the nexus between the Non-Executive Directors' retirement benefits and future increases in directors' fees.

Accrued benefits

The value of the frozen benefits to which participating Non-Executive Directors are entitled upon retirement (as at 30 June 2010) are set out below:

Table 20 – Frozen Non-Executive Directors' Retirement Benefits

Director	Frozen Benefit 31 December 2009	Bond Rate Adjustment	Provision 30 June 2010
P.J. Ramsay AO	766,875	16,509	783,384
M.S. Siddle	420,938	9,061	429,999
A.J. Clark AM	370,500	7,976	378,476
P.J. Evans	531,750	11,448	543,198
R.H. McGeoch AM	359,250	7,734	366,984
K.C.D. Roxburgh	430,500	9,268	439,768
Total	2,879,813	61,996	2,941,809

Cumulatively an amount of \$2,941,809 (2009: \$2,812,500) has been provided as at 30 June 2010 and \$129,309 (2009: \$571,500) expensed in the current year. No retirement benefits were paid out in FY2010 or FY2009.

REMUNERATION REPORT – AUDITED (CONTINUED)

Total Remuneration

Details of Non-Executive Directors' remuneration for FY2010 and FY2009 (calculated in accordance with applicable accounting standards) are set out in table 21.

Table 21 – Non-Executive Director Remuneration for FY2010 and FY2009

	Short-term benefits		Post-employment benefits		Total Fees \$
	Fees	Non-monetary Benefits	Superannuation Contributions ¹	Retirement Benefits ²	
P.J. Ramsay AO (Chairman)					
FY2010	261,250	-	14,461	33,384	309,095
FY2009	250,000	-	13,745	90,000	353,745
M.S. Siddle (Deputy Chairman)					
FY2010	143,125	-	12,881	17,499	173,505
FY2009	137,500	-	12,375	121,500	271,375
A.J. Clark AM					
FY2010	127,000	-	11,430	18,476	156,906
FY2009	120,000	-	10,800	61,500	192,300
P.J. Evans					
FY2010	182,000	-	14,461	25,698	222,159
FY2009	172,500	-	13,745	147,000	333,245
I.P.S. Grier AM					
FY2010	124,500	-	11,205	-	135,705
FY2009	120,000	-	10,800	-	130,800
R.H. McGeoch AM					
FY2010	122,000	-	10,980	14,484	147,464
FY2009	110,500	-	9,945	54,000	174,445
K.C.D. Roxburgh					
FY2010	147,000	-	13,230	19,768	179,998
FY2009	140,000	-	12,600	97,500	250,100
Totals					
FY2010	1,106,875	-	88,648	129,309	1,324,832
FY2009	1,050,500	-	84,010	571,500	1,706,010

1. Superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation, capped to the then current statutory limit.

2. Amounts provided for by the Company during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from office.

DIRECTORS' MEETINGS

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

	Board Meetings		Committee Meetings				
	Scheduled	Special	Audit	Risk Management	Remuneration	Nomination	Board Sub Committee on Capital Raising
Number of Meetings held:	9	2	7	6	5	1	3
Number of Meetings attended:							
P. J. Ramsay	8	2	-	-	-	1	-
M. S. Siddle	9	2	-	-	5	-	1
C. P. Rex	9	2	-	5	-	-	2
B. R. Soden	9	2	-	6	-	-	2
A. J. Clark	9	2	7	-	-	-	-
P. J. Evans	9	2	7	6	5	-	3
I. P. S. Grier	8	1	-	4	-	-	-
R. H. McGeoch	8	2	-	-	5	1	-
K. C. D. Roxburgh	9	2	7	6	-	1	3

COMMITTEES

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

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

(c): Designates the chairman of the committee

Further information on the Committees noted above are disclosed in the Corporate Governance Statement included in this Annual Report.

ROUNDING

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



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

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'D. Simmonds'.

David Simmonds
Partner
Sydney
Date: 14 September 2010

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 2001*. 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	\$931,821
Other services	\$182,474

Signed in accordance with a resolution of the Directors.



P.J. Ramsay AO
Non-Executive Chairman



M.S. SIDDLE
Non-Executive Deputy Chairman

Sydney, 14 September 2010



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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 statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.



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 consolidated entity's financial position at 30 June 2010 and of its 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 the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Simmonds
Partner
Sydney
Date: 14 September 2010

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 statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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*.
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



P.J. Ramsay AO
Non-Executive Chairman



M.S. SIDDLE
Non-Executive Deputy Chairman

Sydney, 14 September 2010

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
Continuing operations			
Revenue and other income			
Revenue from services		3,399,254	3,222,350
Net gain on disposal of assets		-	1,555
Interest income		6,418	5,742
Revenue and other income	4	3,405,672	3,229,647
 Employee benefits costs	 5	 (1,657,186)	 (1,566,286)
Occupancy costs		(212,163)	(214,704)
Service costs		(194,010)	(215,626)
Medical consumables and supplies		(867,121)	(815,624)
Depreciation and amortisation	5	(137,152)	(110,072)
Expenses, excluding finance costs		(3,067,632)	(2,922,312)
Profit from continuing operations before tax, specific items and finance costs		338,040	307,335
Finance costs	5	(79,692)	(97,360)
<i>Specific items</i>			
Revenue - Income from sale of medical suites		41,109	-
Cost of goods sold - Book value of medical suites sold		(25,553)	-
Finance cost - Ineffectiveness of interest rate hedge		(89)	(111)
Service cost - Acquisition, restructuring and integration costs		(12,666)	(3,826)
Service cost - Development projects costs		(1,351)	(4,707)
Service cost - Unrealised foreign exchange gain on unhedged portion of GBP loan		3,743	622
Depreciation and amortisation - Impairment of non - current assets		(11,018)	(6,423)
Occupancy cost - Non-cash rent expense relating to UK leased hospitals	5	(31,766)	(41,260)
Profit before income tax from continuing operations		220,757	154,270
Income tax expense	6	(71,911)	(47,765)
Profit after tax from continuing operations		148,846	106,505
 Net profit for the year		 148,846	 106,505
 Attributable to non - controlling interest		 564	 32
Attributable to owners of the parent		148,282	106,473
		<u>148,846</u>	<u>106,505</u>
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	8	69.4	51.3
Profit (after CARES dividend) from continuing operations	8	<u>69.4</u>	<u>51.3</u>
Diluted earnings per share			
Profit (after CARES dividend)	8	69.2	51.2
Profit (after CARES dividend) from continuing operations	8	<u>69.2</u>	<u>51.2</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 \$000	2009 \$000
Net profit for the year		148,846	106,505
Other comprehensive income/(expense):			
Cash flow hedges			
Gain/(loss) taken to equity	26	30,236	(73,150)
Transferred to income statement	26	(25,769)	6,406
Actuarial (loss) on defined benefit plans	31	(1,476)	(862)
Net gain on hedge of net investment		27,018	3,536
Foreign currency translation		(31,167)	(1,658)
Income tax relating to components of other comprehensive income	6	(1,340)	20,023
Other comprehensive (expense) for the year net of tax		(2,498)	(45,705)
Total comprehensive income for the year		146,348	60,800
Attributable to non - controlling interest		564	32
Attributable to owners of the parent		145,784	60,768
		<u>146,348</u>	<u>60,800</u>

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	185,689	89,295
Trade receivables	13	465,849	418,592
Inventories	14	90,532	63,885
Derivative financial instruments	26	1,313	-
Other current assets	15	47,309	50,789
		<u>790,692</u>	<u>622,561</u>
Assets classified as held for sale	7	8,040	3,200
Total Current Assets		798,732	625,761
Non-current Assets			
Other financial assets	16	2,190	1,383
Property, plant and equipment	17	1,737,106	1,626,045
Goodwill and intangible assets	18	924,232	854,461
Deferred tax asset	6	73,150	48,133
Non-current prepayments		11,089	-
Non-current receivables	20	29,880	31,345
		<u>2,777,647</u>	<u>2,561,367</u>
Total Non-current Assets		3,576,379	3,187,128
TOTAL ASSETS			
		3,576,379	3,187,128
LIABILITIES			
Current Liabilities			
Trade and other payables	21	533,207	452,117
Interest-bearing loans and borrowings	22	17,605	12,437
Derivative financial instruments	26	16,251	23,438
Provisions	23	128,230	114,008
Income tax payable	6	35,819	17,650
		<u>731,112</u>	<u>619,650</u>
Liabilities associated with assets held for sale		205	-
Total Current Liabilities		731,317	619,650
Non-current Liabilities			
Interest-bearing loans and borrowings	24	1,322,838	1,420,532
Provisions	23	222,447	207,451
Pension liability	31	14,325	6,646
Derivative financial instruments	26	17,843	14,129
Other creditors		9,706	-
Deferred income tax liability	6	33,960	9,558
		<u>1,621,119</u>	<u>1,658,316</u>
Total Non-current Liabilities		1,621,119	1,658,316
TOTAL LIABILITIES		2,352,436	2,277,966
NET ASSETS		1,223,943	909,162
EQUITY			
Issued capital	25	713,523	447,774
Treasury shares	25	(8,081)	(10,210)
Convertible Adjustable Rate Equity Securities (CARES)	25	252,165	252,165
Cash flow hedges		(22,252)	(25,379)
Share based payment reserve		16,397	9,776
Vested employee equity		(14,019)	(11,890)
Other reserves		(8,944)	(4,795)
Retained earnings		306,485	251,334
		<u>1,235,274</u>	<u>908,775</u>
Parent interests		1,235,274	908,775
Non-controlling interests		(11,331)	387
TOTAL EQUITY		1,223,943	909,162

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Changes in Equity for the Year to 30 June 2010

	Balance at 1 July 2009 \$'000	Dividends \$'000	Share placement & DRP \$'000	Treasury shares vesting to employees in the year \$'000	Share based payment reserve \$'000	Non- controlling interest in Proclif \$'000	Total compre- hensive income for the year, net of tax \$'000	Balance at 30 June 2010 \$'000
Issued Capital	447,774	-	265,749	-	-	-	-	713,523
Treasury Shares	(10,210)	-	-	2,129	-	-	-	(8,081)
Convertible Preference Shares - CARES	252,165	-	-	-	-	-	-	252,165
Share Based Payment Reserve	9,776	-	-	-	6,621	-	-	16,397
Cash Flow Hedges	(25,379)	-	-	-	-	-	3,127	(22,252)
Hedge of a Net Investment	31,784	-	-	-	-	-	27,018	58,802
Foreign Currency Translation	(36,579)	-	-	-	-	-	(31,167)	(67,746)
Actuarial Gains and Losses	(862)	-	-	-	-	-	(1,476)	(2,338)
Retained Earnings	252,196	(91,655)	-	-	-	-	148,282	308,823
Vested Employee Equity	(11,890)	-	-	(2,129)	-	-	-	(14,019)
Members of the Parent	908,775	(91,655)	265,749	-	6,621	-	145,784	1,235,274
Non-controlling interests	387	(8)	-	-	-	(12,274)	564	(11,331)
Total Equity	909,162	(91,663)	265,749	-	6,621	(12,274)	146,348	1,223,943

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Changes in Equity for the Year to 30 June 2009

	Balance at 1 July 2008 \$000	Dividends \$000	Share placement & DRP \$000	Treasury shares vesting to employees in the year \$000	Shares purchased for Executive Performance Share Plan \$000	Share based payment reserve \$000	Total compre- hensive income for the year, net of tax \$000	Balance at 30 June 2009 \$000
Issued Capital	437,622	-	10,152	-	-	-	-	447,774
Treasury Shares	(13,599)	-	-	5,395	(2,006)	-	-	(10,210)
Convertible Preference Shares - CARES	252,165	-	-	-	-	-	-	252,165
Share Based Payment Reserve	7,184	-	-	-	-	2,592	-	9,776
Cash Flow Hedges	21,342	-	-	-	-	-	(46,721)	(25,379)
Hedge of a Net Investment	28,248	-	-	-	-	-	3,536	31,784
Foreign Currency Translation	(34,921)	-	-	-	-	-	(1,658)	(36,579)
Actuarial Gains and Losses	-	-	-	-	-	-	(862)	(862)
Retained Earnings	222,263	(76,540)	-	-	-	-	106,473	252,196
Vested Employee Equity	(6,495)	-	-	(5,395)	-	-	-	(11,890)
Members of the Parent	913,809	(76,540)	10,152	-	(2,006)	2,592	60,768	908,775
Non-controlling interests	355	-	-	-	-	-	32	387
Total Equity	914,164	(76,540)	10,152	-	(2,006)	2,592	60,800	909,162

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,412,587	3,167,565
Payments to suppliers and employees		(2,934,339)	(2,775,275)
Income tax paid		(59,809)	(51,266)
Finance costs		(81,128)	(99,278)
Net cash flows from operating activities	10	337,311	241,746
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(175,012)	(267,279)
Proceeds from sale of property, plant and equipment		-	10,624
Interest received		6,418	5,742
Acquisition of subsidiary, net of cash received	11	(70,793)	-
Net cash flows used in investing activities		(239,387)	(250,913)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(83,534)	(66,389)
Repayment of principal to Bondholders		(2,484)	(2,367)
Repayment of finance lease - principal		(2,057)	(1,786)
Purchase of ordinary shares		-	(2,006)
Proceeds from issue of shares		257,628	-
(Repayments of)/proceeds from borrowings		(169,823)	77,790
Net cash flows (used in)/from financing activities		(270)	5,242
Net increase/(decrease) in cash and cash equivalents		97,654	(3,925)
Net foreign exchange differences on cash held		(1,260)	(48)
Cash and cash equivalents at beginning of year		89,295	93,268
Cash and cash equivalents at end of year	10	185,689	89,295

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited ('The Company') for the year ended 30 June 2010 was authorised for issue on 14 September 2010, in accordance with a resolution of the Directors.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2009.

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

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

	Consolidated	
	2010	2009
	\$'000	\$'000
Core profit after tax from continuing operations		
Profit from continuing operations before tax, specific items and finance costs	338,040	307,335
Less: Finance costs	(79,692)	(97,360)
Profit from continuing operations before tax and specific items	258,348	209,975
Add: Amortisation - operating rights	2,173	1,736
Profit from continuing operations before tax, specific items and amortisation	260,521	211,711
Profit attributable to non-controlling interests	(742)	(32)
Income tax expense on continuing operations (excluding specific items)	(81,292)	(65,284)
Core profit after tax from continuing operations	178,487	146,395
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	178,487	146,395
Less: CARES Dividend	(11,860)	(17,194)
Core profit after tax from continuing operations used to calculate core earnings per share continuing operations	166,627	129,201
Weighted average number of ordinary shares adjusted for effect of dilution	197,106,727	174,356,259
Core earnings per share from continuing operations	84.54 c	74.10 c
Reconciliation of core profit after tax from continuing operations to profit attributable to members of the parent		
Core profit after tax from continuing operations (above)	178,487	146,395
Specific items and amortisation of intangibles (net of tax)		
- Non-cash rent expense relating to leased UK hospitals	(21,880)	(29,707)
- Other	(8,325)	(10,215)
Net profit attributable to members of the parent	148,282	106,473

(b) Compliance with IFRS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards & Interpretations

(i) Changes in Accounting Policy & Disclosures

From 1 July 2009 the Group adopted the following Standards and Interpretations, adoption of these Standards and Interpretations did not have any significant effect on the financial position or performance of the Group for the year ended 30 June 2010. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

- AASB 101 (Revised) AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments
- AASB 127 (Revised) Consolidated and Separate Financial Statements
- AASB 3 Revised Business Combinations
- AASB Int 16 Hedges of a Net Investment in a Foreign Operation
- AASB 7 Financial Instruments (Revised)
- AASB Int 17 and AASB 2008-13 Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 10
- AASB Int 18 Transfers of Assets from Customer
- AASB 8 and AASB 2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards
- AASB 1039 (Revised) Concise Reporting
- AASB 123 (Revised) and AASB 2007-6 Borrowing Costs and consequential amendments to other Australian Accounting Standards
- AASB 2008-1 Amendments to Australian Accounting Standard-Share based Payments: Vesting Conditions and Cancellations
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items
- AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 and AASB 1038)
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AASB 138 and AASB Interpretations 9 & 16)
- AASB 2009-Y Amendments to Australian Accounting Standards (AASB 5,7,107,112,136 & 139 and Interpretation 17)

The principal effects of these changes are:

AASB 3 Business Combinations (revised 2008)

AASB 3 introduced significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously 'minority interests'), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

The AASB issued AASB 8 in February 2007. AASB 8 replaces AASB 114 Segment Reporting (IAS 14) upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 12, including the related revised comparative information.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements relating to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 3.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

AASB 2008-7 Amendments to Australian Accounting Standards

- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and the income statement. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The receipt of dividends by Ramsay Health Care Limited during the year did not impact the recoverability of the investment in the subsidiaries.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

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

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

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 2010, are outlined in the table on the following pages

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards & Interpretations (continued)

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

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk. <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	These amendments are only expected to effect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2010

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards & Interpretations (continued)

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

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

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

(d) Basis of consolidation

Subsequent to 1 July 2009

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

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

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

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

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

Investments in subsidiaries held by Ramsay Health Care Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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

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

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

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

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

If the Group loses control over a subsidiary, it

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

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

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

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

Classification of assets and liabilities as held for sale

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

Taxation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(e) Significant accounting judgements, estimates & assumptions (continued)

(ii) Significant accounting estimates & judgements

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 19.

Share – based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation model, using the assumptions detailed in note 27.

Medical malpractice provision

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

Pension benefits

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

(f) Foreign currency translation

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

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

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

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

The functional currency of the overseas subsidiary, PT Affinity Health Indonesia, is Indonesian Rupiah.

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

The functional currency of the overseas subsidiary, Ramsay Health Care (UK) Limited, is British Pounds.

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

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

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

(g) Property, plant & equipment

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

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

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

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

(i) Impairment

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

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

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

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

Impairment losses are recognised in the income statement.

(ii) Derecognition & disposal

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Finance costs

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

(i) Goodwill

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

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

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

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

- It represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's reporting format determined in accordance with AASB 8 *Operating Segments*.

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

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

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

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

(k) Investments & other financial assets

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

Recognition & derecognition

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

Loans & receivables

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

(l) Inventories

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

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

(m) Trade & other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade & other receivables (continued)

the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(n) Cash & cash equivalents

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

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

(o) Interest-bearing loans & borrowings

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

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

(p) Provisions

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

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

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

(q) Share-based payment transactions

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

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

The cost of these equity settled transactions with employees is measured by reference to the fair value at the 30 June 2010 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 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.

Treasury Shares

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

Vested Employee Equity

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

(r) Leases

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

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

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

Onerous/Unfavourable lease

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

(s) Revenue

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

Revenue from patients

Revenue from 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue (continued)

Dividends

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

Rental income

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

Income from ancillary services

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

Income from sale of medical suites

Income from sale of medical suites is recognised when the payment is received.

(t) Government grants

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

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

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

(u) Income tax

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

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

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

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

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

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

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

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

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

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

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

(v) Other taxes

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

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

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

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

(w) Derivative financial instruments & hedging

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Derivative financial instruments & hedging (continued)

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

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

(i) Cash Flow Hedges

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

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

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

(ii) Hedges of a net investment

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

(x) Interest in jointly controlled operations

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

(y) Intangible assets

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

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

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

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

Operating Rights

Useful lives

Finite

Amortisation method used

Amortised over the period of the lease

Internally generated or acquired

Acquired

Impairment testing

When an indication of impairment exists. The amortisation method is reviewed at each financial year end

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Intangible assets (continued)

Development Costs

Useful lives

Finite

Amortisation method used

Amortised over the period of expected future benefit from the related project on a straight line basis

Internally generated or acquired

Internally generated

Impairment testing

Annually for assets not yet available for use. The amortisation method is reviewed at each financial year end

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

(z) Trade & other payables

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

(aa) Employee leave benefits

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

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

(ii) Long service leave

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

(ab) Insurance

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

Medical Malpractice Insurance

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

Insurance Funding

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

(ac) Contributed Equity

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

(ad) Earnings per share (EPS)

Basic EPS 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.

(ae) Business combinations

Subsequent to 1 July 2009

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Business combinations (continued)

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquirer were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract. Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

(af) Operating segments

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

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

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

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

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

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

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

(ah) Pensions & other post-employment benefits

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

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

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

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

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

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

(ai) Service Concession Assets

Service concession assets represent the Group's rights to operate hospitals under Service Concession Arrangements. Service concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Service concession assets acquired by the group are recorded at the fair value of the assets at the date of acquisition. All service concession assets are classified as intangible assets and are amortised over the term of the lease on a straight line basis (range between 7 to 27 years) and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortisation method is reviewed at least each financial year-end.

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

Risk Exposures & Responses

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

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

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

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

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

(a) Interest rate risk

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

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

	Consolidated	
	2010	2009
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	185,689	89,295
Financial Liabilities		
Bank Loans	(439,461)	(454,343)
Net exposure	<u>(253,772)</u>	<u>(365,048)</u>

Interest rate derivatives contracts are outlined in note 26, with a net negative fair value of \$32,781,000 (2009: negative: \$37,567,000) 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 2010, after taking into account the effect of interest rate swaps, approximately 64% (2009: 67%) 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 reporting date.

At 30 June 2010, if the prevailing market cash interest rates had moved by +/- 1% (100 basis points) per annum from the year end rates, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
AUD				
+1% (100 basis points)	(2,611)	(3,067)	3,687	3,836
-1% (100 basis points)	2,217	3,069	(3,767)	(3,949)
GBP				
+1% (100 basis points)	(202)	(382)	6,105	9,024
-1% (100 basis points)	180	384	(6,194)	(9,402)
IDR				
+1% (100 basis points)	(156)	52	-	-
-1% (100 basis points)	156	(52)	-	-
EUR				
+1% (100 basis points)	471	-	-	-
-1% (100 basis points)	(712)	-	-	-

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(a) Interest rate risk (continued)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The change in sensitivity in 2010, lower for profit than equity, comparing to 2009 is due to the increase of the level of hedging in 2010. There was a decrease of borrowings and a decrease of interest rate swaps engaged.

(b) Foreign currency risk

United Kingdom

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

At 30 June 2010, the Group had the following exposure to GBP that is not designated in net investment hedges:

	Consolidated	
	2010 £000	2009 £000
Financial Assets		
Cash and cash equivalents	1,332	117
Financial Liabilities		
Interest bearing loans and borrowings	-	(9,500)
Equity		
Residual net investment not hedged	5,748	-
Net exposure	7,080	(9,383)

The Group has a GBP borrowing of £117,000,000 (2009: £107,500,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 26.

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

At 30 June 2010, had the Australian Dollar moved +/-10% against the British Pound, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity* Higher/(Lower)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Consolidated				
AUD/GBP +10%	216	1,014	930	19,965
AUD/GBP -10%	(237)	(1,239)	(1,023)	(24,401)

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

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

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

France

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

At 30 June 2010, the Group had the following exposure to the Euro that is not designated in net investment hedges:

	Consolidated	
	2010 €000	2009 €000
Net Equity at 30 June 2010	41,809	-
Subordinated bonds	43,232	-
Net exposure	85,041	-

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk (continued)

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

At 30 June 2010, had the Australian Dollar moved +/-10% against the Euro, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Consolidated				
AUD/EUR +10%	3,930	-	5,555	-
AUD/EUR -10%	(4,323)	-	(6,110)	-

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

A. Non-derivative financial liabilities

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

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

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

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

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

B. Derivative financial liabilities

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

The table below details the liquidity risk arising from the derivative liabilities held by the Group at balance date. Net settled derivative liabilities comprise forward commodity contracts that are used as economic hedges of commodity purchases. Gross settled derivatives mainly comprise forward exchange contracts that are used to hedge future purchase commitments.

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

(e) Fair value

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

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(e) Fair value (continued)

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

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

Transfer between categories

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

4. REVENUE

Revenue from Continuing Operations

	Consolidated	
	2010	2009
	\$000	\$000
Revenue from patients	3,344,860	3,164,967
Rental income		
Other persons/corporations	25,105	22,348
Bad debts recovered	19	13
Income from ancillary services	29,270	34,979
Other income	-	43
Interest		
Other persons/corporations	6,418	5,742
Net gain on disposal of property, plant and equipment	-	1,555
Revenues from continuing operations	3,405,672	3,229,647
Specific items - Income from sale of medical suites	41,109	-
	<u>3,446,781</u>	<u>3,229,647</u>

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation included in income statement

- Plant and equipment	91,533	78,413
- Buildings	37,273	29,923
Total depreciation	<u>128,806</u>	<u>108,336</u>

(b) Amortisation included in income statement

- Right to operate hospitals	2,173	1,736
- Development cost	6,173	-
Total amortisation	<u>8,346</u>	<u>1,736</u>

(c) Operating lease costs & incentive

Lease costs included in occupancy costs expenses in the income statement	<u>102,996</u>	<u>110,378</u>
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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	31,766	41,260
Reduction in operating profit resulting from accounting in accordance with AASB 117 Leases and UIG 115 Operating leases – incentives	<u>(31,766)</u>	<u>(41,260)</u>

Ramsay Health Care (UK) Limited has entered into 30 year term lease agreements for the rent of hospital properties. The lease agreements have fixed annual increases of 2.75% per annum. Where leases have fixed annual increases and not variable annual increases, AASB 117 requires that straight line accounting be applied. The cash rent paid for the year ended 30 June 2010 was lower than the rent expensed by \$31,766,000 (2009: \$41,260,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	Consolidated	
	2010 \$000	2009 \$000
(d) Employee benefits expense		
Wages and salaries	1,503,081	1,444,782
Workers' compensation expense	17,375	13,721
Superannuation expense	86,934	82,456
Termination benefits expense	301	857
Other employment expense	46,245	21,656
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	3,250	2,814
	<u>1,657,186</u>	<u>1,566,286</u>
Specific items - termination benefits included in acquisition, restructuring and integration costs	862	3,166
	<u>1,658,048</u>	<u>1,569,452</u>
(e) Finance costs		
- Interest expense		
Other persons/corporations	84,658	101,737
- Finance charges - lease liability	1,145	1,656
Total Finance costs	<u>85,803</u>	<u>103,393</u>
Less: Finance costs capitalised	(6,111)	(6,033)
Total finance costs expensed for continuing operations (excluding specific items)	<u>79,692</u>	<u>97,360</u>

6. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

Income Statement

Continuing operations:

<i>Current income tax</i>		
Current income tax charge	79,199	58,162
Adjustments in respect of previous years	(2,772)	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,447)	(11,944)
Adjustments in respect of deferred income tax of previous years	(3,069)	1,547
	<u>71,911</u>	<u>47,765</u>
Income tax expense reported in the income statement		

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement & tax expense calculated per the statutory income tax rate

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

Accounting profit before tax from continuing operations	220,757	154,270
	<u>220,757</u>	<u>154,270</u>
Accounting profit before income tax		
At the Parent Entity's statutory income tax rate of 30% (2009: 30%)	66,227	46,281
Expenditure not allowable for income tax purposes	8,554	3,110
Foreign tax rate adjustment	(593)	1,104
Other	(2,277)	(2,730)
	<u>71,911</u>	<u>47,765</u>
Income tax expense reported in the consolidated income statement attributable to continuing operations	71,911	47,765
Income tax attributable to discontinued operations	-	-
	<u>71,911</u>	<u>47,765</u>

(c) Amounts charged or credited directly to equity

Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	1,733	(19,855)
Treasury shares	(3,369)	191
	<u>(1,636)</u>	<u>(19,664)</u>

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets & liabilities	Consolidated			
	2010 \$000	2010 \$000	2009 \$000	2009 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(17,650)	38,575	(10,466)	9,156
(Charged)/ credited to income	(76,427)	4,516	(58,162)	10,397
(Charged)/ credited to equity	-	1,636	-	19,664
Payments/(Refunds)	57,492	-	50,859	-
Exchange differences	(55)	(2,678)	119	(642)
Acquisition of subsidiary	821	(2,859)	-	-
Closing balance	<u>(35,819)</u>	<u>39,190</u>	<u>(17,650)</u>	<u>38,575</u>
Tax expense in the income statement		(71,911)		(47,765)

Amounts recognised in the statement of
financial position

Deferred tax asset	73,150	48,133
Deferred tax liability	<u>(33,960)</u>	<u>(9,558)</u>
	<u>39,190</u>	<u>38,575</u>

Deferred income tax at 30 June relates to the following:

(i) Deferred tax liabilities

	Consolidated	
	2010 \$000	2009 \$000
Inventory	(10,734)	(8,754)
Recognition of revenue	(8,989)	(9,460)
Depreciable assets	(66,453)	(48,161)
Other	(12,023)	(7,324)
Other provisions and lease liabilities	<u>(11,656)</u>	<u>(11,656)</u>
Gross deferred tax liabilities	<u>(109,855)</u>	<u>(85,355)</u>
Set-off of deferred tax assets	<u>75,895</u>	<u>75,797</u>
Net deferred tax liabilities	<u>(33,960)</u>	<u>(9,558)</u>

(ii) Deferred tax assets

Employee provisions	60,040	51,502
Other provisions and lease liabilities	49,724	54,332
Unearned income	3,968	2,963
Other	25,777	3,863
Derivatives	<u>9,536</u>	<u>11,270</u>
Gross deferred tax assets	<u>149,045</u>	<u>123,930</u>
Set - off of deferred tax assets	<u>(75,895)</u>	<u>(75,797)</u>
Net deferred tax assets	<u>73,150</u>	<u>48,133</u>

(e) Tax losses

At 30 June 2010, there is \$54,349,617 (2009: \$53,052,117) of unrecognised deferred income tax assets in relation to capital losses carried forward as it is not probable that they will be used in the foreseeable future.

(f) Tax consolidation

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

6. INCOME TAX (CONTINUED)
(f) Tax consolidation (continued)

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by \$34,841,000 (2009: increased \$4,103,000).

(g) Tax relating to other comprehensive income

	Consolidated	
	2010	2009
	\$000	\$000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	(9,071)	21,945
- Cashflow hedges transferred to the income statement	7,731	(1,922)
	<u>(1,340)</u>	<u>20,023</u>

7. ASSETS CLASSIFIED AS HELD FOR SALE

Property, plant and equipment that is available for sale to external parties and has been written down to fair value

	<u>8,040</u>	<u>3,200</u>
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Assets are held for sale to external parties in the next 6 months. Assets are non-core parts of the Asia Pacific segment.

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.

	2010	2009
	\$000	\$000
Net profit for the year attributable to the members of the parent	148,282	106,473
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	<u>(11,860)</u>	<u>(17,194)</u>
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	<u>136,422</u>	<u>89,279</u>
	2010	2009
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	196,473,531	173,935,078
Effect of dilution – share rights	<u>633,196</u>	<u>421,181</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>197,106,727</u>	<u>174,356,259</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. The rights granted to Executives (note 27) have the potential to dilute earnings per share.

9. DIVIDENDS PAID OR PROPOSED

	Consolidated	
	2010	2009
	\$000	\$000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (18.5 cents per share) (2009: 16.5 cents per share)	<u>37,385</u>	<u>28,856</u>
(ii) Previous year final dividend paid		
Franked dividends – ordinary (21.5 cents per share) (2009: 17.5 cents per share)	<u>42,410</u>	<u>30,490</u>
	<u>79,795</u>	<u>59,346</u>

9. DIVIDENDS PAID OR PROPOSED (CONTINUED)

	Consolidated	
	2010 \$000	2009 \$000
(b) Dividend proposed & not recognised as a liability:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (25.0 cents per share) (2009: 21.5 cents per share)	50,520	37,680
(c) Dividends on CARES paid during the year	11,860	17,194
(d) Dividends on CARES proposed & not recognised as a liability	6,901	5,365
	Parent	
	2010 \$000	2009 \$000
(e) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2009: 30%)	108,617	93,675
- franking credits that will arise from the payment of income tax payable as at the end of the financial year*	14,923	12,215
	123,540	105,890
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	(24,609)	(18,448)
	98,931	87,442

*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% (2009: 30%). \$57,421,000 (2009: \$43,045,000) of the proposed dividends will be franked at the rate of 30% (2009: 30%).

	Consolidated	
	2010 \$000	2009 \$000
10. CASH & CASH EQUIVALENTS		
Cash at bank and in hand	185,689	89,295
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	185,689	89,295
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	148,846	106,505
Adjustments for:		
Depreciation and amortisation	137,152	110,072
Decrease in value of non-current assets	11,018	-
Interest received	(6,418)	(5,742)
Net gain on sale of non-current assets	-	(1,555)
Changes in assets & liabilities		
Deferred tax	(7,786)	(19,551)
Receivables	(27,776)	(50,315)
Other assets	(7,944)	(1,294)
Creditors and accruals	35,439	36,112
Provisions	59,960	58,080
Inventory	(25,067)	(3,897)
Tax provisions	19,887	13,331
Net cash from operating activities	337,311	241,746

Disclosure of financing facilities

Refer to note 33.

Disclosure of non-cash financing & investing activities

Under the terms of the dividend reinvestment plan ('the plan') \$8,121,417 (2009: \$10,152,489) dividends were paid via the issue of 759,627 (2009: 1,027,530) ordinary shares during the year. The dividend re-investment plan was suspended by the Directors for the dividend payable in April 2010.

11. BUSINESS COMBINATIONS

Acquisition of the Proclif Group – 2010

On 29 March 2010, Ramsay acquired 57% of the share capital of the Proclif Group. The Group has provisionally recognised the fair values of the identifiable assets and liabilities of the Proclif Group based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	\$000
Cash	60,826
Accounts Receivable	21,944
Inventory	3,758
Other assets	13,159
Property, plant and equipment	117,475
Creditors	(19,623)
Accruals and provisions – current	(29,476)
Derivatives liability	(790)
Bank loan and other interest bearing liabilities	(80,825)
Subordinated bonds	(95,758)
Provisions – non-current	(11,282)
Other liabilities – non-current	(11,339)
Deferred income tax liability	(2,859)
Provisional fair value of identifiable net assets	(34,790)
Non-controlling interest in identifiable acquired net liabilities	12,274
Subordinated bonds eliminated on consolidation	51,814
Goodwill arising on acquisition	102,321
	<u>131,619</u>
Acquisition date fair value of consideration transferred	
Cash paid	131,619
	<u>131,619</u>
Direct costs relating to the acquisition	6,934
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	60,826
Cash paid	(131,619)
Net consolidated cash outflow	<u>(70,793)</u>

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

Key factors contributing to the \$102,321,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Proclif facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of strategic benefits for the Ramsay group, as follows:

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

The results of the Proclif Group from acquisition to 30 June 2010 are disclosed separately in the segment note.

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

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

12. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Types of services

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

Accounting policies & inter-segment transactions

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

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

12. SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2010	Total & Continuing operations			
	Asia Pacific \$000	UK \$000	France \$000	Total \$000
Revenue				
Revenue from services	2,716,735	627,954	54,565	3,399,254
Total revenue before intersegment revenue	2,716,735	627,954	54,565	3,399,254
Intersegment revenue	3,413	-	-	3,413
Total segment revenue	2,720,148	627,954	54,565	3,402,667
Results				
Segment net profit/(loss) after tax	165,947	13,100	(560)	178,487
Specific Items				
- Income from sale of medical suites	41,109	-	-	41,109
- Book value of medical suites sold	(25,553)	-	-	(25,553)
- Ineffectiveness of interest rate hedge	(89)	-	-	(89)
- Acquisition, restructuring and integration costs	(11,771)	(322)	(573)	(12,666)
- Development projects costs	(1,351)	-	-	(1,351)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	3,743	-	-	3,743
- Impairment of non-current assets	(7,581)	(3,437)	-	(11,018)
- Non-cash rent expense relating to UK leased hospitals	-	(31,766)	-	(31,766)
Finance costs	(47,332)	(27,660)	(4,700)	(79,692)
Interest income	6,418	-	-	6,418
Income tax expense	(68,217)	(2,722)	(972)	(71,911)
Depreciation	(83,779)	(42,044)	(2,983)	(128,806)
Amortisation - software	(6,082)	-	(91)	(6,173)
Amortisation - operating rights	(2,173)	-	-	(2,173)
Assets & liabilities				
Segment assets	2,989,989	772,096	306,688	4,068,773
Segment liabilities	(1,704,504)	(553,611)	(245,759)	(2,503,874)
Other segment information				
Capital expenditure	168,263	42,730	2,541	213,534
Cash flow information				
Net cash flows from operating activities	266,485	65,719	5,107	337,311
Net cash flows from investing activities	(149,207)	(89,549)	(631)	(239,387)
Net cash flows from financing activities	(38,186)	39,449	(1,533)	(270)

Year ended 30 June 2009	Total & Continuing operations		
	Asia Pacific \$000	UK \$000	Total \$000
Revenue			
Revenue from services	2,532,419	689,931	3,222,350
Other revenue	1,555	-	1,555
Total revenue before intersegment revenue	2,533,974	689,931	3,223,905
Intersegment revenue	3,072	-	3,072
Total segment revenue	2,537,046	689,931	3,226,977
Results			
Segment net profit after tax	140,555	5,840	146,395

12. SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2009	Total & Continuing operations		
	Asia Pacific \$000	UK \$000	Total \$000
Specific Items			
- Ineffectiveness of interest rate hedge	(111)	-	(111)
- Acquisition, restructuring and integration costs	(370)	(3,456)	(3,826)
- Development projects costs	(3,227)	(1,480)	(4,707)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	622	-	622
- Impairment of non-current assets	-	(6,423)	(6,423)
- Non-cash rent expense relating to UK leased hospitals	-	(41,260)	(41,260)
Finance costs	(62,170)	(35,190)	(97,360)
Interest income	5,742	-	5,742
Income tax expense	(45,045)	(2,720)	(47,765)
Depreciation	(75,766)	(32,570)	(108,336)
Amortisation of intangibles - operating rights	(1,736)	-	(1,736)
Assets & liabilities			
Segment assets	2,763,183	707,857	3,471,040
Segment liabilities	(1,793,208)	(501,463)	(2,294,671)
Other segment information			
Capital expenditure	193,094	81,599	274,693
Cash flow information			
Net cash flows from operating activities	180,694	61,052	241,746
Net cash flows from investing activities	(175,435)	(75,478)	(250,913)
Net cash flows from financing activities	(12,718)	17,960	5,242

(i) Segment revenue reconciliation to income statement	Consolidated	
	2010 \$000	2009 \$000
Total segment revenue	3,402,667	3,226,977
Intersegment sales elimination	(3,413)	(3,072)
Interest income	6,418	5,742
Total revenue – income statement	3,405,672	3,229,647

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

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

Reconciliation of segment core net profit after tax to profit before tax from continuing operations	Consolidated	
	2010 \$000	2009 \$000
Segment core net profit after tax	178,487	146,395
Income tax expense on core profit	81,292	65,284
Specific Items		
- Ineffectiveness of interest rate hedge	(89)	(111)
- Acquisition, restructuring and integration costs	(12,666)	(3,826)
- Development projects costs	(1,351)	(4,707)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	3,743	622
- Non-cash rent expense relating to UK leased hospitals	(31,766)	(41,260)
- Impairment of non-current assets	(11,018)	(6,423)
- Amortisation of intangibles - operating rights	(2,173)	(1,736)
- Income from sale of medical suites	41,109	-
- Book value of medical suites sold	(25,553)	-
Other	742	32
Profit before tax from continuing operations	220,757	154,270

12. SEGMENT INFORMATION (CONTINUED)

(iii) Segment assets reconciliation to the statement of financial position

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory, intangibles, derivative assets and deferred tax assets.

	Consolidated	
	2010 \$000	2009 \$000
Reconciliation of segment operating assets to total assets		
Segment operating assets	4,068,773	3,471,040
Intersegment eliminations	(492,394)	(283,912)
Total assets per the statement of financial position	<u>3,576,379</u>	<u>3,187,128</u>

The analysis of the location of non-current assets other than financial instruments, deferred tax assets, pension assets is as follows.

	Consolidated	
	2010 \$000	2009 \$000
Asia Pacific	1,966,750	1,937,185
UK	452,095	543,320
France	208,175	-
Total assets	<u>2,627,020</u>	<u>2,480,505</u>

13. RECEIVABLES

	Consolidated	
	2010 \$000	2009 \$000
Trade Debtors	474,701	424,055
Allowances for impairment loss	(8,852)	(5,463)
	<u>465,849</u>	<u>418,592</u>

(i) Allowances for impairment loss

Trade debtors are non-interest bearing and are generally on 15-30 day terms, dependent on the conditions of specific contracts. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$8,852,000 (2009: \$5,463,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

At 1 July	(5,463)	(4,795)
Charge for the year	(2,601)	(2,331)
Acquisition of subsidiary	(2,319)	-
Foreign exchange translation	383	66
Amounts written off (included in service costs)	1,148	1,597
At 30 June	<u>(8,852)</u>	<u>(5,463)</u>

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

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Considered Impaired
2010 - Consolidated	474,701	282,796	101,827	41,462	16,154	23,610	8,852
2009 - Consolidated	424,055	319,796	37,735	28,206	22,944	9,911	5,463

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: Consolidated \$183,053,000 (2009: \$98,796,000). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

(ii) Related party receivables

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

13. RECEIVABLES (CONTINUED)

(iii) Fair value & credit risk

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

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

(iv) Foreign exchange & interest rate risk

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

14. INVENTORIES

	Consolidated	
	2010	2009
	\$000	\$000
Amount of medical and food supplies to be consumed in providing future patient services - at cost	75,935	63,885
Medical consulting suites to be sold that are currently under construction - at cost	14,597	-
	<u>90,532</u>	<u>63,885</u>

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2010 totalled \$867,121,000 (2009: \$815,624,000) for the Group. This expense has been included in the medical consumables and supplies in the income statement. The cost of medical suites sold which has been recognised as an expense for the year ended 30 June 2010 totalled \$25,553,000 (2009:\$nil) for the Group. This expense has been included in specific items in the income statement.

15. OTHER CURRENT ASSETS

	Consolidated	
	2010	2009
	\$000	\$000
Prepayments	37,058	31,109
Other current assets	10,251	19,680
	<u>47,309</u>	<u>50,789</u>

(i) Fair values

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

16. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Consolidated	
	2010	2009
	\$000	\$000
Investments comprise		
Ordinary Shares	2,019	1,241
Units in unit trust	171	142
	<u>2,190</u>	<u>1,383</u>

17. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings \$000	Consolidated Plant & Equipment \$000	Total \$000
At 1 July 2009, net of accumulated depreciation and impairment	1,291,140	334,905	1,626,045
Acquisition of subsidiary	73,440	44,035	117,475
Additions	128,310	75,694	204,004
Disposals	(21,954)	(5,263)	(27,217)
Assets reclassified from/(to) held for sale	(1,150)	(3,690)	(4,840)
Impairment	(11,018)	-	(11,018)
Exchange differences	(16,263)	(22,274)	(38,537)
Depreciation for the year	(37,273)	(91,533)	(128,806)
At 30 June 2010, net of accumulated depreciation and impairment	1,405,232	331,874	1,737,106
At 1 July 2009			
Cost	1,469,556	843,478	2,313,034
Accumulated depreciation and impairment	(178,416)	(508,573)	(686,989)
Net carrying amount	1,291,140	334,905	1,626,045
At 30 June 2010			
Cost	1,654,788	907,627	2,562,415
Accumulated depreciation and impairment	(249,556)	(575,753)	(825,309)
Net carrying amount	1,405,232	331,874	1,737,106
The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2010 is \$53,511,000 (2009: \$17,068,000). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.			
At 1 July 2008, net of accumulated depreciation and impairment	1,160,078	330,331	1,490,409
Additions	168,714	89,472	258,186
Disposals	(726)	(4,351)	(5,077)
Assets reclassified from held for sale	2,040	-	2,040
Impairment	(6,153)	(77)	(6,230)
Exchange differences	(2,890)	(2,057)	(4,947)
Depreciation for the year	(29,923)	(78,413)	(108,336)
At 30 June 2009, net of accumulated depreciation and impairment	1,291,140	334,905	1,626,045
At 1 July 2008			
Cost	1,302,418	760,414	2,062,832
Accumulated depreciation and impairment	(142,340)	(430,083)	(572,423)
Net carrying amount	1,160,078	330,331	1,490,409
At 30 June 2009			
Cost	1,469,556	843,478	2,313,034
Accumulated depreciation and impairment	(178,416)	(508,573)	(686,989)
Net carrying amount	1,291,140	334,905	1,626,045

18. GOODWILL & INTANGIBLE ASSETS

	Consolidated			
	Goodwill \$000	Service Concession Assets \$000	Development Costs ^ \$000	Total \$000
At 1 July 2009				
Cost (gross carrying amount)	805,068	39,646	16,216	860,930
Accumulated amortisation	-	(6,469)	-	(6,469)
Net carrying amount	805,068	33,177	16,216	854,461
Year ended 30 June 2010				
At 1 July 2009, net of amortisation	805,068	33,177	16,216	854,461
Acquisition of subsidiary	102,321	-	1,056	103,377
Exchange differences	(35,924)	898	236	(34,790)
Additions	-	605	8,925	9,530
Amortisation	-	(2,173)	(6,173)	(8,346)
At 30 June 2010, net of amortisation	871,465	32,507	20,260	924,232
At 30 June 2010				
Cost (gross carrying amount)	871,465	43,329	26,433	941,227
Accumulated amortisation	-	(10,822)	(6,173)	(16,995)
Net carrying amount	871,465	32,507	20,260	924,232

^Internally generated, including software costs

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

The intangible asset, 'service concession assets', has been acquired through business combinations and purchases of assets. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 7 and 27 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

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

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

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

19. IMPAIRMENT TESTING OF GOODWILL**(i) Description of the cash generating units & other relevant information**

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

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

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

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2010 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2010 with a 5% extrapolated growth factor for the next 4 years. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2009:3%).

The pre tax discount rate applied to cash flow projections is 11.52% (2009: 10.58%). The post tax discount rate is 9.0% (2009: 8.35%).

United Kingdom

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

The pre-tax discount rate applied to cash flow projections is 8.75% (2009: 9.88%). The post tax discount rate applied to cash flow projections is 7.0% (2009: 8.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2009: 2%).

France

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

The pre-tax discount rate applied to cash flow projections is 7.8% (2009: N/A). The post tax discount rate applied to cash flow projections is 7.0% (2009: N/A).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the three-year period is 2.5% (2009: N/A).

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

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

	Asia Pacific Segment		UK Segment		French Segment		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount of goodwill	555,033	555,033	217,868	250,035	98,564	-	871,465	805,068

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2010 & 30 June 2009

- 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% - 33% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

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

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

20. NON-CURRENT RECEIVABLES

Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital
Other

Consolidated	
2010 \$000	2009 \$000
25,090	27,852
4,790	3,493
<u>29,880</u>	<u>31,345</u>

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that the receivable is impaired. No allowance for impairment loss (2009: 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.

21. TRADE & OTHER PAYABLES

Trade payable
Sundry creditors and accrued expenses
Employee and director entitlements
Other payables

Consolidated	
2010 \$000	2009 \$000
230,020	194,824
166,203	160,599
133,750	96,694
3,234	-
<u>533,207</u>	<u>452,117</u>

(i) Fair values

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

(ii) Interest rate, foreign exchange & liquidity risk

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

22. INTEREST BEARING LOANS & BORROWINGS (CURRENT)

Secured:
- Loan – bondholders
- Lease liabilities
- Loan – insurance funding
- Bank loan

(i)
(ii)
(iii)
(iv)

Consolidated	
2010 \$000	2009 \$000
2,691	2,484
3,459	2,952
2,567	-
8,888	7,001
<u>17,605</u>	<u>12,437</u>

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

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

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

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

(a) Fair values

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

(d) Defaults & breaches

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

23. PROVISIONS

	Consolidated	
	2010 \$000	2009 \$000
Current		
Restructuring provision	8,656	7,675
Unfavourable contracts	5,682	6,551
Insurance provision	113,892	99,782
	<u>128,230</u>	<u>114,008</u>
Non-current		
Non-current employee and director entitlements	85,065	84,670
Deferred lease provision	101,232	79,604
Unfavourable contracts	32,811	43,177
Other provisions	3,339	-
	<u>222,447</u>	<u>207,451</u>
Total	<u>350,677</u>	<u>321,459</u>

	Consolidated					
	Deferred lease \$000	Restructuring provision \$000	Insurance \$000	Unfavourable Contracts \$000	Other Provision	Total \$000
At 1 July 2009	79,604	7,675	99,782	49,728	-	236,789
Acquisition of subsidiary	-	1,018	1,263	-	4,532	6,813
Arising during the year	36,580	-	15,425	-	-	52,005
Utilised during the year	-	-	(2,161)	(5,980)	(1,107)	(9,248)
Exchange differences	(14,952)	(37)	(417)	(5,255)	(86)	(20,747)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2010	<u>101,232</u>	<u>8,656</u>	<u>113,892</u>	<u>38,493</u>	<u>3,339</u>	<u>265,612</u>
Current 2010	-	8,656	113,892	5,682	-	128,230
Non-current 2010	<u>101,232</u>	<u>-</u>	<u>-</u>	<u>32,811</u>	<u>3,339</u>	<u>137,382</u>
	<u>101,232</u>	<u>8,656</u>	<u>113,892</u>	<u>38,493</u>	<u>3,339</u>	<u>265,612</u>
Current 2009	-	7,675	99,782	6,551	-	114,008
Non-current 2009	<u>79,604</u>	<u>-</u>	<u>-</u>	<u>43,177</u>	<u>-</u>	<u>122,781</u>
	<u>79,604</u>	<u>7,675</u>	<u>99,782</u>	<u>49,728</u>	<u>-</u>	<u>236,789</u>

Restructuring provision

The restructuring provision primarily related to:

- the restructuring of the Group subsequent to the purchase of the Capiro and Affinity Group in the prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition;
- land rich duties payable; and
- costs expected to be incurred with the disposal of facilities during 2010 and 2011.

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. The leases are due to expire in 2037.

Unfavourable contracts

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

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

		Consolidated	
		2010 \$000	2009 \$000
Unsecured liabilities:			
- Bank loans	(i)	1,221,438	1,374,285
Secured liabilities:			
- Lease liabilities	(ii)	31,688	17,076
- Loan - bondholders	(iii)	26,480	29,171
- Loan – subordinated bonds	(iv)	43,232	-
		<u>1,322,838</u>	<u>1,420,532</u>

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

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

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

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

(a) Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At balance date, the market interest rates vary from 4.91% to 5.46% (2009: 3.15% to 6.07%) for Australia, 0.71% to 3.86% (2009: 0.65% to 4.42%) for UK, 6.93% to 7.10% (2009: 7.32% to 10.10%) for Indonesia, and 0.77% to 3.36% for France respectively.

	2010		2009	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
Bank loans	1,230,326	1,141,827	1,381,286	1,309,956
Lease liabilities	35,147	34,162	20,028	21,324
Bond holders	29,171	31,314	31,655	34,022
Subordinated bonds	43,232	56,962	-	-
	<u>1,337,876</u>	<u>1,264,265</u>	<u>1,432,969</u>	<u>1,365,302</u>

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

	Consolidated	
	2010 \$000	2009 \$000
Current		
<i>Fixed and floating charge</i>		
Receivables	2,762	2,586
Total current assets pledged as security	<u>2,762</u>	<u>2,586</u>
Non-current		
<i>Finance lease</i>		
Leased assets	53,511	17,068
<i>Fixed and floating charge</i>		
Receivables	25,090	27,852
Total non-current assets pledged as security	<u>78,601</u>	<u>44,920</u>
Total assets pledged as security	<u>81,363</u>	<u>47,506</u>

(d) Defaults & breaches

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

25. ISSUED CAPITAL, RETAINED EARNINGS & RESERVES

25.1 Ordinary Shares

(a) Issued & paid up capital

202,081,252 ordinary shares fully paid

(30 June 2009: 175,255,862 ordinary shares fully paid)

Consolidated	
2010	2009
\$000	\$000

713,523	447,774
---------	---------

Number of shares	\$000
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(b) Movements in share issue

Balance at beginning of the year

175,255,862

447,774

Issued during the period

- Share Placement (DRP)

759,627

8,121

- Share Placement

22,000,000

221,100

- Share Purchase Plan

4,065,763

39,987

Less: issue costs

(3,459)

Balance at end of the year

202,081,252

713,523

(c) Terms & conditions of issued capital

Ordinary Shares

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

25.2 Net Unrealised Gains Reserve

Nature & Purpose

This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The charge to equity during the year to 30 June 2010 represent the fall in interest rates over this period.

25.3 Equity Based Payment Reserve

Nature & Purpose

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

25.4 Vested Employee Equity

Nature & Purpose

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

25.5 Convertible Adjustable Rate Equity Securities (CARES)

(a) Issued & paid up capital

2,600,000 CARES shares fully paid

(30 June 2009: 2,600,000 CARES shares fully paid)

Consolidated	
2010	2009
\$000	\$000

252,165	252,165
---------	---------

(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: $\text{Dividend Entitlement} = \frac{\text{Dividend Rate} \times \text{Face Value} \times N}{365}$ <p>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.</p>

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

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

(b) Terms & conditions of CARES (continued)

Dividend Rate	<p>The Dividend Rate for each Dividend Period is calculated as: $\text{Dividend Rate} = (\text{Market Rate} + \text{Margin}) \times (1-T)$ 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.</p>
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	<p>Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.</p>
Conversion or exchange by Ramsay	<p>CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or \$100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to:</p> <ul style="list-style-type: none"> • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. <p>Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than \$50 million in aggregate Face Value of CARES on issue.</p>
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.

25.6 Treasury Shares

	Consolidated	
	2010 \$000	2009 \$000
749,729 ordinary shares (30 June 2009: 928,878)	8,081	10,210

Nature & Purpose

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

25.7 Capital Management

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

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

Refer to note 25.5 for further information on the existing CARES (\$260 million).

During 2010, dividends of \$91,655,000 (2009: \$76,521,000) were paid. For the year ended 30 June 2010 fully franked ordinary dividends of 43.5c (2009: 39.0c) per share were declared (Interim dividend of 18.5c, Final dividend of 25.0c). These dividends represented a payout ratio of approximately 50% of Core Earnings per Share of 84.5c. Management's target for dividends for 2011 – 2015, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 4.3 times (2009: 3.3 times) for the year ended 30 June 2010.

Additionally under the current senior debt facility which was executed in November 07, the Group has committed funding until the expiry of the facility in November 2012. As such, the Group has to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2010 \$000	2009 \$000
Current assets		
Interest rate derivatives contracts – cash flow hedges	1,313	-
Current liabilities		
Interest rate derivatives contracts – cash flow hedges	15,719	23,438
Interest rate derivatives contracts – fair value through the income statement	532	-
	16,251	23,438
Non - Current liabilities		
Interest rate derivatives contracts – cash flow hedges	17,472	14,129
Interest rate derivatives contracts – fair value through the income statement	371	-
	17,843	14,129

(a) Instruments used by the Group

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

(i) Interest rate swaps – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 4.91% (2009: 4.45%). Interest bearing loans in British Pound of the Group currently bear an average variable interest rate of 0.71% (2009: 2.43%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 1.27% (2009: N/A).

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar, British Pound and Euro interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 64% (2009: 67%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 4.08% and 5.68% (2009: 4.08% and 6.43%) and the variable rates is the 90-day bank bill swap bid rate, which at balance date was 4.92% (2009: 3.24%). The British Pound interest rate swap contracts fixed interest rate was 5.44% (2009: 5.44%) and the variable rate is the 90-day London inter-bank offered rate, which at balance date was 0.73% (2009: 1.19%). The Euro interest rate swap contracts fixed interest rate range between 2.48% and 2.51% (2009: N/A) and the variable rate is the 90 day Euro zone interbank deposit rates, which at date was 0.77%.

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

	Consolidated	
	2010 \$000	2009 \$000
0-1 years	106,024	531,401
1-2 years	306,243	100,000
2-3 years	374,804	150,000
3-5 years	3,465	408,580
	790,536	1,189,981

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

Movement in interest rate swaps cash flow hedge reserve:

	Consolidated	
	2010 \$000	2009 \$000
Opening balance	(25,379)	21,342
Transferred to interest expense	(25,769)	6,406
Credited to equity	30,236	(73,150)
Related income tax	(1,340)	20,023
Closing balance	(22,252)	(25,379)
Loss on cash flow hedge ineffectiveness recognised immediately in the income statement	(89)	(111)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2010 is a GBP borrowing of £117,000,000 (2009: £107,500,000) which has been designated as a hedge of the net investments in the UK subsidiaries. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net loss on the hedge of the net investment of \$27,018,000 (2009: net gain \$3,536,000) was recognised in equity during the year.

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

(b) Interest rate risk

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

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

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

27. SHARE BASED PAYMENT PLANS

27.1 Recognised share-based payment expenses

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

	Consolidated	
	2010 \$000	2009 \$000
Expense arising from equity – settled share based payment transactions	3,250	2,814
Total expense arising from share – based payment transactions (note 5 (d))	3,250	2,814

27.2 Executive Performance Rights Plan (Equity)

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

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

	2010		2009	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	654,850	\$8.24	897,654	\$6.81
- granted	347,000	\$8.72	310,000	\$9.10 ⁽¹⁾
- vested	(179,149)	\$7.44	(531,209)	\$6.69
- forfeited	-	-	(21,595)	\$7.00
Balance at end of year	822,701		654,850	
Exercisable at end of year	-		-	

The following table summarises information about rights held by specified executives as at 30 June 2010:

Number of Rights	Grant Date	Vesting Date	Weighted Average Fair Value
165,701	23 Oct 2007	31 Jul 2010	\$6.50 ⁽¹⁾
310,000	30 Dec 2008	31 Aug 2011	\$9.10 ⁽¹⁾
158,666	20 Oct 2009	31 Aug 2012	\$7.58 ⁽¹⁾
188,334	20 Oct 2009	31 Aug 2012	\$9.68 ⁽¹⁾
822,701			

⁽¹⁾ Fair value at grant date

Fair Values of Performance Rights (Equity)

The fair value of each performance right is estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for grants made on 23 October 2007, 30 December 2008 and 20 October 2009.

	Granted 20-Oct-09	Granted 30-Dec-08	Granted 23-Oct-07
Dividend yield	3.80%	3.68%	3.15%
Expected volatility	30% to 35%	20% to 25%	20% to 25%
Historical volatility	35%	35%	25%
Risk-free interest rate	5.2% - 5.4%	3.39% - 3.14%	6.53%
Effective life of incentive rights	3 years	3 years	3 years

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

27.3 Retention rights to receive ordinary shares

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

Number of Rights	Grant Date	Vesting Date	Weighted Average Fair Value
600,000	1 Jul 2008	1 Jul 2013	\$8.84 ⁽¹⁾

⁽¹⁾ Fair value at grant date

28. DIRECTORS & EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(ii) Executives

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

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

(b) Compensation of Key Management Personnel

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

	Consolidated	
	2010	2009
	\$	\$
Non-Executive Directors		
Short term	1,106,875	1,050,500
Post employment	217,957	655,510
	<u>1,324,832</u>	<u>1,706,010</u>
Executive Directors		
Short term	3,825,446	3,916,185
Post employment	28,922	27,490
Performance/Incentive/Retention rights	1,802,696	1,699,218
	<u>5,657,064</u>	<u>5,642,893</u>
Executives		
Short term	1,893,203	1,647,293
Post employment	28,922	27,490
Performance/Incentive/Retention rights	463,225	333,188
	<u>2,385,350</u>	<u>2,007,971</u>
Total		
Short term	6,825,524	6,613,978
Post employment	275,801	710,490
Performance/Incentive/Retention rights	2,265,921	2,032,406
	<u>9,367,246</u>	<u>9,356,874</u>

28. DIRECTORS & EXECUTIVES DISCLOSURES (CONTINUED)

(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 2010	Vested	Granted	Grant Date	Fair Value \$ (Note 27)	First Test Date	Second Test Date	Last Test & Expiry Date
Directors							
C. Rex ⁽²⁾	48,387	-	31/10/06	\$7.44	30/6/09	31/12/09	30/6/10
C. Rex ⁽²⁾	-	27,500	20/10/09	\$7.58	30/6/12	31/12/12	30/6/13
C. Rex ⁽³⁾	-	27,500	20/10/09	\$9.68	30/6/12	N/A	N/A
B. Soden ⁽²⁾	31,682	-	31/10/06	\$7.44	30/6/09	31/12/09	30/6/10
B. Soden ⁽²⁾	-	25,000	20/10/09	\$7.58	30/6/12	31/12/12	30/6/13
B. Soden ⁽³⁾	-	25,000	20/10/09	\$9.68	30/6/12	N/A	N/A
Executives							
C. McNally ⁽²⁾	23,041	-	31/10/06	\$7.44	30/6/09	31/12/09	30/6/10
C. McNally ⁽²⁾	-	17,500	20/10/09	\$7.58	30/6/12	31/12/12	30/6/13
C. McNally ⁽³⁾	-	17,500	20/10/09	\$9.68	30/6/12	N/A	N/A
D. Sims ⁽²⁾	11,521	-	31/10/06	\$7.44	30/6/09	31/12/09	30/6/10
D. Sims ⁽²⁾	-	20,000	20/10/09	\$7.58	30/6/12	31/12/12	30/6/13
D. Sims ⁽³⁾	-	20,000	20/10/09	\$9.68	30/6/12	N/A	N/A

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

⁽¹⁾ Cash settled incentive rights

⁽²⁾ Equity based performance rights subject to satisfaction of relative TSR performance condition

⁽³⁾ Equity based performance rights subject to satisfaction of EPS Growth performance condition

⁽⁴⁾ Equity based retention rights

28. DIRECTORS & EXECUTIVES DISCLOSURES (CONTINUED)

(d) Shares issued under the Performance Rights Plan

	No. of shares issued	
	2010	2009
Executives		
C. McNally	23,041	26,698
D. Sims	11,521	5,510
	<u>34,562</u>	<u>32,208</u>

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

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

30 June 2010	Performance/ Retention/ Incentive Right	Balance at beginning of period 01 Jul 09	Granted as Remuner- ation	Exercised	Balance at end of period 30 Jun 10	Vested at 30 Jun 10
Directors						
C. Rex	Performance Rights	140,693	55,000	(48,387)	147,306	-
C. Rex	Retention Rights	600,000	-	-	600,000	-
B. Soden	Equity Performance Rights	104,382	50,000	(31,682)	122,700	-
Executives						
C. McNally	Equity Performance Rights	68,187	35,000	(23,041)	80,146	-
D. Sims	Equity Performance Rights	56,594	40,000	(11,521)	85,073	-

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

(f) Shareholdings of Key Management Personnel (consolidated)

30 June 2010	Balance 01 Jul 09		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 10	
	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.
Directors										
C. Rex	198,108	5,334	-	-	48,387	-	26,308	-	272,803	5,334
B. Soden	40,512	3,335	-	-	31,682	-	897	-	73,091	3,335
Executives										
C. McNally	132,147	-	-	-	23,041	-	713	-	155,901	-
D. Sims	18,956	-	-	-	11,521	-	-	-	30,477	-

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

29. EXPENDITURE COMMITMENTS

29. EXPENDITURE COMMITMENTS		Consolidated	
	Note	2010 \$000	2009 \$000
(a) Finance leases & hire purchase commitments - Group as lessee			
- not later than one year		5,441	3,093
- later than one year but not later than five years		15,574	10,222
- later than five years		29,619	16,032
Total minimum lease payments		50,634	29,347
- future finance charges		(15,487)	(9,319)
		<u>35,147</u>	<u>20,028</u>
- lease liability		<u>35,147</u>	<u>20,028</u>
- current liability	22	3,459	2,952
- non-current liability	24	31,688	17,076
		<u>35,147</u>	<u>20,028</u>
Total lease liability accrued for:			
<i>Current</i>			
- Finance leases	22	3,459	2,952
		<u>3,459</u>	<u>2,952</u>
<i>Non-current</i>			
- Finance leases	24	31,688	17,076
		<u>31,688</u>	<u>17,076</u>
		<u>35,147</u>	<u>20,028</u>

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and twenty six years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2009: 12.6%). The security over finance leases is disclosed in note 22 and 24.

		Consolidated	
	Note	2010 \$000	2009 \$000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- not later than one year		100,680	104,578
- later than one year but not later than five years		419,443	422,915
- later than five years		2,577,664	3,007,697
		<u>3,097,787</u>	<u>3,535,190</u>
Aggregate lease expenditure contracted for at balance date			
Amounts provided for:			
- deferred lease – non-current	23	101,232	79,604
- unfavourable contract – current	23	5,682	6,551
- non-current	23	<u>32,811</u>	<u>43,177</u>
		139,725	129,332
Amounts not provided for:			
- rental commitments		<u>2,958,062</u>	<u>3,405,858</u>
Aggregate lease expenditure contracted for at balance date		3,097,787	3,535,190

Operating leases have lease terms of between one and thirty years and an average implicit interest rate of 8.9% (2009: 8.9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

29. EXPENDITURE COMMITMENTS (CONTINUED)

	Consolidated	
	2010 \$000	2009 \$000
(c) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for, payable:		
- not later than one year	26,555	49,267
- later than one year but not later than two years	-	-
	<u>26,555</u>	<u>49,267</u>

(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.

30. SUPERANNUATION COMMITMENTS

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

31. DEFINED BENEFIT PENSION PLAN

The Group has a number of defined benefit plans. The defined benefit plans in the UK and Australia are only open to existing employees who have always been on the plan. They are not open to new employees.

The 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 Statement of Financial Position for the plans:

	Consolidated Pension Plans	
	2010 \$000	2009 \$000
Net benefit expense (recognised in employee benefits)		
Current service cost	703	620
Interest cost on benefit obligation	764	832
Expected return on plan assets	(239)	(337)
Net actuarial losses recognised in the period	518	79
Past service cost	9	9
Net benefit expense (note 5) (recognised in superannuation expense)	<u>1,755</u>	<u>1,203</u>
Actual return on plan assets	<u>598</u>	<u>(830)</u>

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

31. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Consolidated Pension Plans	
	2010 \$000	2009 \$000
Opening defined benefit obligation	10,636	10,304
Acquisition of subsidiary	5,691	-
Current service cost	703	620
Interest cost	764	832
Benefits paid	(634)	(905)
Actuarial losses/(gain) on obligation	1,745	(303)
Past service costs	9	9
Exchange differences on foreign plans	(491)	79
Closing defined benefit obligation	<u>18,423</u>	<u>10,636</u>

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

	Consolidated Pension Plans	
	2010 \$000	2009 \$000
Opening fair value of plans assets	3,990	5,236
Expected return	238	335
Contributions by employer	460	346
Benefits paid	(433)	(733)
Actuarial losses/(gain)	269	(1,165)
Exchange differences on foreign plans	(426)	(29)
Fair value of plans assets	<u>4,098</u>	<u>3,990</u>

The Group expects to contribute \$607,000 to its defined benefit pension plans in 2011.

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

	Consolidated Pension Plans	
	2010 (%)	2009 (%)
Equities	0 - 68	0 - 73
Bonds	0 - 24	0 - 23
Property	0 - 6	0 - 6
Other	0 - 14	0 - 14

	Consolidated Pension Plans	
	2010 \$000	2009 \$000
Actuarial losses recognised in the statement of comprehensive income	<u>1,476</u>	<u>862</u>
Cumulative actuarial losses recognised in the statement of comprehensive income	<u>2,338</u>	<u>862</u>

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

	Consolidated Pension Plans	
	2010 (%)	2009 (%)
Discount rate	4.5 - 9.0	3.5 - 11.1
Expected rate of return on assets	0.0 - 6.3	0.0 - 7.2
Future salary increases	2.0 - 10.0	4.0 - 10.0
Future pension increases	0.0 - 3.4	0.0 - 3.4

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

32. AUDITORS' REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
Amounts received or due and receivable by the Auditors for:		
Audit of financial statements	1,932,922	1,979,033
Other audit related services	309,339	244,606
Total audit	2,242,261	2,223,639
Other services		
Taxation	931,821	555,446
Other	182,474	162,694
Total Other Services	1,114,295	718,140
	3,356,556	2,941,779

33. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility & Working Capital Facility

On 20 November 2007 the Ramsay Group entered into a Syndicated Facility Agreement (SFA). The SFA has 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 2010 were A\$760,000,000 (2009: A\$913,370,000) and £219,000,000 (2009: £232,000,000).

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 2010, the undrawn commitment was A\$625,000,000 (2009: A\$471,630,000) and £41,000,000 (2009: £28,000,000).

(ii) Bilateral Facilities

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

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

Under the bilateral facilities as at 30 June 2010 the total outstanding was A\$8,187,556 (2009: A\$25,783,122) and £8,973,280 (2009: £12,656,936).

The undrawn commitment across the 2 bilateral facilities as at 30 June 2010 was together A\$23,312,444 (2009: A\$24,216,878) and £4,126,720 (2009: £7,343,064).

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

(iii) Indonesian Bank Loan

On 8 February 2010, PT Affinity Health Indonesia repaid the total monies outstanding under the bank loan with PT ANZ Panin Bank of IDR 68,134,924,900 (comprising principal of IDR Rp 67,596,500,000 and interest of IDR 538,424,900) and the loan facility terminated on this date. No further liabilities and/or obligations are outstanding under this facility.

On 8 February 2010 PT Affinity Health Indonesia entered into a one-year revolving credit facility with PT ANZ Panin Bank. The total facility is IDR 81,610,000,000 and as at 30 June 2010 an amount of IDR 67,596,500,000 was drawn under this facility. The interest rate is JIBOR plus 2.35%.

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

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

(iv) Ramsay Santé Bank Loan

Ramsay Santé has a core term debt facility and the amortised value of the loan as at 30 June 2010 was €22,242,705 and this debt is secured against certain assets.

Ramsay Santé and its controlled entities have bilateral capex facilities and other term debt facilities and the amortised value of these loans as at 30 June 2010 was €18,820,701.

A termsheet was executed on 30 June 2010 to refinance the above loans under a new club facility arrangement to be provided by five major French banks. This club facility will provide €40 million worth of core debt facilities and €40 million worth of debt facilities to fund future acquisitions and / or expansionary capital expenditure. These new debt facilities will be executed on or before 30 September 2010. These new debt facilities will have a maturity of five years and 50% of the loans are term loans with the remainder being repayable as a bullet on maturity. The new debt facilities will be secured against certain assets of the Ramsay Santé group.

(v) Ramsay Santé subordinated bonds

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

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

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

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

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

As at 30 June 2010 an amount of €64,582,696 including accrued interest of €9,968,460 was outstanding in respect of these bonds. As at 30 June 2010, Predica, the non-controlling interest held €26,477,000 worth of bonds and the interest accrued in respect of these bonds was €3,186,354.

33. BORROWINGS (CONTINUED)

Terms & Conditions (continued)

(vi) Other Interest Bearing Loans

At 30 June 2010 a loan to bondholders of \$29,170,666 (2009: \$31,654,948) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 20).

34. RELATED PARTY TRANSACTIONS

Subsidiaries of Ramsay Health Care Limited

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

		Beneficial Percentage Held	
	Country of Incorporation	2010 %	2009 %
Ramsay Health Care Limited has the following investments in controlled entities:			
RHC Nominees Pty Limited and its controlled entity: ^	Australia	100%	100%
Health Care Developments Unit Trust	-	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care Investments Pty Limited:			
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
RHC Finance Limited	Cayman Islands	100%	-
Ramsay Aged Care Holdings Pty Limited and its controlled entity ^:	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited and its controlled entities: ^	Australia	100%	100%
Linear Medical Pty Limited and its controlled entity:	Australia	100%	100%
Outcome Medical Pty Limited	Australia	70%	70%
Newco Enterprises Pty Limited and its controlled entity:	Australia	100%	91%
Sydney & Central Coast Linen Services Pty Limited	Australia	100%	91%
Benchmark Healthcare Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^			
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited and its controlled entity: ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited #	UK	100%	100%
Directly controlled by Benchmark Healthcare Pty Limited			
Donvale Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Donvale Private Hospital Unit Trust	-	100%	100%
The Benchmark Hospital Group Pty Limited and its controlled entities: ^	Australia	100%	100%
Beleura Holdings Unit Trust	-	100%	100%
Dandenong Valley Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Dandenong Valley Private Hospital Unit Trust	-	100%	100%
Benchmark – Surrey Pty Limited and its controlled entity: ^	Australia	100%	100%
Surrey Hospital Unit Trust	-	100%	100%
Benchmark – Peninsula Pty Limited and its controlled entity: ^	Australia	100%	100%
Peninsula Hospital Unit Trust	-	100%	100%
Benchmark – Donvale Pty Limited and its controlled entity: ^	Australia	100%	100%
Chelsea Hospital Unit Trust	-	100%	100%
Benchmark – Windermere Pty Limited and its controlled entity: ^	Australia	100%	100%
Windermere Hospital Unit Trust	-	100%	100%
Benchmark – Beleura Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Hospital Unit Trust	-	100%	100%
Beleura Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Properties Unit Trust	-	100%	100%

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

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

		Beneficial Percentage Held	
	Country of Incorporation	2010 %	2009 %
Directly controlled by AH Holdings Health Care Pty Limited:			
Affinity Health Care Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%
PT Affinity Health Indonesia #	Indonesia	92%	92%
Affinity Health Holdings Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Directly controlled by Affinity Health Pty Limited:			
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited and its controlled entity: ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited	Australia	50%	50%
Votrant No. 664 Pty Limited ^	Australia	100%	100%
Votrant No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited and its controlled entities: ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
Directly controlled by AME Hospitals Pty Limited:			
AME Trust	-	100%	100%
AME Trading Trust	-	100%	100%
AME Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
AME Property Trust	-	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited and its controlled entities: ^	Australia	100%	100%
Glengarry Hospital Unit Trust No.1	-	100%	100%
Glengarry Hospital Unit Trust No.2	-	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited and its controlled entity: ^	Australia	100%	100%
Hallcraft Unit Trust	-	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Directly controlled by C&P Hospitals Holdings Pty Limited:			
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited and its controlled entities: ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Health Care Trust No. 1	-	90%	90%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited and its controlled entities: ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%

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

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

	Country of Incorporation	Beneficial Percentage Held	
		2010 %	2009 %
Directly controlled by HCoA Hospital Holdings (Australia) Pty Limited:			
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
HOAIF Pty Limited ^	Australia	100%	100%
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Directly controlled by Australian Hospital Care Pty Limited:			
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Larrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1998 Pty Limited and its controlled entities: ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited and its controlled entities: ^	Australia	100%	100%
Masada Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited and its controlled entity: ^	Australia	100%	100%
Australian Hospital Unit Trust	-	100%	100%
Australian Hospital Care (Pindara) Pty Limited and its controlled entities: ^	Australia	100%	100%
Pindara Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Directly controlled by Alpha Healthcare Pty Limited:			
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited and its controlled entities: ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Directly controlled by Alpha Pacific Hospitals Pty Limited:			
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%

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

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

		Beneficial Percentage Held	
	Country of Incorporation	2010 %	2009 %
Directly controlled by Ramsay Health Care Australia Pty Limited:			
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited	Australia	100%	100%
Directly controlled by Ramsay Health Care (UK) Limited:			
GHG 2008 10A (BVI Property Holdings) Limited and its controlled entity:	British Virgin Islands	100%	100%
GHG 2008 10A Propco Limited	UK	100%	100%
Ramsay Health Care Holdings UK Limited #	UK	100%	100%
Ramsay Santé SA#	France	57%	-
Directly controlled by Ramsay Health Care Holdings UK Limited: #			
Independent British Healthcare (Doncaster) Limited #	UK	100%	100%
Ramsay Diagnostics UK Limited #	UK	100%	100%
Ramsay Health Care UK Operations Limited # and its controlled entity:	UK	100%	100%
Ramsay Health Care Leasing UK Limited #	Guernsey	100%	100%
Directly controlled by Ramsay Santé SA:			
Centre Médico-Chirurgical du Val de Notre Dame SA#	France	55%	-
Centre Médico-Chirurgical et Obstetrical d'Evry SAS# and its controlled entities:	France	57%	-
La Clinique du Mousseau SAS#	France	31%	-
Polyclinique de Villeneuve Saint Georges SA#	France	57%	-
SCI de la Polyclinique de Villeneuve Saint Georges#	France	57%	-
Clinque de la Muette SAS#	France	57%	-
Clinque Lambert SAS#	France	57%	-
Hôpital Privé de Versailles SAS#	France	57%	-
SA Clinique de la Montagne#	France	57%	-
Société Civile Immobiliéré la Garenne Lambert#	France	57%	-
GIE Santé Finance et Pilotage#	France	57%	-

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

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Equity Instruments of Directors

The beneficial and direct interest of each director in the equity of the Company as at 30 June 2010 was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities (CARES)				Performance Rights ⁽²⁾	
	2010		2009		2010		2009		2010	2009
	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾	Direct	Indirect ⁽¹⁾	Direct	Direct
P.J. Ramsay	-	73,149,269	-	73,148,372	-	-	-	-	-	-
M.S. Siddle	152,564	-	151,667	-	-	-	-	-	-	-
C.P. Rex	270,607	2,196	195,955	2,153	-	5,334	-	5,334	92,306	140,693
B.R. Soden	68,958	4,133	37,276	3,236	-	3,335	-	3,335	72,700	104,382
A.J. Clark	82,000	-	80,000	-	-	1,200	-	1,200	-	-
P.J. Evans	7,209	-	6,312	-	-	-	-	-	-	-
I.P.S. Grier	133,116	-	293,116	-	-	-	-	-	-	-
R.H. McGeoch	-	74,231	-	73,334	-	257	-	257	-	-
K.C.D. Roxburgh	57,676	21,738	55,952	21,439	-	-	-	-	-	-

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

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

Mr Ramsay has a relevant interest in 73,149,269 (2009: 73,148,372) shares held by Paul Ramsay Holdings Pty Limited and is a director of that Company. Mr Siddle, Mr Clark and Mr Evans are also directors of Paul Ramsay Holdings Pty Limited.

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

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

Movements in Directors' equity holdings

During the year until the date of this report:

- Mr Ramsay indirectly acquired 897 ordinary shares through the participation of Paul Ramsay Holdings Pty Limited in the Shares Purchase Plan.
- Mr Siddle acquired 897 ordinary shares through the Share Purchase Plan.
- Mr Rex acquired 26,265 ordinary shares on market in respect of the STI bonus and 48,387 ordinary shares through the Executive Performance Rights Plan. Mr Rex also indirectly acquired 43 ordinary shares through the Dividend Reinvestment Plan.
- Mr Soden acquired 31,682 ordinary shares through the Executive Performance Rights Plan. Mr Soden also indirectly acquired 897 ordinary shares through the Share Purchase Plan.
- Mr Clark acquired 1,103 ordinary shares on market and 897 ordinary shares through the Share Purchase Plan.
- Mr Evans acquired 897 ordinary shares through the Share Purchase Plan.
- Mr Grier sold 160,000 ordinary shares on market.
- Mr McGeoch indirectly acquired 897 ordinary shares through the Share Purchase Plan.
- Mr Roxburgh acquired 1,126 ordinary shares through the Dividend Reinvestment Plan and 598 ordinary shares through the Share Purchase Plan. Mr Roxburgh also indirectly acquired 299 ordinary shares through the Share Purchase Plan.

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

Transactions with Directors of Ramsay Health Care Limited and the Group

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

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

During the year costs of \$57,540 (2009: \$24,586) were charged by and an amount of \$62,675 (2009: \$19,452) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

- Entities associated with Mr Grier

During the year costs of \$120,000 (2009: \$120,000) were charged by and an amount of \$110,000 (2009: \$120,000) was paid to Mr Grier to services rendered to the Group.

35. SUBSEQUENT EVENTS

On 26 August 2010, Ramsay announced that it will not convert or redeem CARES on 20 October 2010 and, as a result, the margin will "step-up" by 2% to 4.85% with effect from the dividend payable on 20 April 2011. Management have taken this decision having regard to the ongoing best interest of Ramsay as a whole. Ramsay retains the ability to redeem or convert CARES at subsequent CARES dividend payment dates.

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

36. CLOSED GROUP

Entities subject to class order

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

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

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

	Closed Group	
	2010 \$000	2009 \$000
Consolidated Income Statement		
Profit from operations before income tax	209,565	155,602
Income tax expense	(62,687)	(48,176)
Net profit for the year	146,878	107,426
Retained earnings at the beginning of the year	200,510	169,937
Actuarial gain/(loss) on defined benefit plan	193	(313)
Retained earnings adjustments for addition of entities into the class order	51,814	-
Dividends provided for or paid	(91,655)	(76,540)
Retained earnings at the end of the year	307,740	200,510
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	95,801	64,129
Trade receivables	331,392	360,226
Inventories	69,381	44,150
Derivative financial instruments	1,313	-
Other current assets	20,560	20,721
	518,447	489,226
Assets classified as held for sale	4,350	3,200
Total Current Assets	522,797	492,426
Non-current Assets		
Other financial assets	423,640	270,925
Goodwill and intangibles	591,627	566,245
Deferred tax asset	28,522	30,258
Property, plant and equipment	1,355,924	1,288,144
Other non-current assets	14,556	-
Total Non-current Assets	2,414,269	2,155,572
TOTAL ASSETS	2,937,066	2,647,998
LIABILITIES		
Current Liabilities		
Trade and other payables	395,289	382,566
Interest-bearing loans and borrowings	2,727	503
Provisions	117,335	105,671
Derivative financial instruments	15,719	23,438
Income tax payable	36,206	16,866
Total Current Liabilities	567,276	529,044
Non-current Liabilities		
Interest-bearing loans and borrowings	958,207	1,139,360
Other creditors	1,000	-
Pension liability	37	229
Derivative financial instruments	17,472	14,129
Provisions	87,508	78,254
Total Non-current Liabilities	1,064,224	1,231,972
TOTAL LIABILITIES	1,631,500	1,761,016
NET ASSETS	1,305,566	886,982
EQUITY		
Issued capital	713,523	437,228
Treasury shares	(8,082)	(10,210)
CARES (Convertible Adjustable Rate Equity Securities)	252,165	252,165
Retained earnings	307,740	200,510
Other reserves	40,220	7,289
TOTAL EQUITY	1,305,566	886,982

37. PARENT ENTITY INFORMATION

	2010 \$000	2009 \$000
Information relating to Ramsay Health Care Limited		
Current assets	1,118,700	593,187
Total assets	1,262,366	734,301
Current liabilities	(39,225)	(19,751)
Total liabilities	(39,225)	(19,751)
Issued capital	(713,523)	(447,774)
Reserves	(509,618)	(266,776)
Total shareholders' equity	(1,223,141)	(714,550)
Net profit/(loss) for the year after tax	327,870	(3,215)

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

ADDITIONAL 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 3 September 2010

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	9,211	4,899,651	2.43
1,001 – 5,000	9,067	20,579,240	10.18
5,001 – 10,000	1,111	7,687,090	3.80
10,001 – 100,000	443	9,834,103	4.87
100,001 and over	58	159,081,168	78.72
Totals	19,890	202,081,252	100.00

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 374 holders, for a total of 1,992 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. Paul Ramsay Holdings Pty Limited	73,149,269	36.20
2. National Nominees Limited	20,351,852	10.07
3. J P Morgan Nominees Australia Limited	19,811,138	9.80
4. HSBC Custody Nominees (Australia) Limited	13,574,051	6.71
5. Citicorp Nominees Pty Limited	6,721,045	3.33
6. Cogent Nominees Pty Limited	3,081,090	1.53
7. RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	1,825,666	0.90
8. ANZ Nominees Limited (Cash Income A/c)	1,387,399	0.69
9. ARGO Investments Limited	1,353,443	0.67
10. Citicorp Nominees Pty Limited (CFSIL CFS WS AUST SHARE A/c)	1,192,114	0.59
11. Australian Executor Trustees Limited	1,074,521	0.53
12. Equity Trustees Limited (SGH20)	1,068,000	0.53
13. Cogent Nominees Pty Limited (SMP A/c)	992,124	0.49
14. AMP Life Limited	917,618	0.45
15. UBS Nominees Pty Limited	837,468	0.41
16. Custodial Services Limited (BENEFICIARIES HOLDINGS A/c)	797,609	0.40
17. Questor Financial Services Limited (TPS RF A/c)	707,376	0.35
18. HSBC Custody Nominees (Australia) Limited (A/c 2)	697,233	0.35
19. Australian Foundation Investment Company Limited	685,889	0.34
20. RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	660,779	0.33
Totals	150,885,684	74.67%

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 3 September 2010 are:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	73,149,269	36.20
FMR LLC & FIL Limited (Fidelity International Group)	14,758,111	7.30

(e) Voting Rights

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

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,378	871,881	33.53
1,001 – 5,000	197	391,701	15.07
5,001 – 10,000	19	131,059	5.04
10,001 – 100,000	13	502,629	19.33
100,001 and over	3	702,730	27.03
Totals	3,610	2,600,000	100.00

(g) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 3 holders, for a total of 7 CARES.

(h) 20 Largest CARES Holders

Name	Number of fully paid CARES	% of Issued Securities
1. J P Morgan Nominees Australia Limited	443,481	17.06
2. Citicorp Nominees Pty Limited	144,249	5.55
3. Australian Foundation Investment Company Limited	115,000	4.42
4. National Nominees Limited	90,046	3.46
5. RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	69,867	2.69
6. RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	62,500	2.40
7. ANZ Nominees Limited (Cash Income A/c)	57,707	2.22
8. Questor Financial Services Limited (TPS RF A/c)	52,728	2.03
9. RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	31,324	1.20
10. RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIPI A/c)	26,481	1.02
11. Cogent Nominees Pty Limited	25,316	0.97
12. ARGO Investments Limited	25,000	0.96
13. Australian Executor Trustees Limited (No 1 A/c)	24,975	0.96
14. Woodcross Nominees Pty Limited	12,876	0.50
15. Edsgear Pty Limited	12,500	0.48
16. UBS Nominees Pty Limited	11,309	0.44
17. Dahele Pty Limited	10,000	0.39
18. Merrill Lynch (Australia) Nominees Pty Limited (SETTLE1 A/c)	9,686	0.37
19. RBC Dexia Investor Services Australia Nominees Pty Limited (GSAM A/c)	9,475	0.36
20. Questor Financial Services Limited (TPS PIP A/c)	7,734	0.30
Totals	1,242,254	47.78%

(i) On-Market Buy-Backs

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



