RAMSAY HEALTH CARE

people caring for people

Most Sustainable Corporations in the World GLOBAL100

FTSE4Good

Ramsay Health Care Limited

Annual Report 2012

Annual General Meeting 2012

The 2012 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am, Thursday, 15 November 2012. The full venue details are:

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

Key Dates for 2013 (indicative)

Results Release Dates:

Interim Results – Tuesday, 26 February 2013
Preliminary Final Results – Thursday, 29 August 2013

Dividend Payment Dates – Ordinary Shares:

Interim Dividend: Wednesday, 27 March 2013 (Record Date: 8 March 2013)
Final Dividend: Wednesday, 25 September 2013 (Record Date: 6 September 2013)

Dividend Payment Dates – CARES:

Monday, 22 April 2013 (Record Date: 5 April 2013)
Monday, 21 October 2013 (Record Date: 4 October 2013)

Annual General Meeting 2013

The 2013 Annual General Meeting of Ramsay Health Care Limited will be held on Thursday, 14 November 2013 (venue & time to be advised)

For more information

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

www.ramsayhealth.com

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The internal pages of this Report are printed on Impact Climate Paper and is made with a carbon neutral manufacturing process using 100% FSC post consumer waste.

About Ramsay Health Care

Ramsay Health Care was established by Paul Ramsay, in Sydney, Australia, in 1964 and has grown to become a global hospital group operating 116 hospitals and day surgery facilities across Australia, the United Kingdom, France and Indonesia.

Ramsay Health Care facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 10,000 beds, the Company employs over 30,000 staff across four countries and treats over 1 million patients per annum.

The Company is well-respected throughout the health care industry for operating quality private hospitals and for its excellent record in hospital management and patient care. Ramsay Health Care focuses on maintaining the highest standards of quality and safety; being an employer of choice and operating its business according to *The Ramsay Way* philosophy: "People Caring for People".

Ramsay also takes a leadership role in shaping the world that we live in through its focus on the environment, good corporate governance and societal issues at large. In 2012, the Company was recognised in the Global 100 Most Sustainable Corporations in the World, one of only six Australian companies to make this industry-leading corporate sustainability index. It has also been recognised by the FTSE4Good Index in 2011 and 2012 for meeting globally recognised corporate social responsibility standards.

In November 2007, Ramsay Health Care acquired Capio UK and its portfolio of hospitals in England. Ramsay Health Care UK is now one of the leading providers of independent hospital services in the UK, with a network of 38 acute hospitals and day procedure centres providing a comprehensive range of clinical specialties to private and self insured patients as well as to patients referred by the National Health Service (NHS).

In March 2010, Ramsay Health Care purchased a 57% interest in Group Proclif SAS (Proclif), a leading private hospital operator based in France. Proclif changed its name to Ramsay Santé. Ramsay Santé is one of the leading operators of private hospitals in the greater Paris region managing eight acute hospitals in the fields of medicine, surgery and obstetrics with approximately 1000 beds and day places. Ramsay Health Care purchased a further hospital – Clinique Convert – in the Rhône Alpes region, in May 2011. The Company now operates nine hospitals in France.

> "...the Company employs over 30,000 staff across four countries & treats over 1 million patients per annum."

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Our financial year in numbers

Revenue

$3.9 billion

Group revenue up 6.4% on previous year

EBIT

$438.8 million

Group earnings before interest & tax
up 10.9% on previous year

Core Net Profit

$252.6 million

Core net profit up 14.5% on previous year

Earnings per share

116.1 cents

Core earnings per share up 14.8% on previous year

Dividend

60.0 cents

Full year dividend up 15.4% on previous year

Investment

$103 million

Approved for new brownfield projects during the year

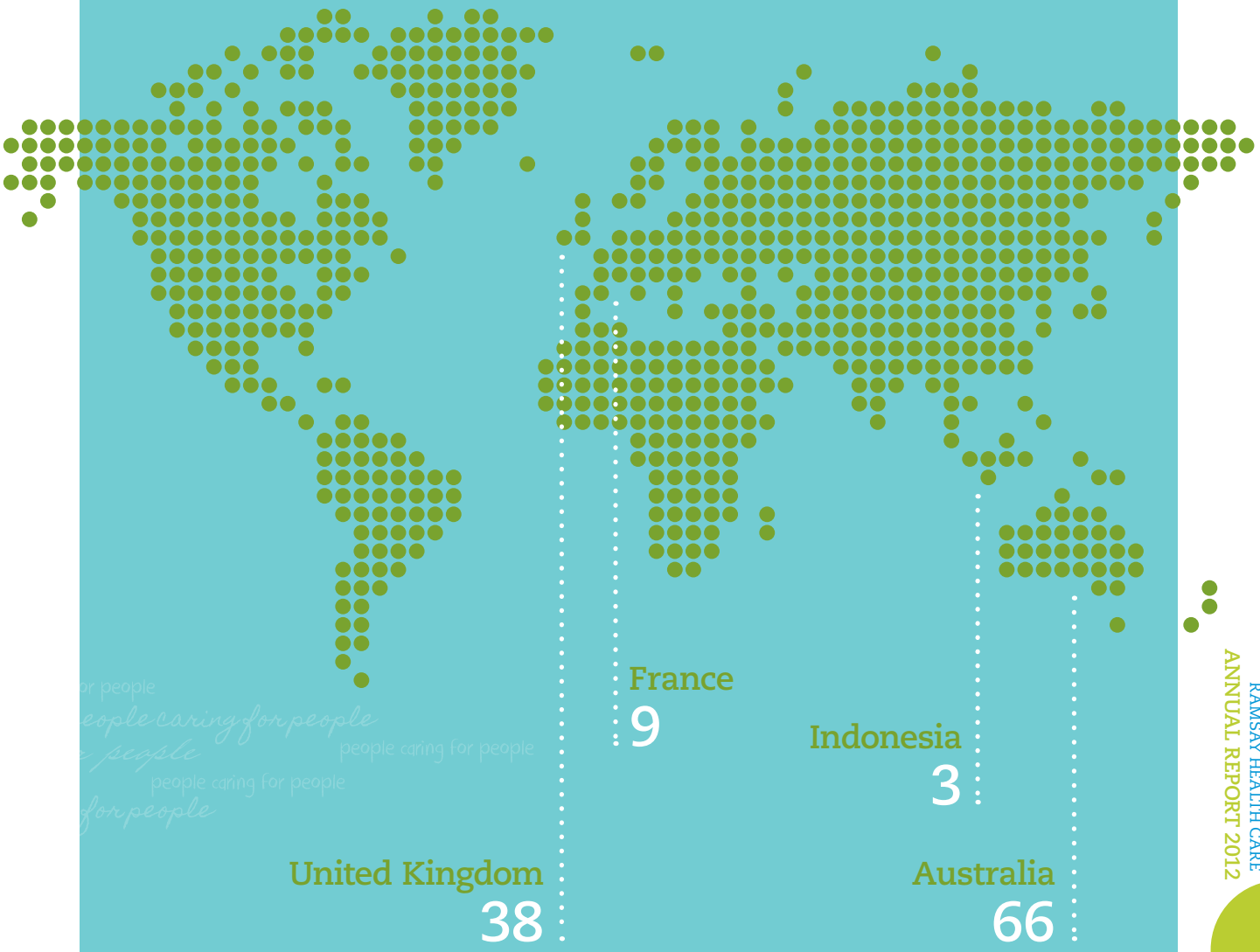
2012 financial year summary of financial performance

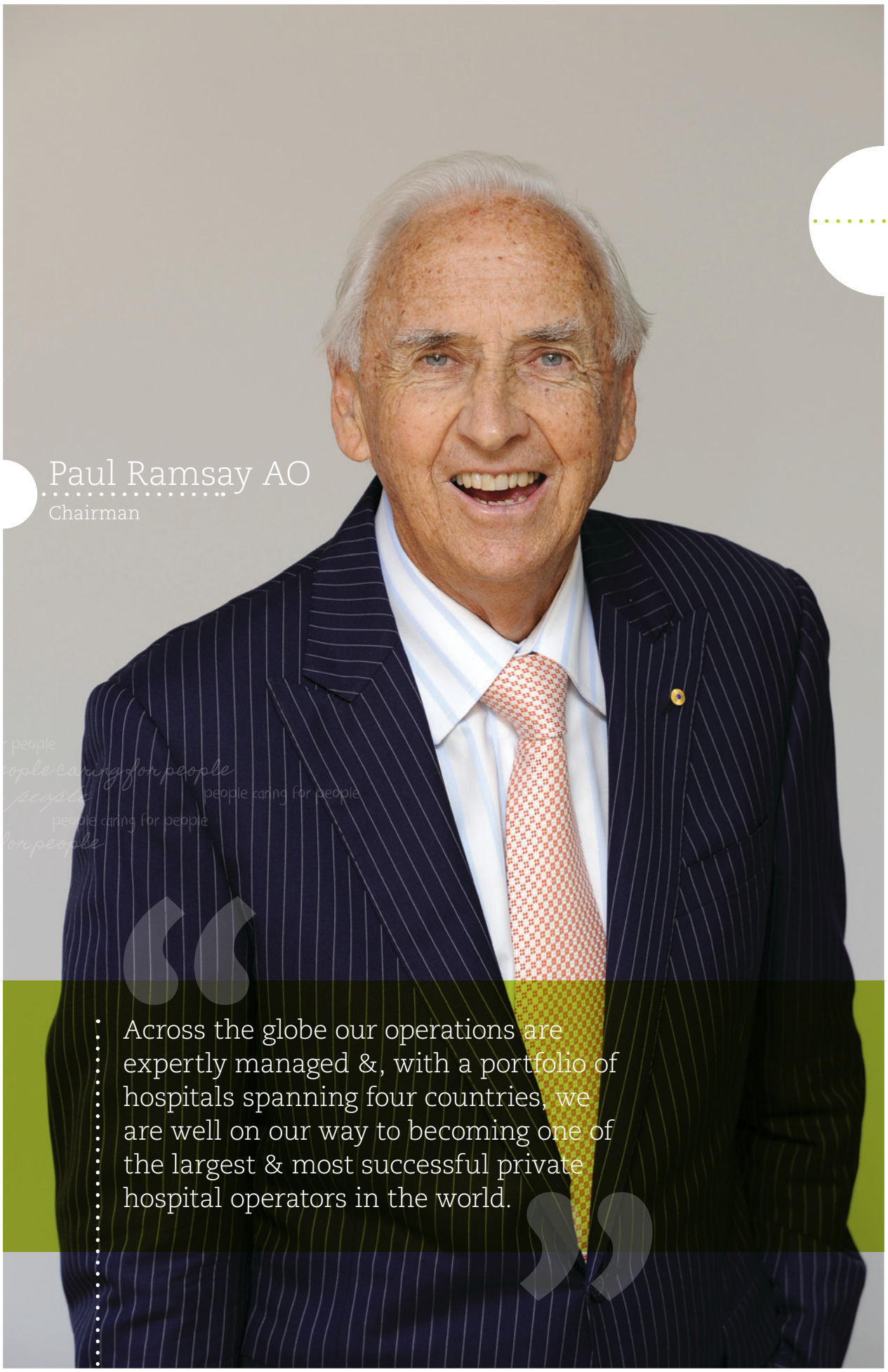
YEAR ENDED 30 JUNE	2012 ($ millions)			2011 ($ millions)	% increase
	Australia & Indonesia	Europe	Group	Group[1]	
Operating Revenue	$3,178.8	$777.7	$3,956.5	$3,719.7	6.4%
EBITDA	$482.1	$101.4	$583.5	$526.3	10.9%
EBIT	$375.9	$62.9	$438.8	$395.5	10.9%
Core NPAT[1]			**$252.6**	**$220.6**	**14.5%**
Core EPS[2]			**116.1¢**	**101.1¢**	**14.8%**
DIVIDENDS PER SHARE (cents)					
Final dividend - fully franked			**34.5¢**	**29.5¢**	**16.9%**
Full year dividend - fully franked			**60.0¢**	**52.0¢**	**15.4%**

(1) Core NPAT is from continuing operations & before non-core items.
(2) Core EPS is from continuing operations & before non-core items & after CARES dividends.

Hospitals & facilities

Includes Day Surgery Centres, Treatment Centres, rehabilitation & psychiatric units.





Paul Ramsay AO

Chairman

> Across the globe our operations are expertly managed &, with a portfolio of hospitals spanning four countries, we are well on our way to becoming one of the largest & most successful private hospital operators in the world.

Chairman's Report

I am pleased to report another great year for Ramsay Health Care. In fiscal year 2012, core net profit after tax rose 14.5% to a total of $252.6 million delivering core earnings per share (EPS) of 116.1 cents for the year, a 14.8% increase on the previous corresponding period and in line with upgraded guidance announced to the market at the half year.

Directors have announced a fully-franked final dividend of 34.5 cents, up 16.9% on the previous corresponding period, taking the full year dividend to 60.0 cents, up 15.4% on the previous year.

These outcomes have been achieved thanks to the skill, commitment and hard work of our excellent staff and management teams and reflect the positive contribution from our long term brownfield capacity expansion programme.

During the year, the Ramsay Health Care Board approved $103 million for new brownfield developments now underway in Australia and overseas. The ageing population with their increasing healthcare needs is driving this significant investment programme. Since 2007, the Ramsay Board has approved in excess of $900 million for investment in our facilities.

It is pleasing to see that completed projects are being delivered on-time and on or under-budget and are meeting business plans. Projects completed at our Australian hospitals during 2012 included an $8.7 million expansion of St Andrew's Private Hospital in Ipswich, Queensland; a $3.7 million expansion of Warners Bay Private Hospital in Newcastle, New South Wales; and an $11.8 million expansion of Mt Wilga Private Hospital, a rehabilitation hospital in northern Sydney.

Other approved projects that will complete in 2013 include the $47 million expansion of Greenslopes Private Hospital in Brisbane, which will see the introduction of obstetric services to this premier Queensland facility.

The major $393 million construction at Joondalup Health Campus ($133 million funded by Ramsay and the balance by the Western Australian State Government) remains on schedule for a completion date of early 2013.

In fiscal year 2012, Ramsay commenced construction of the 200 bed private hospital on the Sunshine Coast. The Sunshine Coast University Private Hospital which is scheduled to open in December 2013, will deliver a significant range and volume of services to public patients under contract with Queensland Health as well as private patient services.

In November 2011, Ramsay executed a new underwritten debt facility agreement of A$2 billion equivalent. The new syndicated debt facility allowed for the refinancing of the existing debt facility and provides significant debt headroom for Ramsay's continuing brownfields programme and developments, future acquisitions and working capital.

The Ramsay Board remains committed to brownfield capacity expansion investment of at least $100 million each year across our facilities. At the same time we have proven that we can export our management model, so successful here in Australia, to other countries, and, to this end, we remain committed to exploring further acquisition opportunities in new and existing markets.

While we are interested in expanding in the United Kingdom (UK) given our success in this country, we will only progress opportunities that meet our investment criteria.

In France, whilst there are a number of acquisition opportunities, given the challenging market conditions, the Board has decided to take a cautious approach to the pursuit of further bolt-ons in that country. Investigations in other markets continue.

In terms of organic growth, Ramsay hospitals continue to report strong admissions growth. In particular, in the UK, NHS admissions were up 11.3% last financial year and now comprises more than 65% of the total Ramsay UK admissions. It is pleasing to see that operating margins before rent (EBITDAR) remain strong at 25% in the UK despite the majority of growth coming from NHS patients. This reflects the excellent management of our UK operations.

I would like to take this opportunity to thank all of our staff and doctors and the management teams in our hospitals and corporate offices across the globe for your commitment during the year. As I visit hospitals, I am always struck by the sense of pride and engagement that exists amongst all our staff. Our staff are proud to work in Ramsay facilities, to talk about their achievements and to deliver the very best healthcare, which makes my visits extremely rewarding.

Across the globe our operations are expertly managed and, with a portfolio of hospitals spanning four countries, we are well on our way to becoming one of the largest and most successful private hospital operators in the world. As Ramsay Health Care approaches its 50th anniversary of operation (2014), I am constantly reminded not only of the size and depth of our Company, but of the excellence of our operations, of the quality of our management teams and of the clarity of The Ramsay Way vision amongst all our staff. It is with these fundamental principles that we are ideally placed to provide quality health care to our patients well into the future.

PAUL RAMSAY AO | Chairman

As Ramsay Health Care approaches its 50th anniversary of operation (2014), I am constantly reminded not only of the size & depth of our Company, but of the excellence of our operations, of the quality of our management teams & of the clarity of The Ramsay Way vision amongst all our staff.

Chris Rex

Managing Director

"...we have an enormous responsibility to ensure we are maintaining the highest standards of quality & safety; that we are creating a great place to work; & that, in all areas, we are operating our business according to The Ramsay Way philosophy: "People Caring for People"."

Managing Director's Report

Ramsay Health Care delivered another excellent result in fiscal year 2012 driven by strong performances across all areas of our business.

In particular our Australian hospitals performed well but there was also a positive contribution from Ramsay's UK operations while, in France, Ramsay Santé performed to expectations.

With the ageing population driving unprecedented growth in demand for healthcare, Ramsay has invested in a significant capacity expansion programme and will continue to invest to ensure it is able to meet this demand for hospital services in the communities in which we operate.

Since 2007, Ramsay Health Care has committed in excess of $900 million in capacity expansions and facility improvements, and we anticipate ongoing investment of at least $100 million for new brownfield developments annually.

Operational highlights Australia & Indonesia

Ramsay's Australian and Indonesian business achieved revenue growth of 7.7% and EBIT growth of 16.4% during the period. EBITDA margins rose to 15.2% from 14.3%.

The ageing population in Australia continues to drive strong hospital utilisation growth. Additionally, steady growth in the numbers of Australians with health insurance is also contributing to the growth in demand for private hospital services. As at 30 June 2012, 46.8% of the population (10.59 million) hold private health insurance an increase of 3.4% in the year. Whilst legislation to means test the health insurance rebate was passed during the year and implemented from 1 July 2012 it will be at least 12 to 18 months before any impact on health insurance membership or degree of cover will be seen.

During the year, Ramsay Health Care started construction of the new public/private hybrid Sunshine Coast University Private Hospital at Kawana in Queensland. When this hospital opens (in fiscal year 2014), it will represent a new era in health service delivery in terms of public and private collaboration. We are very pleased to be working with Queensland Health to provide improved and expanded services to the Sunshine Coast community.

Ramsay Health Care already has an excellent track record in working with state governments around Australia through its facilities in Western Australia (Joondalup Health Campus); Victoria (Mildura Base Hospital) and Queensland (Noosa Hospital), not to mention our long history of successful collaboration with the Department of Veterans' Affairs. We have demonstrated that we can deliver quality hospital services on behalf of government in the most efficient and effective way. As state government health budgets stretch to meet the healthcare needs of a rapidly ageing population, we foresee greater opportunities for private sector involvement in public health delivery in Australia in the future.

Operational highlights Europe

Ramsay UK's revenue rose 3.0% during the year to £363.8 million despite having to digest the expected change in pricing of the ISTC contract revenues. EBITDAR increased by 2.1% to £91 million.

UK operating margins before rent (EBITDAR) remain strong at approximately 25% despite the majority of growth coming from National Health Service (NHS) patients.

During the year, the Health & Social Care Bill was passed into legislation. The primary focus of the legislation is the restructure of the NHS but the legislation strongly endorses competition, patient choice and private sector involvement in the delivery of publicly funded healthcare in the UK.

Overall EBITDAR for Ramsay Santé increased by 14.9% to €30.0 million. Excluding Clinique Convert, acquired in May 2011, Ramsay Santé showed modest growth with EBITDAR increasing by 1.2%.

In France, market conditions are expected to remain challenging in the short term, however, Ramsay remains positive about this marketplace which boasts a well-regarded health system and positive demographics.

Sustainability

I am very pleased to report that during the year, Ramsay Health Care was recognized in the 2012 Global 100 Most Sustainable Corporations in the World. Announced at the World Economic Forum in Davos, Ramsay Health Care was one of only six Australian companies and the only Australian-based healthcare company recognized by the industry-leading corporate

sustainability index. This recognition follows on from the Company's inclusion in the FTSE4Good Index for meeting globally recognized environmental, social and corporate governance standards.

It is a great achievement to be admitted to these corporate sustainability indices as it confirms the Company's strategy and vision to become one of the world's most respected private hospital operators.

We recognise that continuous improvement in all areas of our business is critical to our success. We place a great deal of importance on safety and quality, human resources and how we operate our hospitals in our local environments.

In 2012, Ramsay Health Care launched a Performance and Sustainability Report on the Company website which assesses Ramsay's performance in patient safety and quality, the environment, human resources, workplace health and safety and corporate governance.

While sustainability and ongoing performance assessment is already factored into our strategic planning and risk management strategies, this report puts our results on the public record for the first time. It provides insight into sustainability issues and their drivers across all areas of our business including details of metrics that evaluate and track our performance.

As a global company, employing 30,000 staff and caring for over one million patients each year, we recognise that we have an enormous responsibility to ensure we are maintaining the highest standards of quality and safety; that we are creating a great place to work; and that, in all areas, we are operating our business according to *The Ramsay Way* philosophy: "People Caring for People".

We believe it is vital that we are living *The Ramsay Way* values, having it guide the decisions we make, through the services we deliver and through our interactions with all our stakeholders.

While we are recognised as one of the largest and most successful private hospital operators in the world, we also have a vision to be one of the world's most respected companies and to this end, we can take a leadership role in shaping the world that we live in through our focus on the environment, good corporate governance and societal issues at large.

Launching this sustainability report further advances our aim to be one of the world's great companies. It reflects our commitment to the community and the role we play in society.

This is a landmark report for Ramsay Health Care and one that I am pleased to be part of.

Outlook

The ageing demographic is continuing to drive increased demand for healthcare. Our strategy of prudent capacity expansions and acquisitions means Ramsay Health Care is well-placed to be able to provide services to the growing number of patients requiring treatment.

Our ongoing investment in capacity expansion will keep adding to earnings and contribute positively to EPS.

Governments around the world are increasingly concerned about the rising costs of healthcare and, as a result, we anticipate increasing opportunities for private sector involvement in the provision of public hospital services.

The development of the Sunshine Coast University Private Hospital in conjunction with Queensland Health is a perfect example of how the private sector can work together with government to deliver a world class tertiary health care facility for the community.

The Company remains positive about opportunities for expansion overseas. Our UK business is well-placed to capture future growth in NHS volumes. Market conditions in France are still challenging but the healthcare sector remains an attractive proposition.

There is also significant growth in healthcare spending expected in emerging markets and we continue to monitor and investigate opportunities in these markets and other regions where there is a strategic fit and which meet our investment criteria.

Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances, Ramsay is targeting core NPAT and core EPS growth for the Group of 10% to 12% for the financial year 2013.

I would like to thank the Ramsay Board of Directors for their guidance and Ramsay staff and doctors throughout the world for their commitment to our Company and another excellent year.

CHRISTOPHER REX | Managing Director

Managing Director Chris Rex accepts the RUOK? Day Workplace Award at the AHRI Diversity Awards in Melbourne

Our vision is to be one of the world's most respected companies.

Sustainability

In 2012 Ramsay Health Care launched a comprehensive Performance & Sustainability Report that assesses the Company's performance across a range of environmental, social & governance indicators as well as safety & quality.

The highlights of Ramsay's Performance & Sustainability Report 2012 include:

- An excellent performance across all areas of patient safety and quality – recording better than industry benchmarks in all key indicators;
- An industry-leading performance in workplace health and safety which sees Ramsay's Australian hospital rates of lost time injury at approximately half the health industry rate;
- A focus on training and development which shows Ramsay Health Care as a top provider of medical training in the private sector and provided 28,000 days of clinical placements during the 2011 calendar year;
- Progress on diversity and flexibility in the workplace;
- Reduction in energy consumption on a per patient day basis across all Australian facilities over the last three financial years;
- An impressive track record of awards and recognition specifically in 2012 picking up the second RUOK? Day national award; and being recognised in the Global 100 and the FTSE4Good Indexes for its commitment to corporate sustainability programs; and finally,
- Support to community groups and initiatives such as the Schizophrenia Research Institute; Triathlon Pink and the Company's own Charity Challenge program.

Visit: www.ramsayhealth.com.au/performance-report

Ramsay Health Care in the Top 100 Most Sustainable Corporations in the World

In 2012, Ramsay Health Care was recognised in the Global 100 Most Sustainable Corporations in the World.

Ramsay Health Care was one of only six Australian companies and the only Australian-based healthcare company recognised in the Global 100 list. Announced at the World Economic Forum in Davos, it was the first time that Ramsay Health Care has been recognised by the industry-leading corporate sustainability index.

The Global 100 list identifies and recognises global corporations that have been proactive in managing environmental, social and governance issues.

The 2012 Global 100 isolates the top 10 percent of companies from a universe of 3500 global stocks which are then transparently ranked based on 11 indicators to determine the top 100.

The inclusion of Ramsay Health Care in the 2012 Global 100 index follows on from the Company's inclusion in the FTSE4Good Index series. Ramsay Health Care has been accepted into this Index the past two years for meeting globally recognised corporate social responsibility standards.

FTSE4Good

Most Sustainable Corporations in the World
GLOBAL100

Ramsay wins RUOK? Day Award

In 2012 Ramsay Health Care won the Australian Human Resources Institute's (AHRI) RUOK? Day Workplace Award, for the second year in a row.

The winner was announced at the AHRI Diversity Awards, in Melbourne, in May.

Ramsay Health Care has been involved in mental health care since 1964 and understands the importance of supporting people with mental health issues.

RUOK? Day is one of the key health promotion activities that Ramsay undertakes as an organisation. For Ramsay Health Care, RUOK? Day is a practical example of 'People caring for people' in action.

Last year's RUOK? Day message was: "In the time it takes to have a coffee, you can start a conversation that could change a life".

To assist with starting this conversation Ramsay Health Care organised 'Grab & Go' reusable cups to be available at each hospital in return for a gold coin donation during last year's RUOK? Day.

The Company raised $20,000 for the RUOK? Day Foundation through this initiative which goes towards continuing to provide suicide awareness and intervention programs in schools, universities and workplaces.

RUOK?™

Board of Directors

Paul Ramsay AO

Michael S Siddle

Christopher P Rex

Bruce R Soden

Anthony J Clark AM

Peter J Evans

I Patrick S Grier AM

Rod H McGeoch AM

Kerry C D Roxburgh

John D C O'Grady
Group General Counsel
& Company Secretary

Paul Ramsay AO

Chairman – Appointed 26/05/75

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

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

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

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

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)

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 10 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. He is a former 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.

Bruce R Soden B.Comm CA MAICD

Group Finance Director – Appointed 02/01/97

Mr Bruce Soden, a chartered accountant, is Group Finance Director of Ramsay Health Care Limited, a role he has held since early 1997. Mr Soden is responsible for all financial operations and corporate governance functions of the business including treasury, banking and finance, legal and company secretariat, investor relations and group accounting and taxation. Over his 25 years with the Group, Mr Soden has led the company's capital management strategy through many critical milestones including the acquisition of the privatised Department of Veterans' Affairs hospitals Hollywood (1994) and Greenslopes (1995), Ramsay's listing on the ASX in 1997, the company-transforming acquisition of Affinity Health Care in 2005 and all debt and equity raisings.

Since listing and under Mr Soden's financial leadership, Ramsay's enterprise value has grown from under $400 million in 1997 to approximately $5.7 billion currently.

Mr Soden is also a member of the Board's Risk Committee.

Prior to being appointed Group Finance Director in 1997, Mr Soden was Finance Director and Chief Financial Officer 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 US health care company.

Before joining Ramsay in 1987, Mr Soden was a financial consultant for a major global accounting firm for 11 years.

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.

Mr Clark was appointed as a director of Sphere Minerals Limited on 22 November 2010.

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)

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)

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 August 2008, Mr Grier was appointed as a director of Careers Australia Group Limited.

Mr Grier is also the Chairman of the Australian Healthcare Workforce Institute and Chairman of the Domain Principal Group and is also a member of the Skin Cancer Network Advisory Board.

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

- Prime Media Group Limited (Appointed June 2008)

Rod H McGeoch AM
LLB MAICD

Non-Executive Director – Appointed 03/07/97

Mr Rod McGeoch is 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 and is also a director of Destination NSW.

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)
- BGP Holdings Plc Malta and BGP Investment S.a.r.l Luxembourg (Appointed November 2009)
- Telecom Corporation of New Zealand Limited (Resigned September 2010)

John D G 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 has been a facilitator in the AICD's education programme for many years. He has served as a non-executive director of a number of boards, including the Defence Housing Authority 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.

Kerry C D Roxburgh

B.Comm MBA MESSA

Non-Executive Director – Appointed 03/07/97

Mr Kerry Roxburgh is a Stockbrokers Association of Australia Practitioner Member.

He is currently the Lead Independent non-executive Director of Ramsay Health Care Ltd, and a non-executive director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd.

He is Chairman of the Charter Hall Limited, of Tyro Payments Ltd, of Tasman Cargo Airlines Pty Ltd and of TEKTUM Ltd. He is Deputy Chairman of Marshall Investments Pty. Ltd.

He is also a member of the Advisory Boards of AON Insurance and of Built Pty. Ltd.

In 2000 he completed a 3 year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), becoming its non-executive Chairman until June 2007, when it 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 from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

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

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

Corporate Governance Statement

Ramsay Health Care Limited ('the **Company**') is committed to delivering high quality health care services and ensuring long-term, sustainable 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 role of the Company as a good corporate citizen.

2012 Governance Highlights

To enhance the independent functioning of the Board, in June 2012 the Board appointed a Lead Independent Director. The key functions of the Lead Independent Director are set out on page 23 of this Statement.

In 2012 Ramsay Health Care was recognised in the Global 100 Most Sustainable Corporations in the World, an industry-leading corporate sustainability index which recognises proactive management of environmental, social and governance issues. The Company was one of only six Australian companies, and the only Australian-based healthcare company, to be included in this index.

In 2011 Ramsay was included in the FTSE4Good Index (an index which objectively measures the performance of companies that meet globally recognised corporate responsibility and governance standards) and was again accepted into this Index in 2012 for continuing to meet such standards.

Having been an early-adopter of the ASX Corporate Governance Principles and Recommendations with respect to diversity in 2010, Ramsay has continued to track well against its diversity goals in 2012. The Board has set further diversity goals for the Company's continued improvement in this area. Details of the Diversity Policy, measurable objectives and the Company's progress against these objectives are set out on pages 25 to 28 of this Statement.

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 – The Ramsay Way – is reinforced.

This statement outlines the Company's governance framework, policies and procedures as at 21 September 2012 (unless otherwise stated) in accordance with the Corporate Governance Principles and Recommendations (2nd Edition) published in June 2010 by the ASX Corporate Governance Council (**ASX Corporate Governance Principles and Recommendations**). The table on pages 32 to 34 indicates where these specific Recommendations are addressed in this Statement.

All references to the Company's website are to: **www.ramsayhealth.com**

Principle 1: Lay solid foundations for management & oversight

The Board

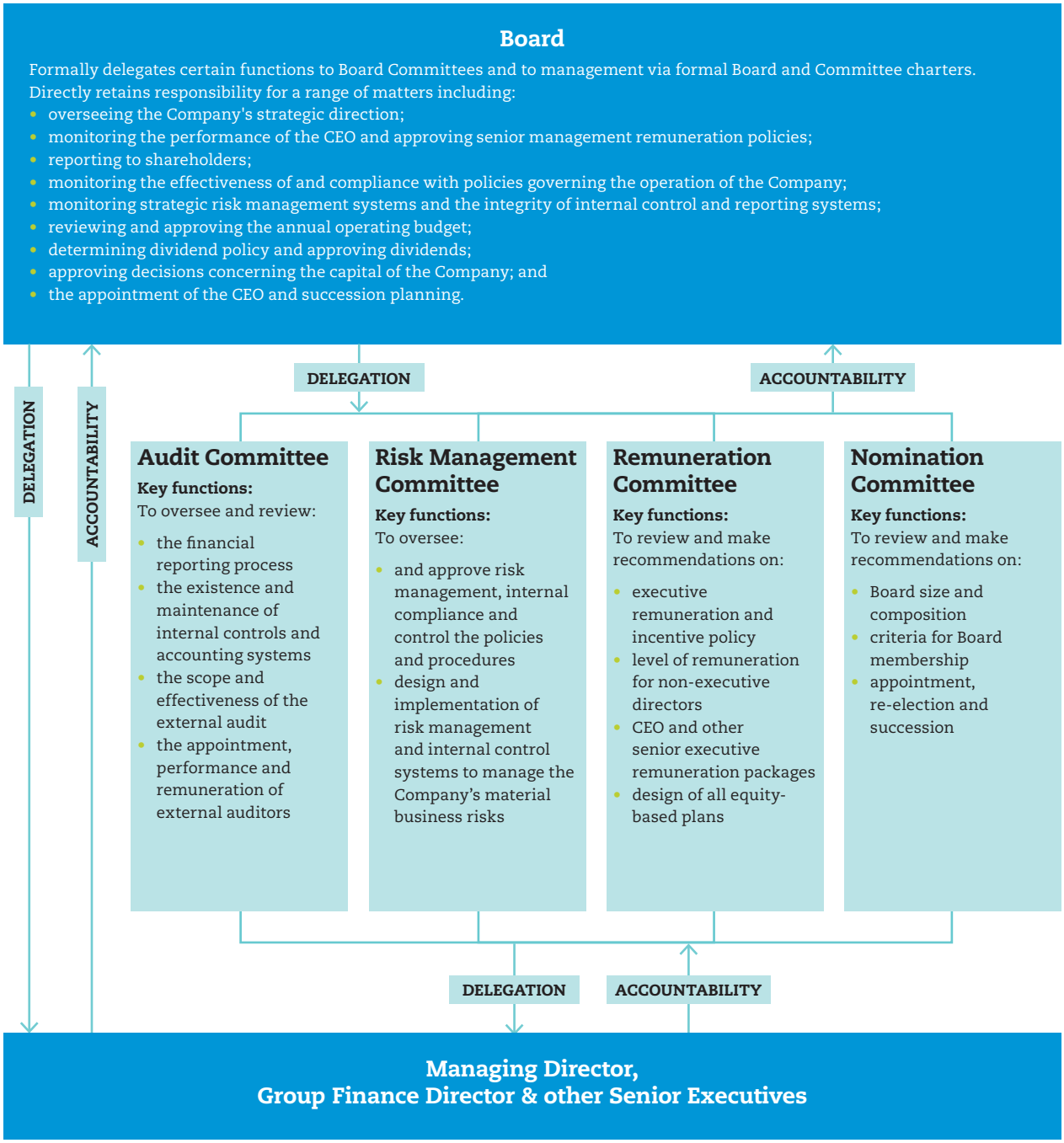
The Company's Board is committed to effectively representing and promoting the Company and thereby adding long-term value to all shareholders. The Board is accountable to shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company.

To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, the Company has established a governance framework which sets out the functions reserved to the Board and also provides for the delegation of certain functions to Board Committees and to senior management. These are set out in the Board Charter, which was updated in June 2012 and can be found in the Corporate Governance section of the Company's website. A Statement of Delegated Authorities, which was also updated and approved by the Board in June 2012, is also in place and distributed internally.

The governance framework in place ensures accountability, both of the Board and senior management, to the Company and its shareholders.

Governance Framework

The diagram below summarises the Company's governance framework, including the functions reserved for the Board and those carried out by the standing Board Committees.



Board Committees

The Board has established four standing Board Committees which assist the Board in the execution of its responsibilities. Each Committee operates under a specific charter, which can be found in the Corporate Governance section of the Company's website.

In accordance with their respective charter, each Board Committee must have at least three members and be chaired by an independent non-executive director. Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations requires that the Audit Committee is comprised solely of non-executive directors, a majority of whom are independent, and must be chaired by an independent director. Recommendations 2.4 and 8.2 also require that for the Nomination and Remuneration Committees respectively, a majority of members and the Chair must be independent non-executive directors.

On the terms of its charter, the Risk Management Committee must have at least three members, two of whom must be non-executive directors with at least one being member of the Audit Committee. The Managing Director, Group Finance Director, Chief Operating Officer, Chief Risk Officer and Group General Counsel must also be members of this Committee and other members of senior management may attend meetings by invitation.

The current membership of each of the Board Committees is set out below:

Board Committee	Membership
Audit Committee	Mr Peter Evans (Chair), Mr Tony Clark AM & Mr Kerry Roxburgh.
Risk Management Committee	Mr Peter Evans (Chair), Mr Kerry Roxburgh, Mr Patrick Grier, Mr Christopher Rex, Mr Bruce Soden, Mr Craig McNally, Mr Danny Sims & Mr John O'Grady.
Remuneration Committee	Mr Rod McGeoch AM (Chair), Mr Peter Evans & Mr Michael Siddle.
Nomination Committee	Mr Rod McGeoch AM (Chair), Mr Paul Ramsay AO & Mr Kerry Roxburgh.

The number of Board and Board Committee meetings held during the year, and the number of meetings that were attended by each of the directors, is set out in the table below:

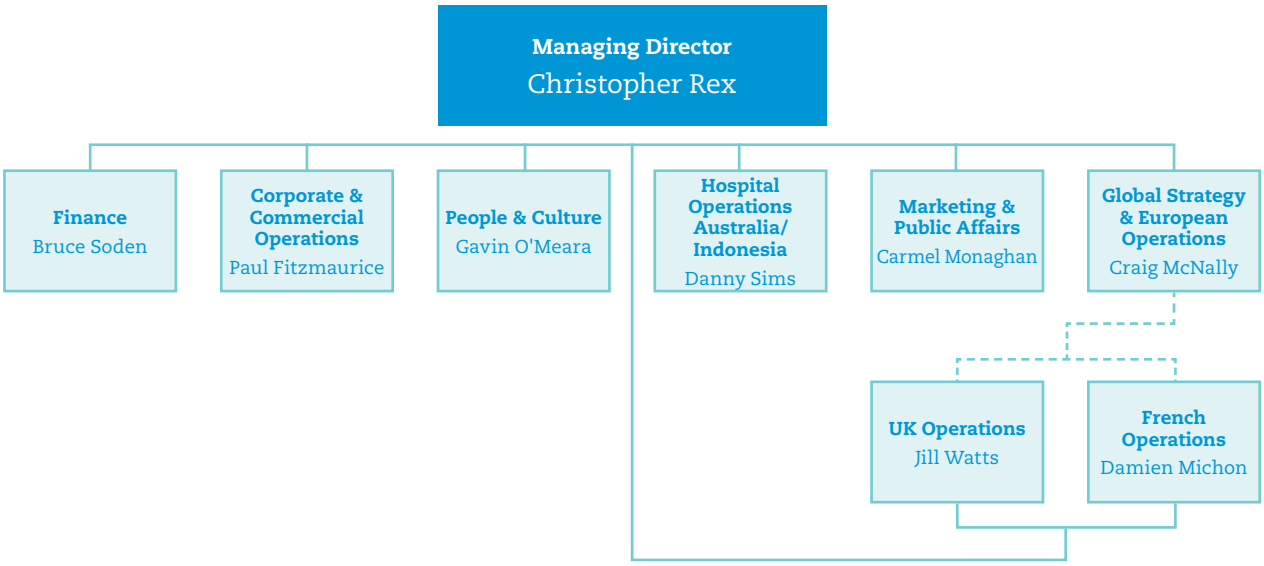
	Board	Audit Committee	Risk Management Committee	Remuneration Committee	Nomination Committee
	Attended (Held)	**Attended (Held)**	**Attended (Held)**	**Attended (Held)**	**Attended (Held)**
P.J. Ramsay AO	10 (10)				4 (4)
M.S. Siddle	10 (10)			4 (4)	
C.P. Rex	10 (10)		5 (5)		
B.R. Soden	10 (10)		5 (5)		
A.J. Clark AM	9 (10)	6 (6)			
P.J. Evans	10 (10)	6 (6)	5 (5)	4 (4)	
I.P.S Grier AM	9 (10)		4 (5)		
R.H. McGeoch AM	9 (10)			4 (4)	4 (4)
K.C.D Roxburgh	10 (10)	6 (6)	5 (5)		4 (4)

Mr Danny Sims and Mr John O'Grady attended all of the Risk Management Committee meetings held during the year. Mr Craig McNally became a member of the Risk Management Committee after the end of the financial year.

Senior Executives

The Board delegates responsibility for the day-to-day management of the Company to the Managing Director, who is assisted by the senior executives who report to him.

The diagram below sets out details of the senior executives who report directly to the Managing Director.



The Managing Director must consult with the Chairman or Deputy Chairman on any matters which the Managing Director considers are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board, regardless of value. The authorisation thresholds for the control of expenditure and capital commitments have been established and defined in the Company's recently updated Statement of Delegated Authorities.

Subject to these policy limits and the directions of the Audit Committee, the Managing Director may sub-delegate the day-to-day running of the Company to the senior executive team. The exercise of delegated authority is restricted to specific organisational functions and roles including determining conditions of employment, the write-off of assets, instructing external advisers, property transactions, taxation payments, treasury transactions and dealings (contractual and otherwise) with other parties.

In general, commitments to routine operating expenditure with direct or indirect exposure to the Company above the Managing Director's approval threshold of $3 million (or $1 million for capital expenditure proposals) must be submitted to the Board for approval. The Statement of Delegated Authorities details the delegated thresholds for individual positions in various categories of financial commitment, as well as the authorisation processes required to be followed.

Performance of Senior Executives

A combination of financial and non-financial key performance indicators ('KPIs') are used to monitor senior executive performance. Details of the KPIs used for the Managing Director in FY2012 and examples of the KPIs for other senior executives are set out in the Remuneration Report on pages 62 and 64 of this Annual Report.

The Managing Director's performance is formally assessed on an annual basis by the Board. All KPIs are carefully considered by the Remuneration Committee, which evaluates the Managing Director's performance and makes recommendations to the Board.

An annual assessment of the performance of all other senior executives is undertaken by the Board on the basis of recommendations by the Managing Director, who conducts performance reviews in relation to each senior executive.

A performance evaluation for all senior executives, including the Managing Director, was undertaken in the reporting period in accordance with the processes disclosed above.

Principle 2: Structure the Board to add value

Board Composition

The Board consists of two executive and seven non-executive directors. Of those seven non-executive directors, a majority (four) are independent directors. 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 15 to 17 of this Annual Report.

The Company aims to maintain a Board that comprises directors with a broad range of skills, expertise and experience who are able to effectively understand and manage the issues arising in the Company's business, review and challenge the performance of management and optimise the Company's performance.

Director Appointments

The Nomination Committee reviews and, where appropriate, makes recommendations to the Board on the size and composition of the Board, including assessment of necessary and desirable competencies of Board members. To this end, the Nomination Committee periodically assesses the appropriate mix of competencies, skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Nomination Committee is also responsible for reviewing and making recommendations to the Board on its membership, including recommendations for the appointment and re-election of directors, and where necessary proposing candidates for consideration by the Board. Nomination and appointment of directors is made in accordance with the Company's Constitution and the Nomination Committee Charter, both of which are posted on the Corporate Governance area of the Company's website. The Nomination Committee must have regard to the factors set out in the Nomination Committee Charter, including that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Ramsay Diversity Policy.

An offer of a Board appointment must be made by the Chairman only after having consulted with all directors and with the approval of the Board as a whole. External search organisations may be used in the identification of potential director candidates as appropriate. In accordance with the Company's Constitution, a director appointed by the Board holds office until the conclusion of the next AGM when he or she will be eligible for re-election at that meeting.

The Nomination Committee's current membership is set out on page 20 of this Statement. The independence of the members is discussed below. Details of Nomination Committee meetings and attendance by each Committee member are contained on page 20 of this Corporate Governance Statement.

Director Independence

The Board considers that it is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management.

All members of the Board – whether independent directors or not – exercise independent judgement in making decisions in the best interests of the Company as a whole. When considering matters at Board meetings, questioning and debate amongst the directors are encouraged and no one director (or small group of directors) is permitted to dominate the Board's discussions or decision making.

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2. The Company does not use materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis. The independent status of each of the directors is assessed regularly and was most recently considered by the Board (on the recommendation of the Nomination Committee) in April 2012.

Based on its most recent assessment, the Board confirmed that Mr Kerry Roxburgh and Mr Rod McGeoch AM are both 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 also reaffirmed that Mr Tony Clark AM and Mr Peter Evans continue to meet the test of independence notwithstanding their role as directors of Paul Ramsay Holdings Pty Limited (the Company's largest shareholder). In assessing the impact of this affiliation on their exercise of independent judgement, the Board took into account the following factors:

- neither Mr Evans nor Mr Clark are members of the Board as nominees of Paul Ramsay Holdings Pty Limited;
- they are voted on to the Board of the Company by the shareholders generally and have been re-elected by a significant majority of shareholders on each occasion they have stood for re-election;
- neither are shareholders of, or have a direct or indirect beneficial interest in, Paul Ramsay Holdings Pty Limited;
- they do not receive any remuneration from Paul Ramsay Holdings Pty Limited other than directors' fees;
- they do not receive any remuneration from the Company other than directors' fees and Committee/chairmanship fees as disclosed in the Directors' Report;
- there are no related party transactions between the Company and Paul Ramsay Holdings Pty Ltd which could create any conflict between their duties as a director to both companies;
- in practice, they both make their own decisions on how to vote at meetings of the Board and do so acting in the best interests of the Company's shareholders generally and without direction from Paul Ramsay Holdings Pty Limited; and
- Mr Clark and Mr Evans are independent of management and have no other relationship that could interfere, or be perceived to interfere, with the independent exercise of their judgement.

The Board has determined that the following non-executive directors are not independent for the reasons outlined below. In each case, the Board is satisfied that the director makes a valuable contribution to the work of the Board and has particular skills and experience that cannot be obtained elsewhere.

- The Chairman of the Board, Mr Paul Ramsay AO – Mr Ramsay is not independent as he holds (through Paul Ramsay Holdings Pty Limited), a substantial shareholding in the Company. 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. While Mr Ramsay's role as Chairman means that the Company does not satisfy ASX Recommendation 2.2 (which states that the chair should be an independent director), the Company believes that Mr Ramsay's extensive experience in the industry and in business generally is invaluable and that the introduction of an independent Chairman would not adequately compensate the Company for the loss of Mr Ramsay's valuable contributions to the management and strategy of the Ramsay Group.
- The Deputy Chairman of the Board, Mr Michael Siddle – Mr Siddle has had a long association with the Chairman and was formerly the Chief Executive of Ramsay. For this reason, he is not considered to be independent. However, Mr Siddle has considerable knowledge and experience in the management of private hospitals and property development. Given this highly relevant experience and valuable knowledge of the Company and the Group as a whole, the directors consider that the interests of the shareholders are best met by the continued contribution of Mr Siddle.
- Mr Patrick Grier – Mr Grier is not considered to be independent as he was previously employed in an executive capacity by the Company and there was not a period of more than three years between ceasing that appointment and serving as a non-executive director on the Board (although more than three years have now passed since Mr Grier was employed as Managing Director). Despite the continuity of Mr Grier's involvement as an executive and then a non-executive director, the Board considers that Mr Grier's experience, skills and standing add significant value to the Board's ability to deal with issues and developments in the health care sector and the market.

While the Board does not currently comprise a majority of independent directors, the Company is satisfied that the Board operates independently of management and is highly effective in promoting the best interests of shareholders.

To enhance the independent functioning of the Board, in June 2012 the Board resolved to appoint Mr Kerry Roxburgh as Lead Independent Director. The key functions of the Lead Independent Director are to:

- ensure that any conflicts of interest (or potential conflicts of interest) between the Company's major shareholder, Paul Ramsay Holdings Pty Ltd, and the Company are identified and appropriately managed;
- promote awareness of the importance of independent judgements in the Board's decision making;
- provide leadership to the other independent directors and support them in presenting diverse perspectives on issues being considered by the Board; and
- promote constructive interaction between the independent directors and all other directors.

Further, as a general comment on the composition of its Board, the Company considers there is significant merit and benefit to shareholders in a stable and experienced Board. The current Board has remained stable over a number of years, during which the Company has expanded its business substantially to become a major international provider of health services while delivering sustained, long-term growth in revenue, earnings, net profit and dividend year on year for more than ten years. The Company has consistently outperformed the market, including the health sector, in recent years.

The Board recognizes the benefits that may be gained from changes to its composition and remains committed to appointment of new directors in line with the Company's Diversity Policy. However, given the excellent track record of the current Board and the strong working dynamic that exists between the Board and management, the Company does not intend to force changes to the existing Board composition until a natural opportunity or need arises.

Access to Independent Advice

Directors are entitled to seek independent professional advice at the expense of the Company as required in the furtherance of their duties and in relation to their functions (including their Board Committee functions), subject to prior consultation with, and approval of, the Chairman or Deputy Chairman. The directors have consistently indicated in their evaluations that they consider they have adequate access to such advice.

Evaluating Board, Committee & Director Performance

During the 2012 financial year the Board undertook a formal, structured evaluation that was approved by the Board and completed confidentially by each of the directors. Results consistently indicated that the composition, function, procedures, culture, working style, behaviours and administration of the Board and the Board Committees are highly cohesive and effective and that the Board and Committees are performing extremely well. The evaluation identified that the high quality of interaction between the Board and management, the involvement of the Board in Company strategy and the Board's strong understanding of the business were key factors in its effective function.

The same evaluation process was undertaken by each of the Board Committees during the financial year. A 360-degree review of the Audit Committee was undertaken, with members of senior management and the external auditor completing the evaluation as well as each of the Committee Members. A 360-degree review of the RMC was also undertaken, with the members of senior management who attend each RMC meeting to report on behalf of Sub-Committees completing the evaluation as well as each of the Committee Members. All of the Committees were assessed as efficient and highly functional, with clearly defined and highly effective relationships to the Board and management, and the evaluation process identified strengths, improvements (particularly over the last 12 months) and areas for increased focus.

As an ongoing process, the chair regularly discusses with each director their individual performance and contribution to the Board and Board Committees.

Principle 3: Promote ethical & responsible decision-making

Code of conduct

The Company places the highest value on ethical and responsible behaviour and has established a Code of Conduct for all directors, officers and employees as to:

- 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.

The Code of Conduct, which is available in the Corporate Governance section of the Company's website, is the subject of ongoing internal review.

Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, bribery, breach of policies, 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. This service is designed to encourage anonymous disclosures by providing a mechanism by which employees may confidentially register complaints with an organisation independent of the Company and which will in turn refer complaints to senior managers of the Company for investigation. 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.

In 2011, the Company also developed a Code of Conduct for Agents, Manufacturers and Suppliers with whom Ramsay does business, which has been distributed internally and progressively implemented as a term of key supplier contracts as those contracts are entered, reviewed or renewed.

Bribery & Corruption

In addition to the prohibition on bribery, or acceptance by staff of gifts that are beyond general commercial practice or common courtesy under the Code of Conduct and the Whistleblower Policy, the Company has developed Anti-Bribery and Anti-Fraud Policies.

The Company's UK business implemented an Anti-Bribery Policy during FY11/12 setting out the Company's zero tolerance approach to bribery and corruption by any director, officer, employee or associate (including agents, brokers, partners, consultants, contractors, joint venture partners, stakeholders and other representatives) of the Company. The Policy further clarified the prohibitions on bribery and corruption set out in the Code of Conduct and Whistleblower Programme, including in relation to gifts and entertainment, facilitation payments, political and charitable donations, associate payments, use of agents and due diligence, by reference to applicable anti-corruption laws.

The Policy was drafted for compliance with the UK Bribery Act 2010 which came into force on 1 July 2011. The Act introduced a very broad definition of bribery (including the prohibition of facilitation payments) and introduced severe penalties for breaches of the Act and an unprecedented extra-territorial jurisdiction for failure by a company operating any part of its business in the UK to prevent bribery anywhere in its global operations.

The implementation of the Policy included the roll out of a training programme and internal publications to directors and members of staff setting out the relevance to the Company and the appropriate response to concerns in relation to bribery or attempted bribery. Furthermore, contractual documentation has been refined and updated to reflect the Company's zero tolerance approach to bribery and corruption.

The Company's UK Anti-Bribery Policy was drafted in conjunction with the Australian business. Policies mirroring the UK policy, and therefore drafted to meet the UK Bribery Act requirements, have been approved and are in the process of implementation in the Australian, Indonesian and French businesses. In addition, questions specifically addressing bribery and corruption have been added to internal control questionnaires in each of the Company's businesses.

Securities Trading Policy

In line with ASX Listing Rule 12.9, the Company has in place a Securities Trading Policy that prohibits certain "Nominated Employees" (including directors, officers and senior executives) and their families and associates from trading directly or indirectly in Company securities outside of three annual trading windows, being:

- the two 6 week periods commencing on the next trading day after the release of half and full year results; and
- the two week period commencing on the next trading day after the Company's Annual General Meeting.

The only exception to this prohibition is where the Nominated Employee has "exceptional circumstances" and has obtained written approval from the Chair (or his delegate) and the Company Secretary to deal in Company securities outside the windows in accordance with the process set out in the Securities Trading Policy. Approval will only ever be given if the Nominated Employee is not in possession of price sensitive information. An application for approval must be accompanied by evidence that "exceptional circumstances" exist and that the dealing is the most reasonable course of action in those circumstances. Any approval granted is valid for 5 business days.

Certain dealings in Company securities are prohibited entirely by the Policy and other types of trades are excluded from the dealing restrictions under the Securities Trading Policy. These are set out in the Policy.

The Securities Trading Policy also requires directors of the Company to notify the Chairman and the Company Secretary before they deal in Company securities even if the dealing will take place during a trading window. All other Nominated Employees must immediately notify the Company Secretary of any dealing in the Company's securities, whenever occurring.

All employees are prohibited from trading (or causing a third party to trade) in Company securities at any time while they are in possession of price-sensitive information and from dealing in securities of other listed companies where they have price sensitive information in relation to that other company obtained in the course of their employment.

Sustainability

The Company's commitment to environmental sustainability is central to the Ramsay business culture and underpins all activities of the Group.

The Company has in place an Environmental Sustainability Policy, setting out the principles underpinning the Company's commitment towards environmental sustainability which is considered central to its business culture and is intended to form part of, and to support, all Ramsay activities. The Company's Environmental Management System (EMS) is a set of processes and practices designed to enable the Company to reduce its environmental impacts and increase its operating efficiency. It establishes a reporting structure and a programme for monitoring and auditing environmental performance.

The Policy and EMS were approved by the Board and developed by the Environment and Sustainable Development Working Group, a group of senior managers representing key departments and reporting to the Operational, Property and Environmental Risk Committee, that meets quarterly with the objectives of reviewing the Company's environmental obligations and policies against its operations and providing direction and recommendations in that regard.

The Company was included in the FTSE4Good Index in 2011 and again, with a number of improved ratings, in 2012. It was also listed in the 2012 Global 100 Most Sustainable Corporations in the World, one of six Australian companies and the only company in the Australian healthcare sector to be listed.

Further details of the Company's environmental indicators can be found in the Company's Performance and Sustainability Report, published on the Company's website. The Performance and Sustainability Report also publishes details of the Company's performance using indicators of patient safety and quality, workplace health and safety, human resources and social indicators.

Diversity

The Company is proud of the considerable diversity that exists throughout the organisation. The Company has in place very comprehensive and well-developed Workplace Diversity Guidelines for Employees, includes diversity criteria in its Recruitment and Selection Guidelines and has had a Diversity Policy in place since May 2010.

In 2012 the Company was again assessed as compliant with the Equal Opportunity for Women in the Workplace Act 2010 and received recognition for its progressive employee programmes, including its national wellness framework and initiatives for keeping older employees in the workplace. The Company was the winner of the National RUOK? Day workplace award in 2011 and 2012 and a national finalist in the AHRI Age Diversity Award in 2012.

The Company also has in place a Flexible Work Practices Policy to promote balance of work and outside responsibilities and interests, such as family and carer, study, community and cultural needs, with the aim of accommodating employees' needs for flexibility subject to meeting the operational needs of the business.

The representation of women throughout the organisation is generally exceptional. In 2012 women comprised 84% of employees throughout the Group and occupied 75% of senior manager[1] positions. Similarly, in 2012 25% of senior executive[2] positions in the Group were occupied by women. There are currently no female directors on the Board.

The Diversity Policy was reviewed and updated in June 2011 by the Board and included a Statement of Intent both in regard to Board-level appointments and executive appointments. The Company remains committed to selecting the best person for the role. In selecting new directors, the Company has regard to the skills, experience and perspectives represented on the Board and identifies potential skill "gaps" based on the current and projected future activities of the Group. The Company has identified the need for a female perspective on the Board (particularly in light of the fact that women represent approximately 84% of the Group's overall workforce and a substantial proportion of its clinicians and patients) and therefore intends, all other things being equal, that the next appointee to the Board will preferably be a woman.

As the Company's business extends beyond geographical boundaries, the Board is also cognisant of the need to consider Board candidates from overseas in the interests of diversity.

The 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 and candidates' skills and experience in a variety of specified fields. In order to promote the specific objective of gender diversity, the 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 Diversity Policy also covers senior executive appointments and requires the Managing Director 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 reviewing and considering those recommendations. In order to facilitate greater gender diversity in management and leadership roles, the Diversity Policy requires the Company to:

- implement policies which address impediments to gender diversity in the workplace;
- 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.

A further female appointment to senior management was made in 2012, with the appointment of the National Manager in Corporate & Commercial Operations. In addition, 10 of the 14 participants in the Ramsay Future Leaders Programme (an internal training and mentoring programme for developing staff identified as having potential to progress to higher levels of management) in 2012 were women.

The 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 Board. The Board has assessed the Company's performance against the measurable objectives published for 2010/11 and 2011/12. Updates on the Company's progress against those previous objectives and the new measurable objectives set for 2012/13 by the Nomination Committee and adopted by the Board are set out in the tables following.

1 *'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.*

2 *'senior executive' positions are those reporting directly to the Managing Director.*

1. Performance against measurable objectives

Measurable Diversity Objectives		Goal	Update/Achievement
Objective 1:	Flexible Work Practices Policy to be approved by the Board.	June 2011	Policy completed, approved by the Board and distributed in May 2011.
Objective 2:	Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative.	June 2011	Ramsay has joined Diversity Council - Diversity Council resources disseminated to and used by HR team.
Objective 3:	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 and ongoing Manager, People and Culture to report to the Nomination Committee by November 2012	The Succession Planning process has been completed for all hospital management teams and will be completed for all management by September 2012. A 360 degree survey programme has been adopted as part of this process for all managers. One outcome of this process is to identify high potential (female) staff and then work on their development needs.
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 Carry over to 2012 / 13	The 2012 Future Leaders Programme has 14 participants, 10 of whom are women. This programme incorporates both formal and informal mentoring for all future leaders. Ramsay is also in the process of developing a senior leaders programme to formalise development pathways for senior hospital and corporate managers which is intended to include a formal mentoring programme.
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 and ongoing	In 2012 a female senior manager was appointed.
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	Goal remains June 2013.
Objective 7	Develop online Diversity (including discrimination, bullying and harassment) training module for all senior managers.	June 2012	Online diversity training module has been completed and is in the process of being rolled out in line with Ramsay's annual mandatory training programme.
Objective 8	To engage an external consultant to assist identifying potential candidates, including a balance of male and female candidates, for the next Board position.	In the ordinary course of the Board succession process	Not applicable during the 2011/12 reporting year.
Objective 9	To include as one of the criteria of the annual Board performance evaluation the achievement of the objectives of the Diversity Policy.	FY 2012 and ongoing	Completed.

2. New measurable objectives for 2012/2013

Measurable Diversity Objectives – 2012/2013		Goal
Objective 10:	To be awarded the citation of "EOWA Employer of Choice for Women".	June 2014.
Objective 11:	Annual review of flexible and part-time work arrangements to endeavour to ensure that roles are appropriate to maintain career development.	June 2013 and ongoing.
Objective 12:	Review and update Diversity Policy to encompass other aspects of diversity.	June 2013.

Principle 4: Safeguard integrity in financial reporting

The Audit Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Company's and the Group's financial reporting and the system of internal control. A key component of the Committee's role is to provide appropriate advice and recommendations to the Board to assist the Board to fulfil its corporate governance responsibilities in regard to financial reporting, the internal control environment, and audit management across the Group.

An updated Audit Committee Charter was adopted by the Board in February 2011. The updated Charter takes into account the current roles and responsibilities of the Audit Committee, the Company's current internal audit structure (which has developed in recent years with the appointment of a General Manager - Audit & Risk and an in-house internal audit team) as well as contemporary governance practices, as reflected in the ASX Corporate Governance Principles and Recommendations.

The Audit Committee's current membership is set out on page 20 of this Statement and the independence of the members is discussed on pages 22 and 23 of this Statement. Details of Audit Committee meetings and attendance by each Committee member are contained on page 20 of this Corporate Governance Statement.

The Company's Audit Committee Charter, which includes information on the Audit Committee's role in relation to the appointment of external auditors, is posted on the Corporate Governance section of the Company's website.

Principle 5: Make timely & balanced disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and to ensuring that its shareholders are kept well-informed of all major developments affecting the Company's affairs.

The Company has a Continuous Disclosure Policy which is designed to ensure such compliance (as well as to ensure accountability for compliance at a senior executive level).

In summary, the Policy:

- explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001;
- establishes internal processes for: reporting of information considered to be potentially price sensitive; consideration of information reported by the Company Secretary, the Disclosure Committee and (where necessary) the Board; and disclosure of price sensitive information;
- establishes internal processes for briefing of analysts, investor and media groups, responding to market speculation and rumours and calling trading halts; and
- delegates to the Disclosure Committee and Company Secretary the authority to release information or make disclosures to the ASX and responsibility for decisions regarding price sensitive information, coordinating disclosures, establishing and monitoring procedures under this Policy and making recommendations to the Board on any necessary updates to the Policy.

Principle 6: Respect the rights of shareholders

The Company is always mindful of the importance of communicating effectively with its shareholders.

To this end, a formal Communications Policy has adopted by the Board in relation to the provision of information to shareholders, the media and the wider community.

The Communications Policy establishes internal protocols and authorisations for communications with media (including media inquiries and releases at Company and facility level), 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 described above, which deals with the disclosure of price-sensitive information.

The Company has the following mechanisms in place designed to ensure that shareholders are kept fully informed and able to participate at general meetings:

- 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 Boardroom Pty 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.

Principle 7: Recognise & manage risk

The Company has developed a governance structure for oversight of risk whereby material business risks can be identified at an operational level and managed and reported, ultimately to Board level, via the Risk Management and Audit Committees. The structure also allows for top-down management of risks identified at Board or Board Committee level. The Company's system of reporting encompasses both formal and informal channels.

Strategic and operational risks are considered at least annually by all operating divisions as part of the annual strategic planning, forecasting and budgeting process. Each facility is responsible for the development and maintenance of a risk management plan identifying material risks, developing strategies for dealing with those risks and developing and testing controls.

The Company's risk management framework

The Company has in place a Risk Management Framework which is consistent with current practice and the Standard AS/NZS ISO 31000:2009 Principles and Guidelines for Risk Management.

The framework:

- provides an organisation-wide standardised approach which outlines the structure and Company policies applicable to the proactive identification, assessment, management, reporting and oversight of risks, particularly material business risks;
- encompasses all areas of risk with the capacity to adversely affect the business of the Company, such as financial, strategic, clinical, safety, environmental and legal risks;
- emphasizes a collaborative approach by all stakeholders to the identification of risks, the importance of clear communication of initiatives and strategies to manage identified risk and reinforcement of compliance with such initiatives as an integral part of corporate culture; and
- provides guidance on risk treatment and prioritization.

Risk Management Committee

In recognition of the importance of effective risk management, the Company has a standing Risk Management Committee (**RMC**). The RMC is responsible to the Board for:

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

The RMC Charter is posted on the Corporate Governance section of the Company's website.

In addition to the members of the RMC set out on page 20 of this Corporate Governance Statement, the following executives and senior managers who report on behalf of a risk management sub-committee have a standing invitation and are expected to attend all RMC meetings:

- Mr Paul Fitzmaurice, Executive Manager, Corporate & Commercial Operations and Chair - Operational, Property & Environment Risk Sub-Committee;
- Ms Glenna Parker, Group Clinical Governance Manager and Chair – Clinical Governance Risk Sub-Committee;
- Mr Gavin O'Meara, People & Culture Manager and Chair – Workforce, Safety & Culture Sub-Committee; and
- Mr Neil Wykes OAM, General Manager, Audit & Risk.

The Risk Management Committees of each of the Company's UK, Indonesian and French businesses are also required to provide a written report to the RMC at each Committee meeting.

The way in which this Committee interacts with the full Board and with the Audit Committee (which is responsible for oversight of management of material financial risks of the Company) with respect to the management of risk is set out in the diagram below.

Division of risk management responsibilities and functions

Role of management with respect to risk management

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:

- Engagement of an external consultant to conduct external reviews of the Framework and also internal reviews through an interview and workshop programme involving members of the Board, senior managers and selected facility managers. The purpose of the review process was 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. Resulting reports from those consultants, profiling the risks identified and suggesting strategies to develop and progress the Risk Management Framework, have been used to guide developments in the Framework implementation and in amendments to the Framework and Charter as required.
- 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: the Clinical Governance Risk Sub-Committee; the Operational, Property & Environment Risk Sub-Committee and the Workforce, Safety & Culture Sub-Committee, each of whom report to the RMC at each of its regular meetings and as otherwise required.
- 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 Committee and RMC by the General Manager, Audit & Risk.
- Other material and emerging risks that are identified by the Company's executive are also reported directly to the Managing Director through the Chief Risk Officer.

Risk reporting during FY2012

Management has reported to the Board on the effectiveness of the Company's management of its material business risks throughout the reporting period in accordance with the process outlined above. Specifically, the Board has received:

- assurance from the Managing Director and the Group Finance Director that, in their opinion, the declaration provided under s 295A of the Corporations Act 2001 (and noted in the Directors' Declaration) is founded on sound systems of risk management and internal control and that those systems are operating effectively in all material respects in relation to financial reporting risks; and
- reports from management as to the effectiveness of the Company's management of its material business risks. These reports supplement the regular reporting as described in the Risk Management Framework from the RMC and its Sub-Committees, the Audit Committee and the Chief Risk Officer.

Principle 8: Remunerate fairly & responsibly

The Board has established a Remuneration Committee which, in accordance with the Remuneration Committee Charter posted on the Corporate Governance section of the Company website, is responsible for reviewing and making recommendations to the Board in respect of:

- executive remuneration and incentive policy;
- equity based incentive plans;
- superannuation arrangements;
- remuneration by gender and strategies or changes required to address any pay gap identified;
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the chief executive officer and any other executive director, the Company Secretary and all senior executives reporting directly to the Chief Executive Officer; and
- the disclosure of remuneration in the Company's public materials including ASX filings and the annual report.

The Remuneration Committee's current membership is set out on page 20 of this Statement and the independence of the members is discussed on pages 22 and 23 of this Statement. Details of Remuneration Committee meetings and attendance by each Committee member are contained on page 20 of this Corporate Governance Statement

The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

A significant proportion of remuneration for key executives is 'at risk' based on delivery of shareholder returns. Conversely, to preserve independence and impartiality, no element of non-executive director remuneration is 'at risk' (i.e. it is not based on the performance of the Company). However, to create alignment between non-executive directors and shareholders, non-executive directors are encouraged to hold shares in the Company (purchased by the non-executive director on-market). All non-executive directors have acquired shares in the Company and hold them in their own right.

The Company's Securities Trading Policy prohibits hedging arrangements, dealing in derivatives or any other arrangements that vary the economic risk related to the Company's securities. This includes 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.

For details of the Company's remuneration structure, including details of the plan for retirement benefits for non-executive directors (which as noted in the 2010 Annual Report is no longer linked to increases in non-executive director fees) please refer to the Remuneration Report at pages 42 to 77 of this Annual Report.

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations			
	ASX Principle	**Reference[3]**	**Compliance**
Principle 1	**Lay solid foundations for management & oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	1	Yes
Principle 2	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors	2	No However, as set out in section 2: • the majority of the Non-Executive Directors are independent; • a Lead Independent Director has been appointed; and • the Company is satisfied that the Board operates independently of management and is highly effective in promoting the best interests of shareholders as a whole.
2.2	The chair should be an independent director	2	No However, as set out in section 2, the Company believes that Mr Ramsay's extensive experience as founder of the Group and in the industry generally is invaluable and that the introduction of an independent Chairman would not adequately compensate the Company for the loss of Mr Ramsay's significant contribution to the strategy of the Ramsay Health Care Group.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1, 2	Yes
2.4	The board should establish a nomination committee.	1, 2	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	2	Yes

3 *All references are to sections of this Corporate Governance Statement unless otherwise stated*

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations			
	ASX Principle	**Reference[3]**	**Compliance**
Principle 3	**Promote ethical & responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to the: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	3	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	3	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	3	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior Executive positions and women on the Board.	3	Yes
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	3	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	1, 4	Yes
4.2	The audit committee should be structured so that it: • 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 • has at least three members	1	Yes
4.3	The audit committee should have a formal charter.	1, 4	Yes
4.4	Companies should provide the information indicated in guide to reporting on Principle 4.	1, 4	Yes
Principle 5	**Make timely & balanced disclosure**		
5.1	Companies should establish written policies and procedures 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.	5	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5	Yes

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations			
	ASX Principle	**Reference[3]**	**Compliance**
Principle 6	**Respect the rights of shareholders**		
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.	6	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	6	Yes
Principle 7	**Recognise & manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	7	Yes
7.3	The Board should disclose whether it has received assurance 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 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.	7	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	7	Yes
Principle 8	**Remunerate fairly & responsibly**		
8.1	The Board should establish a remuneration committee.	1, 8	Yes
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Chair • has at least three members	1	Yes
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	8	Yes
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	1, 8	Yes

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

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway
St Leonards NSW 2065

Email: enquiry@ramsayhealth.com.au
Website: www.ramsayhealth.com
Telephone: +61 2 9433 3444
Facsimile: +61 2 9433 1489

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW
Australia 2000

Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Telephone Enquiries (from within Australia): 1300 737 760
Telephone Enquiries (from outside Australia): +61 2 9290 9600

Facsimile (from within Australia): 1300 653 459
Facsimile (from outside Australia): +61 2 9279 0664

Financial Report

FOR THE YEAR ENDED 30 JUNE 2012

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 2012.

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 in the Board of Directors section of this Annual Report.

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

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

Director	Ordinary Shares	Ramsay Health Care Limited Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
P.J. Ramsay AO	73,149,269	-	-
M.S. Siddle	152,564	-	-
C.P. Rex	464,516	5,334	360,000
B.R. Soden	195,791	2,000	160,000
A.J. Clark AM	82,000	1,600	-
P.J. Evans	7,209	-	-
I.P.S. Grier AM	-	-	-
R.H. McGeoch AM	74,231	257	-
K.C.D. Roxburgh	79,500	-	-

Mr Paul Ramsay AO has a relevant interest in 73,149,269 (2011: 73,149,269) 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.

OPERATING AND FINANCIAL REVIEW

Principal activities

The principal activities of Ramsay Health Care Limited (Ramsay) during the year were the owning and operating of 117 hospitals and day surgery facilities across Australia, the United Kingdom, France and Indonesia. There have been no significant changes in the nature of these activities during the year. Ramsay is well-respected in the health care industry for operating quality private hospitals and for its excellent record in hospital management and patient care.

Ramsay facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 10,000 beds, the Company employs over 30,000 staff across three continents, and treats over 1 million patients per annum.

Review of operations

A summary of the audited consolidated statutory revenue and earnings is set out below:

	2012 $000	2011 $000	% Change
Revenue from services	3,956,476	3,719,691	6.4%
Statutory earnings before interest, tax, depreciation and amortisation (EBITDA)	562,355	500,938	12.3%
Statutory earnings before interest and tax (EBIT)	415,461	365,863	13.6%
Net profit attributable to owners of the parent	244,105	198,375	23.0%

Statutory earnings per share

	2012	2011	% Change
Basic earnings per share	112.7c	90.8c	24.1%
Diluted earnings per share	111.8c	90.2c	23.9%

Financial Highlights

Ramsay's statutory net profit attributable to the owners of the parent for the year ended 30 June 2012 was $244.1 million, a 23.0% increase on the previous corresponding period. Statutory earnings per share was 112.7 cents for the year, a 24.1% increase.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of operations (continued)

The result was driven mainly by a strong performance across Ramsay's Australian hospitals and an increased contribution from completed brownfield developments.

In Australia, Ramsay recorded a significant increase in EBIT at the hospital level as a result of strong organic growth and increasing contribution from the brownfield development programme. Ramsay achieved revenue growth of 7.7% during the year in Australia and Indonesia which helped drive EBIT 16.4% higher.

The UK business is performing well in a difficult environment. Revenue rose 3.0% during the year and EBITDAR increased by 2.1%. Ramsay UK hospital's recorded an 11.3% rise in NHS admissions. With self pay and private medical insurance volumes still recovering, NHS admissions now exceed 65% of the total admissions to Ramsay UK facilities. UK operating margins before rent (EBITDAR) remain strong at approximately 25% despite the majority of growth coming from NHS patients.

Overall EBITDAR for Ramsay Santé increased by 14.9%. Excluding Clinique Convert acquired in May 2011, Ramsay Santé showed modest growth with EBITDAR increasing by 1.2%. In France, market conditions are expected to remain challenging in the short-term, however Ramsay remains positive about this marketplace which boasts a well-regarded health system and positive demographics.

Balance sheet, cash flow and refinancing

Strong operating cash flow has resulted in a further reduction in leverage. Furthermore, effective working capital management delivered a high cash conversion rate for the Group of more than 100% of earnings before interest, tax, depreciation, amortisation and non-core items (EBITDA) to gross operating cash flow.

In November 2011, Ramsay executed a new underwritten AUD $2billion (equivalent) debt facility which subsequently was successfully syndicated, primarily to banks for Australia, Japan, UK and Asia. This new debt facility allowed for the refinancing of the existing debt facility and provides significant debt headroom for Ramsay's continuing brownfields programme and developments, future acquisitions and working capital. The first draw down under this new facility was made on 30 April 2012 and the maturity date of the three-year and five-year tranches of this debt facility commence from the date of the first draw down.

Business strategies and prospects for future years

The brownfield development programme remains an integral part of Ramsay's growth strategy and continues to contribute significantly to earnings.

Ramsay expects ongoing investment of at least $100 million annually and, during FY12, $103 million was approved for new brownfield developments both in Australia and overseas.

Ramsay remains positive about opportunities for expansion overseas. The UK business is well placed to capture further growth in NHS volumes. Market conditions in France are still challenging but the healthcare sector remains an attractive proposition. There is also significant growth in healthcare spending expected in emerging markets in which Ramsay continues to monitor and investigate opportunities in these markets and other regions where there is a strategic fit and which meets the Company's investment hurdles.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Dividends

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

Final dividend recommended @ 34.5 cents per share (2011: 29.5 cents)	$69,718,000 (2011: $59,614,000)
Interim dividend paid during the year @ 25.5 cents per share (2011: 22.5 cents)	$51,531,000 (2011: $45,468,000)

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

Final dividend recommended @ $3.20 per security (2011: $3.45)	$8,318,000 (2011: $8,982,000)
Interim dividend paid during the year @ $3.34 per security (2011: $3.44)	$8,694,000 (2011: $8,945,000)

CORPORATE INFORMATION

This financial 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 2012 was authorised for issue on 7 September 2012 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 1,221,000 (2011: 922,000) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to note 23 of the financial statements for further details of any rights outstanding as at 30 June 2012.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

REMUNERATION REPORT – Audited

Dear Shareholders

The Board is pleased to present you with a Remuneration Report that provides a transparent summary of the Company's remuneration arrangements, including the details of the value that Ramsay's Directors and key executives derived from their various remuneration components during FY2012. A focus of the Report is to demonstrate how our remuneration arrangements are linked to the Company's performance, not just from a design perspective but in terms of the outcomes they deliver in practice.

The Board is particularly pleased to present this Report to you on the back of yet another very strong financial performance for the Ramsay Group. The total shareholder return delivered by the Group over the past three years is graphically depicted on page 57.

Our remuneration framework aligns executive remuneration outcomes with shareholder interests by rewarding executives who deliver sustained performance and growth. The remuneration outcomes for Ramsay's executives for FY2012 reflects the Company's continued strong performance.

Non-Executive Directors' fees are set having regard to various relevant factors discussed later in this Report, including responsibilities and risks of each Non-Executive Director and market competitiveness. Any increase in the level of these fees is only ever implemented where, following a considered review of the overall framework for Non-Executive Director remuneration, an increase is found to be warranted.

This Report has been structured so as to provide you with all the information you need to properly understand Ramsay's remuneration framework and the way in which it operates to drive shareholder returns.

This Report is presented in five sections:

1. ***2012 Essentials** – this section provides a concise summary of the information that is likely to be of most interest to shareholders.*

2. ***Remuneration Governance** – this section explains how remuneration decisions are made within the Group and outlines the measures in place to guard against conflicts of interest.*

3. ***Executive Remuneration Policy** – this section summarises the guiding principles and objectives that underpin the Group's executive remuneration arrangements.*

4. ***Executive Remuneration: In Detail** – this section provides more information regarding remuneration arrangements for the Company's key executives, including the Managing Director. This section includes the detailed statutory disclosures required by the Corporations Act 2001 (**Act**).*

5. ***Non-Executive Director Remuneration** – this section outlines the remuneration arrangements in place for Non-Executive Directors.*

On behalf of the Remuneration Committee and the Board, I commend this Remuneration Report to you.

Yours sincerely

Rod H McGeoch AM
Chairman
Remuneration Committee

The Directors of the Company present this Remuneration Report prepared in accordance with section 300A of the Act for the Company and its controlled entities (**the Group**) for the year ended 30 June 2012. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act.

REMUNERATION REPORT – Audited

The table below provides a content guide for the 2012 Report and outlines the particular information included in each section.

Table 1 – 2012 Remuneration Report: Content Guide

Section	Subsection	What it covers	Page(s)
1. 2012 ESSENTIALS	Who's who	The names and roles of key management personnel whose remuneration details are disclosed in this Report.	44
	Remuneration initiatives	A summary of the primary remuneration initiatives implemented by the Company in FY2012.	44 - 45
	Remuneration outcomes	The actual remuneration received by executive members of the key management personnel (**'Executives'**) for FY2012.	45 - 47
2. REMUNERATION GOVERNANCE	How we make decisions	Explains how the Board and Remuneration Committee make remuneration decisions, including the use of external remuneration consultants.	48
	Maintaining independence	Explains how the Remuneration Committee composition and Board processes ensure that executive remuneration decisions are made free of undue influence from Management.	49 - 50
3. EXECUTIVE REMUNERATION POLICY	Guiding principles	The guiding principles adopted by the Board which underpin all executive remuneration decisions.	51 - 52
	Supporting business objectives	Shows how remuneration is structured to support business objectives and how it aligns outcomes with the Group's performance and shareholder value.	52 - 58
4. EXECUTIVE REMUNERATION: IN DETAIL	Remuneration components	Provides a breakdown of the various components of Executive remuneration, and summarises the key terms and performance conditions for the 'at risk' components (short-term incentives and long-term incentives).	59 - 71
	Total remuneration	The total remuneration provided to Executives (calculated pursuant to accounting standards) for FY2012 and FY2011.	72
	Service agreements	The key contract terms governing Executives' employment with the Group.	73
5. NON-EXECUTIVE DIRECTOR REMUNERATION	Guiding principles	The guiding principles which govern the process and basis for setting Non-Executive Director remuneration.	74
	Board & committee fees	Board and Committee fees for FY2012.	75 - 76
	Total remuneration	The total remuneration provided to Non-Executive Directors (calculated pursuant to accounting standards) for FY2012 and FY2011.	77

REMUNERATION REPORT – Audited

1. 2012 ESSENTIALS

Who's who

This Remuneration Report sets out the compensation arrangements in place for 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). KMP are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly. This includes the Directors of the Company.

Table 2: Key Management Personnel for FY2012

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

Remuneration initiatives

Enhancements to remuneration governance

In the previous year (i.e. FY2011), the Company undertook a number of initiatives to re-affirm that its remuneration arrangements reflected best practice and were consistent with various changes to the law and the ASX Listing Rules, including the development of formal protocols governing the use and engagement of external remuneration consultants, the adoption of formal criteria for the appointment of remuneration consultants and the review and update of the Company's Remuneration Committee Charter.

These enhancements to the Company's remuneration governance framework were implemented during FY2012.

Review of executive remuneration arrangements

This year the Company has focused on ensuring that the remuneration arrangements are in accordance with its remuneration framework and also that the remuneration structure and levels of its Executives remain market competitive and provide meaningful incentives for sustained Group performance and growth.

Prior to the commencement of FY2012, the Board engaged external advisor, Godfrey Remuneration Group, to provide guidance in this regard, including in relation to the continuing appropriateness of:

- the Managing Director's remuneration package;
- remuneration components and levels for other Executives; and
- the remuneration arrangements for the Non-Executive Directors.

REMUNERATION REPORT – Audited

1. 2012 ESSENTIALS (CONTINUED)

Remuneration initiatives (continued)

As a result of this review and on the recommendation of the Remuneration Committee, the Board approved a significant increase to the Managing Director's fixed salary and STI opportunity to recalibrate his remuneration package with market levels in light of the Group's performance and growth. Full details of the Managing Director's remuneration arrangements for FY2012 are set out on pages 46, 60 and 72 of this report.

Components of Executive remuneration
Having considered the benchmarking data provided, the Group's overall performance and the Board's high level of satisfaction with the performance of the Executives, the Board is confident that its existing remuneration framework and the level at which remuneration is set for its Executives continue to be appropriate.

The Board continues to monitor shifts in the market to ensure that Executives remain appropriately rewarded for the role that they perform in delivering Ramsay's growth strategy.

Increase in Non-Executive Director fees
Based on the benchmarking data provided to the Remuneration Committee, a recommendation was also made (and accepted by the Board) to increase Non-Executive Director fees by 5% for FY2012.

Again, this increase was considered to be appropriate and reasonable to ensure that the compensation of the Company's Non-Executive Directors remains appropriate for a company of Ramsay's size and scope of operations, and the increased responsibilities of Directors that have resulted from recent growth.

Remuneration outcomes

Details of the remuneration of Executives, prepared in accordance with statutory obligations and accounting standards, are set out in table 19 on page 72 of this Report. However, the Board recognises that the statutory tables do not provide a clear indication of the actual value of remuneration earned by the Executives during the year.

To assist with this, table 3 below summarises the actual reward outcomes for the Executives, by setting out the actual 'dollar value' of remuneration earned during FY2012 (i.e. amounts they became entitled to in FY2012, having satisfied any applicable performance hurdles). This includes their fixed remuneration for FY2012, the short term incentives (**'STIs'**) that they earned based on FY2012 performance, the long term incentives (**'LTIs'**) that vested in FY2012 based on performance up to and including 30 June 2011, and any other payments received by them during the year.

The key difference between the actual reward outcomes shown in the table below and the figures provided in table 19 is that the statutory table requires the value of equity grants to be estimated and apportioned over the relevant vesting period, including where awards may not vest to the Executive. By contrast, the actual reward outcomes table below only captures equity grants that vest and deliver value to the Executive.

REMUNERATION REPORT – Audited

1. 2012 ESSENTIALS (CONTINUED)

Remuneration outcomes (continued)

Table 3: Actual remuneration of the Executives for FY2012

	Cash salary	STI [1]	LTI [2]	Superannuation	Other [3]	**Total**
C.P. Rex	$2,000,000	$1,752,595	$1,354,503 [4]	$15,775	$10,818	**$5,133,691**
B.R. Soden	$1,250,000	$625,000	$794,768	$15,775	$34,773	**$2,720,316**
C.R. McNally	$735,000	$367,000	$441,538	$15,775	$16,938	**$1,576,251**
D.A. Sims	$735,000	$367,000	$618,153	$15,775	$29,276	**$1,765,204**

1. *This figure represents the actual STI earned for performance in FY2012 (to be paid in FY2013). For Executives other than the Managing Director, the full amount is paid in cash only after the Auditors have signed the statutory financial statements in September 2012. The Managing Director is obliged to accept half of his STI in cash (paid at the same time as for other Executives); the remaining amount of his STI earned is required to be invested in Company shares, which are subject to disposal restrictions for 3 years). For further details of the Company's STI Programme, please see table 10 of this Report.*

2. *This figure represents the value of the performance rights that vested during FY2012, based on performance up to and including 30 June 2011. The value is calculated by multiplying the number of vested rights by the 5-day volume weighted average share price (**VWAP**) on the date of vesting. Shares that are allocated on the exercise of vested rights are held in trust, subject to disposal restrictions. Performance Rights, including those granted in FY2012, that remained unvested as at 30 June 2012 do not appear in this table, as no actual value was realised by Executives from these Performance Rights during FY2012. For further details of the Company's LTI Plan, please see table 14 of this Report.*

3. *This figure represents non-monetary benefits such as health insurance cover and motor vehicle running costs that do not form part of the Executive's cash salary.*

4. *This figure includes the value of shares (refer to note 2 above) allocated to Mr Rex on the exercise of his vested performance rights during the financial year ($883,075) and the value of dividends paid in respect of the 600,000 underlying shares for Mr Rex's Equity Based Retention Rights ($471,428). Mr Rex is entitled to a dividend equivalent payment in respect of his equity based retention rights pursuant to his Executive Service Agreement - the terms of which are set out in footnote 4 to table 19 of this Report.*

REMUNERATION REPORT – Audited

1. 2012 ESSENTIALS (CONTINUED)

Remuneration outcomes (continued)

The remuneration outcomes for the Executives, as detailed in the actual remuneration figures for FY2012 in the above table, continue to align with the overall performance of the Group, which has remained strong throughout FY2012. Over the 3-year period ended 30 June 2012, only 7 companies out-ranked Ramsay in its ASX comparator group for relative TSR performance.

The high levels of at-risk rewards earned in FY2012 reflect the Group's continuing strong performance, both in absolute terms and relative to its peers. In particular:

- The Managing Director received 87.63% of his maximum STI bonus opportunity for FY2012, being:
  - 100% of his possible target component (for performance against target KPIs worth 60% of the maximum STI payable); and
  - 69.07% of his possible stretch component (for performance against stretch KPIs, worth the remaining 40% of the maximum STI payable).
- Other Executives received their maximum STI opportunities based on performance against challenging target KPIs.
- All of the Performance Rights granted to Executives in 2009 vested on 30 August 2012, based on Ramsay's strong performance over the three-year performance period up to and including 30 June 2012. Specifically:
  - based upon the analysis conducted by Orient Capital, the Company was ranked 8th in its relative TSR comparator group (described on page 66) with a percentile ranking of 88.89% which was above the percentile ranking of 75% required for vesting of the TSR component in full; and
  - the aggregate three-year EPS of 301.7 cents exceeded the target of 283.4 cents required for full vesting of the EPS component.

Further details of the terms of the STI and LTI programmes are set out in tables 10 and 14 in the 'Executive Remuneration: In Detail' section of this Report. In addition, the 'Supporting Business Objectives' section on pages 52-58, includes an analysis of the links between Company performance and 'at-risk' remuneration outcomes for Executives over a 5 year horizon.

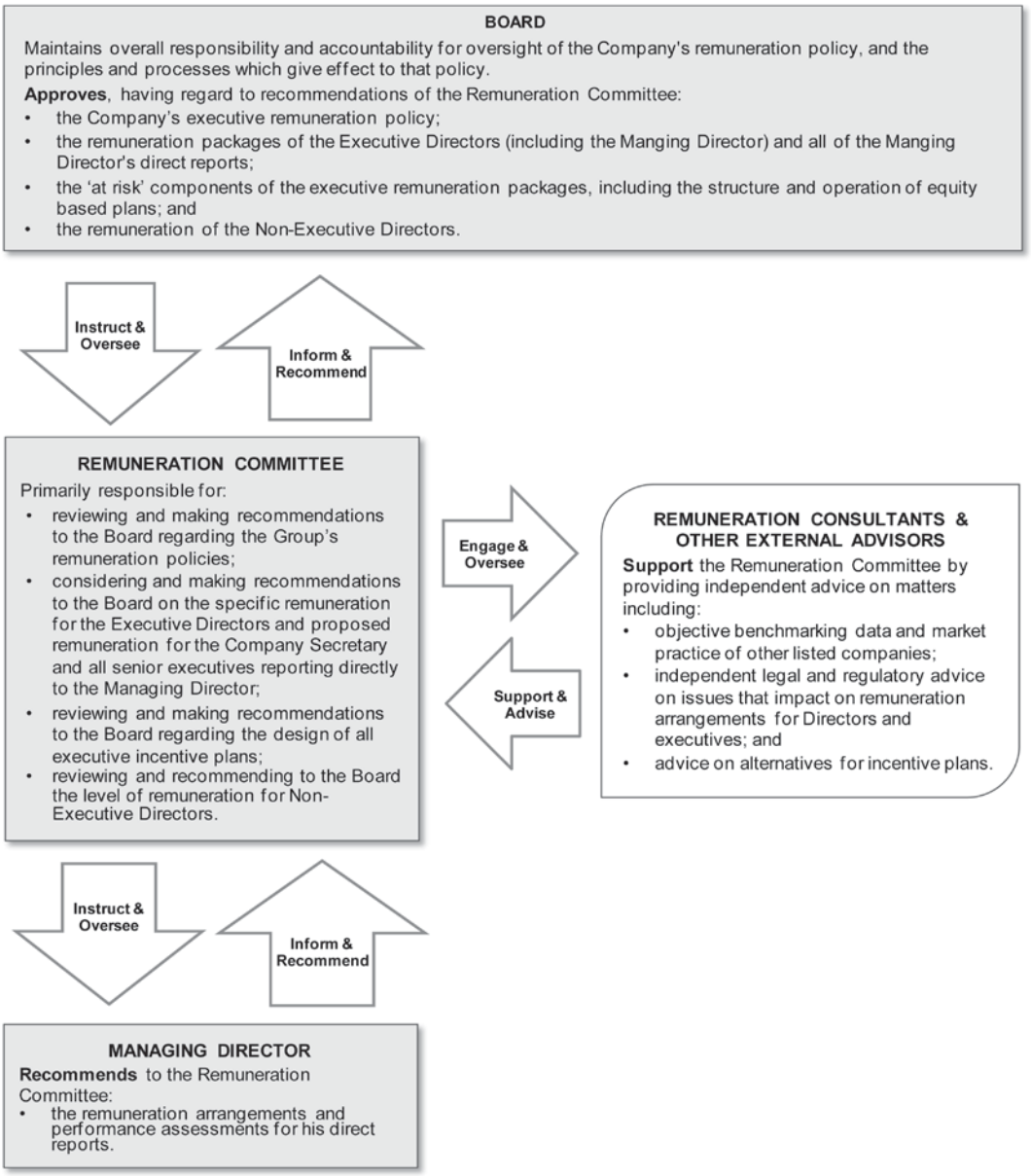
REMUNERATION REPORT – Audited

2. REMUNERATION GOVERNANCE

How we make decisions

This diagram provides an overview of the process the Company follows in setting Non-Executive Director and Executive remuneration:

Diagram 1 – Remuneration Processes



REMUNERATION REPORT – Audited

2. REMUNERATION GOVERNANCE (CONTINUED)

Maintaining independence

It is critical that the Board is fully informed and acts independently of management when making decisions affecting employee remuneration. The Board has put in place the following measures to ensure decisions regarding executive remuneration are made on an informed and independent basis:

- a Remuneration Committee, comprised solely of Non-Executive Directors, has primary responsibility for making recommendations to the Board on executive remuneration;
- the Remuneration Committee has access to both management and external advisors in developing its remuneration recommendations for the Board; and
- when considering the recommendations of the Remuneration Committee, the Board applies a policy prohibiting the Executive Directors and the Company Secretary from being present and participating in discussions affecting their own 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 of the 3 members of the Ramsay Remuneration Committee are Non-Executive Directors who are independent of management.

In line with the broader independence test applied under the ASX Corporate Governance Principles and Recommendations, the Chairman of the Remuneration Committee (Mr McGeoch AM) is an independent Director. The Board is also of the view that, for the reasons set out in the Corporate Governance Statement of this 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.

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

Engagement of remuneration consultant and other external advisors
To ensure that it has all relevant information at its disposal (including in respect of market practice and legal parameters), the Board seeks and considers advice from independent remuneration consultants and other external advisors where appropriate.

The Company recognises the importance of establishing appropriate parameters and guidelines for the engagement and utilisation of remuneration consultants (as that term is defined under the Act). The Board has developed protocols to formalise the arrangements for the engagement of remuneration consultants and the parameters around the interaction between management and remuneration consultants (**Protocols**).

Under the Protocols:
- Remuneration consultants are engaged by and report directly to the Remuneration Committee.
- In appointing the Company's remuneration consultants, the Remuneration Committee has formal selection criteria which include specialist remuneration expertise, independence, scope for conflicts of interest, understanding of the business and experience in providing remuneration advice to S&P/ASX 100 companies.
- While recognising the importance for remuneration consultants to have access to management in formulating their advice (as this ensures that the consultants understand the Company's circumstances and can tailor their advice to its objectives), anyone communicating or otherwise interacting with the consultant must take care to avoid any actions which may place pressure on the consultant to deliver a particular recommendation.
- The Remuneration Committee is responsible for overseeing any direct interaction between remuneration consultants and a member of the Company's KMP.
- Any remuneration recommendation received from a remuneration consultant (whether draft or in final form) must be:
  - provided to the Remuneration Committee Chairman or to a Non-Executive Director (as appropriate); and
  - accompanied by a declaration from the consultant as to whether their remuneration recommendations have been made free from undue influence by any members of the KMP that will or may be affected by the advice.

REMUNERATION REPORT – Audited

2. REMUNERATION GOVERNANCE (CONTINUED)

Maintaining independence (continued)

It is emphasised that the advice and recommendations of remuneration consultants and other external advisors 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 performance.

Details of the remuneration consultant and external advisors used by the Company during FY2012, and the work undertaken by them, are set out in table 4.

Table 4 – Remuneration Consultant and External Advisors

A. Remuneration Consultant	**Major items of work**
Godfrey Remuneration Group	• Advice on the continuing appropriateness of the 'at-risk' components of Executive remuneration (including the Managing Director's stretch STI opportunity). • Benchmarking analysis for Non-Executive Director fees.
B. External Advisors	**Major items of work**
1. Freehills	Legal advice and market practice guidance on Remuneration Report, remuneration governance arrangements and remuneration related approvals at the AGM
2. Ernst & Young	Market practice information regarding executive remuneration arrangements, advice on equity incentive awards and advice on the Remuneration Report
3. Orient Capital	Relative TSR ranking analysis
4. PricewaterhouseCoopers	Equity valuations for LTI grants

Of these advisors, only Godfrey Remuneration Group provided the Company with remuneration recommendations in relation to the quantum or elements of the remuneration packages of the Company's KMP and is therefore deemed to be a remuneration consultant under the Act. During FY2012, the Company incurred fees of approximately $23,892 (including GST) to Godfrey Remuneration Group for providing these remuneration recommendations. Godfrey Remuneration Group did not provide any other advice to Ramsay during FY2012 and accordingly the Company did not make any payments to Godfrey Remuneration Group other than those disclosed above.

The recommendations that were provided by the Godfrey Remuneration Group in FY2012 were accompanied by a declaration that no undue influence had been applied by the members of the KMP to whom the recommendations related.

The Board is satisfied that, in receiving the remuneration recommendations from Godfrey Remuneration Group, the Protocols were complied with in all respects, and is therefore satisfied that the remuneration recommendations it received were free from undue influence by any members of the KMP to whom the recommendations related.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY

Guiding principles

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 and the capabilities of its Directors and executives who manage the business and implement the strategies of the Board. 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. The Company's remuneration structures are set with these objectives in mind.

The Board believes that people who have developed their career within the Company are often 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 the Group's performance. Accordingly, while remuneration is structured to attract, motivate and retain high-performing individuals, the amount of remuneration ultimately earned by any individual is dependent on superior performance and generating value for shareholders. This is mainly achieved through the 'at-risk' components of executive remuneration (i.e., the STI and LTI).

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 activities necessary to build competitive advantages for the Group's business, without creating excessive risk for the Group.

To ensure that Executives remain focused on long term Company outcomes:

- under the STI Plan, the Managing Director is required to take 50% of his total STI bonus earned (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 the end of a 3-year period or cessation of employment;

- under the LTI Plan, 'vesting' of the LTI (which is the point at which the executive can derive value from their LTI award) cannot occur before three years; and

- consistent with the objective of creating a meaningful alignment of interests and in accordance with the Act, Executives are not permitted to hedge any unvested LTI or other equity awards. Any shares acquired under the LTI Plan that remain in the trust are subject to disposal and other dealing restrictions. An Executive may not sell, transfer, pledge as security or otherwise deal in his or her shares held in the trust without first applying for and receiving Board approval for release of the shares from the trust. Where the Board has approved an application to release shares acquired under the LTI Plan from the trust, 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. Breaches of the Company's Securities Trading Policy are taken seriously and failure to comply may result in disciplinary action being taken, which may include dismissal.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Guiding principles (continued)

Long-term value for shareholders (continued)
To further enhance the alignment of remuneration with long-term shareholder interests, LTI grants to Executives are tested against two performance hurdles, being a relative TSR measure and an Earnings Per Share (**EPS**) growth hurdle. LTI grants to other senior employees, including division and business unit heads, may be subject to a third performance hurdle specific to their business unit's performance (**Business Unit Performance hurdle**) in addition to the TSR and EPS growth hurdles. This combination of measures ensures that rewards to participants under the LTI programme are reflective of the Group's overall business performance and, where appropriate, the performance of individual business units over which participants have a degree of control.

Communication & engagement of stakeholders
The Board is committed to clear disclosure and explanation of the Company's remuneration structures. The Board has endeavoured to ensure that its Remuneration Report for each year provides clarity and transparency regarding the key issues of concern to shareholders and other users of the Report.

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

The Board, where appropriate, seeks the views of shareholder representative bodies in designing and implementing changes to the Company's remuneration structures, and invites questions from shareholders on the Remuneration Report either prior to, or at, the 2012 Annual General Meeting (**AGM**).

Supporting business objectives

Remuneration structures support the Group's strategy and business objectives
Sustained performance over the long-term is the key focus of the Group and this sustained performance is achieved through the efforts of employees, under the stewardship of the Board and leadership of the Managing Director and senior executives.

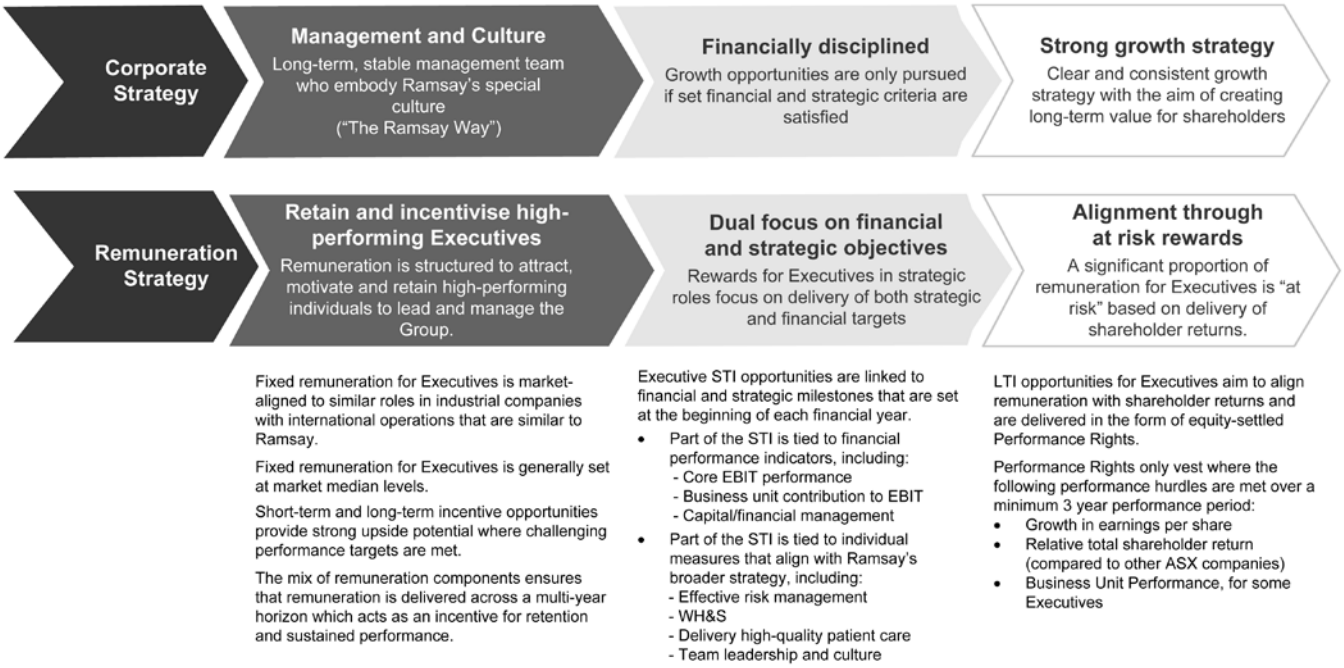
In setting remuneration arrangements, the Board and Remuneration Committee have regard to the actions and outcomes required to support business objectives, and structure the 'at risk' components of Executive remuneration to align with these actions and outcomes. The diagram below illustrates how the Company's executive remuneration arrangements support the achievement of the Group's corporate strategy and core business objectives.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting business objectives (continued)

Diagram 2 - Aligning Remuneration Structures to Corporate Strategy and Objectives



Remuneration cycle encourages sustained performance

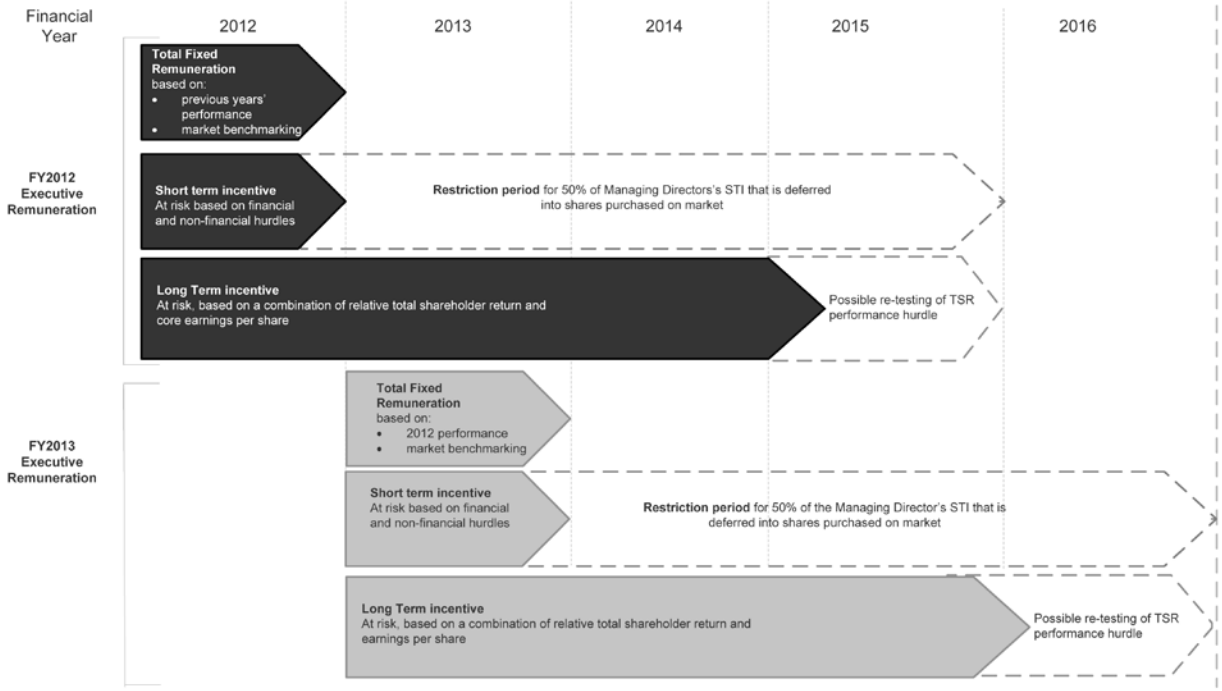
For the Executives, the components of remuneration are structured to create a mix of short-term and long-term incentives that motivate them to deliver sustained returns. Diagram 3 illustrates the remuneration cycle for Executives. The remuneration components are explained in further detail in the 'Remuneration Components' section below.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting business objectives (continued)

Diagram 3 – Remuneration cycle for Executives



By staggering the delivery of benefits over a multi-year horizon, the Company ensures that Executives are retained and rewarded for delivering ongoing improvements in Group performance and are not focused on short term results at the expense of longer term Group performance. Staggering the point at which rewards deliver value also supports the retention of high-performing Executives.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (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 Company's performance and the value derived by 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 5: Year-on-year performance snapshot

Financial Year	Share Performance				Earnings Performance (A$m)		Enterprise Value [3] (A$m)
	Closing share price (A$)	Dividend (cents per share)	TSR Percentile Ranking [1] (%)	Core EPS [2] (cents per share)	Core EBIT	Core NPAT	
2012	$22.61	60.0¢	88.89%	116.1¢	$438.8	$252.6	$5,725
2011	$18.18	52.0¢	95.83%	101.1¢	$395.5	$220.6	$4,948
2010	$14.05	43.5¢	95.59%	84.5¢	$333.8	$178.5	$4,254
2009	$11.54	38.0¢	89.39%	74.1¢	$303.3	$146.4	$3,626
2008	$8.71	32.5¢	67.14%	60.7¢	$255.6	$123.1	$3,051

1. *TSR percentile ranking against the comparator group comprising the last 100 companies in the ASX 200 index over the 3-year performance period up to the close of each relevant Financial Year, with exclusions and adjustments described in table 7 below.*

2. *Core EPS is calculated using earnings from continuing operations before specific items and amortisation of intangibles, as represented by non-core items (set out in note 2(a) of the Financial Report). Since the introduction of Core EPS as an additional STI hurdle in FY2008/09, there have been no material divested operations for accounting purposes.*

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

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting business objectives (continued)

The Company's strong year-on-year performance has resulted in Executives receiving a substantial proportion of their available STI bonuses for FY2012 and the four preceding financial years. Table 6 below sets out the average proportion of the maximum bonuses that Executives received for each of the past five financial years.

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

Table 6: Average proportion of STI awarded, FY2008-FY2012

Financial Year	2008	2009	2010	2011	2012
% of maximum STI awarded (average for Executives)	98%	92%	96%	100%	93%

(a) Performance Rights subject to the relative TSR performance condition

Strong year-on-year performance has enabled the Company to outperform its peers over a long-term time horizon. Executives have derived significant value from their LTI grants over the past five years, consistent with the strong relative performance of the Company compared to its comparator group (which for each of the years listed in the table below has consisted of the companies in the bottom half of the S&P ASX 200, excluding companies in the metals and mining sectors).

Table 7: Vesting levels achieved under the LTI Performance Rights Plan over the last 4 years

Testing date (30 June) [1]	TSR Percentile Ranking for Vesting to Commence	TSR Percentile Ranking for Full Vesting	Actual TSR Percentile Ranking Achieved	TSR Component Vesting under LTI Plan
2012	50%	75%	88.89%	100%
2011	50%	75%	95.83%	100%
2010	50%	75%	95.59%	100%
2009	50%	75%	89.39%	100%

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

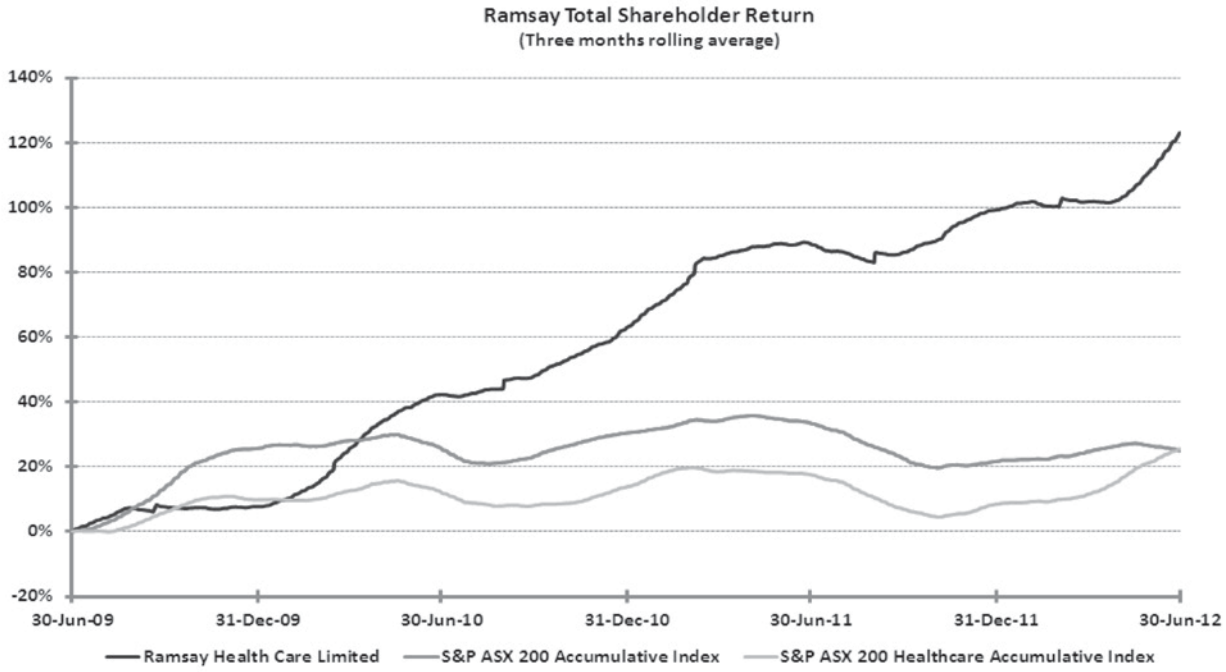
REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting business objectives (continued)

The graph below shows the Company's TSR performance over the past three financial years, compared to the broader S&P/ASX 200 Accumulative Index and the S&P/ASX 200 Healthcare Accumulative Index.

Graph 1: The Company's TSR performance against the broader market



Source: Orient Capital Pty Limited

Note: TSR is measured over the three years to 30 June 2012.

This graph demonstrates that there has been a strong correlation between the returns delivered by the Company to its shareholders and the level of vesting of LTI grants, and that the intended alignment between shareholder and executive interests is actually being achieved in practice. The use of multiple separate performance hurdles under the LTI Plan further reinforces and strengthens this alignment and helps to ensure that it continues to operate effectively in changing market conditions.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting business objectives (continued)

(b) Performance Rights subject to the EPS performance condition

The EPS performance hurdle was first introduced as a performance measure in FY2009. The first Performance Rights awarded subject to the EPS performance hurdle fell due for testing on 30 June 2011.

LTIs with an EPS hurdle first became eligible to vest in August 2011 and fully vested, based on the Company's strong earnings performance.

Table 8: EPS Performance

Financial Year	Aggregate 3-year [1] Minimum EPS Threshold (cents per share)	Aggregate 3-year [1] Maximum EPS Target (cents per share)	Actual Aggregate 3-year [1] EPS Achieved (cents per share)	EPS component Vesting under LTI Plan
2012	255.0	283.4	301.7	100%
2011	218.0	237.7	259.7	100%

1. EPS aggregated over the 3-year performance period.

(c) Performance Rights subject to the business unit performance condition

The Business Unit Performance hurdle was first introduced as a performance measure for LTI awards granted during FY2009. The first Performance Rights awarded subject to the Business Unit Performance hurdle fell due for testing on 30 June 2011.

The Business Unit Performance hurdle only applies to grants made to senior employees who have direct responsibility and control over a specific business unit (e.g. State Managers in Australia). No Executives receive LTI grants that are subject to the Business Unit Performance hurdle. Despite this, some detail around the operation of the Business Unit Performance hurdle is included in this Report for completeness.

Based on the performance of each relevant business unit, 100% of the performance rights awarded in FY2010 of this component vested on 31 August 2012.

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

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL

Remuneration components

Remuneration components & their relative weightings

Total remuneration for the Managing Director and other 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 mix of the three remuneration components are determined by the Board on the recommendation of the Remuneration Committee and are set out in the table below:

Table 9: Relative mix of remuneration components for Executives for FY2012

	% of total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
		Maximum STI Opportunity [1]	LTI Opportunity [2]
C.P. Rex	27%	27%	46%
B.R. Soden	39%	19%	42%
D.A. Sims	37%	19%	44%
C.R. McNally	37%	19%	44%

1. *Assumes all applicable KPIs are achieved in full.*
2. *Assumes all applicable hurdles are achieved in full.*

Fixed remuneration

The remuneration for all Executives includes a fixed component comprised of base salary and employer superannuation contributions. Executives may elect to receive 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 Executive's individual performance; and
- relevant comparative compensation in the market.

Executive remuneration levels are market-aligned by comparison to similar roles in ASX-listed industrial companies with international operations of similar size to Ramsay in terms of enterprise value and revenue. The comparator group chosen for the most recent benchmarking exercise consisted of 20 companies, with 10 companies having enterprise value and revenue larger than the Group, and ten companies having enterprise value and revenue smaller than the Group's.
Generally, the Board and Remuneration Committee's practice is to set fixed remuneration for Executives at median market levels.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

The independent consultant engaged by the Remuneration Committee to provide the benchmarking data for purposes of the FY2012 remuneration review process was Godfrey Remuneration Group. Godfrey Remuneration Group has no link to the Company, its Directors, or any non-director Executives other than as a professional service provider. Details of Godfrey Remuneration Group's engagement by the Company are set out on page 50.

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 Executives is fair and reasonable.

Recalibration of Managing Director's remuneration

After due consideration of:

- the external advice received from Godfrey Remuneration Group, including benchmarking data provided;
- the outstanding performance of the Managing Director and the Board's desire to ensure he is appropriately rewarded;
- the growth of the Group in terms of size and complexity; and
- the industry leadership demonstrated by the Managing Director, exemplified by his Presidency of the Australian Private Hospitals Association,

the Board resolved to increase the Managing Director's fixed remuneration from $1.5 million to $2.0 million for FY2012.

The Board formed the view that a significant increase in the Managing Director's remuneration package from FY2011 to FY2012 was necessary in order to recalibrate the Managing Director's remuneration in light of the increased size and scope of the Company's operations and market remuneration levels generally. In particular:

- the increase in the Company's market capitalisation by approximately 29.4% between 30 June 2010 and 30 June 2011 (with its share price growing from $14.05 to $18.18), and its admission to the S&P/ASX100;
- the expansion of Ramsay's business into new geographical markets (e.g. through the acquisition of Ramsay Santé); and
- recognition of the Managing Director's critical role in overseeing the successful execution of Ramsay's growth strategy, not just by the Board but by external commentators (who consistently rate Mr Rex as one of the top performing and most effective CEOs in Australia).

In deciding the quantum of the increase in the Managing Director's fixed remuneration, the Board was mindful of the fact that any increase in fixed remuneration would result in a corresponding increase in the Managing Director's maximum STI opportunity (which is set at 100% of his fixed remuneration). The maximum STI opportunity will only be achieved where the Managing Director achieves outstanding performance against the stretch STIs set by the Board. The revised level of fixed remuneration for the Managing Director and the corresponding increase in the value of his STI opportunity bring his total remuneration package into line with Ramsay's stated remuneration positioning (outlined above), having regard to the Company's current market capitalisation and remuneration levels among appropriate peer companies.

Given the continuing strong performance of the company since the increase in the Managing Director's fixed remuneration was implemented, the Board remains of the view that the increase was entirely appropriate.

Following this recalibration of the Managing Director's remuneration for FY2012, the Board is of the view that, there is unlikely to be a case for further significant increases to the Managing Director's remuneration in the immediate future. Indeed, following the recent annual review of the Managing Director's remuneration at the end of FY2012, the Board determined that his fixed remuneration (and consequently his maximum STI opportunity) be increased by a modest 5% for FY2013.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Short-term Incentive (STI)

Table 10 – Summary of STI Programme

What is the STI programme?	An incentive plan under which participants are eligible to receive an annual award if they satisfy pre-determined and challenging operational, strategic and individual performance targets. Formal KPIs are set at the beginning of each year for each of the Executives, including the Managing Director.
Who participates in the STI programme?	The Executives (including the Managing Director) as well as other key executives on a discretionary basis (**STI Participants**).
Why does the Board consider the STI programme an appropriate incentive?	The STI programme and the performance conditions set under the programme are designed to motivate and reward high performance. The STI programme puts a significant proportion of STI Participants' 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 Company's management principles and cultural values. The total potential STI available is set at a level designed to provide sufficient incentive to the STI participants to achieve the operational targets at a cost to the Company that is appropriate in the circumstances.
Are both target and stretch performance conditions imposed?	*Managing Director* Stretch targets apply to the Managing Director's STI bonus so that if his performance exceeds the already challenging targets, the STI programme will deliver higher rewards. The Managing Director's STI bonus is determined on the basis of agreed key performance indicators (**KPIs**), with: • 60% of the total maximum award available where target performance levels are achieved; and • a further 40% of the total maximum awards available where 'stretch' levels of performance are achieved. The stretch KPIs are designed to only be met where outstanding performance is achieved. The maximum annual STI opportunity is set at 100% of the Managing Director's total fixed remuneration. *Other Executives* For the other Executives and all other STI Participants, a single set of challenging KPIs apply to the entire STI bonus (although the specific targets vary between individual Executives, as explained below).
Are both financial and non-financial performance considered?	*Managing Director* As noted above, the Managing Directors' STI awards are linked to both target and stretch KPIs. Both components are divided between financial and non-financial measures. *Other Executives* A combination of financial and non-financial KPIs are also applied for other Executives. Depending on the Executive's responsibilities, the emphasis upon financial and non-financial measurements can vary significantly. The table below reflects the weightings given to financial and non-financial KPIs for each Executive. *Table 11 – Financial and Non-Financial KPIs for Executives FY2012*

	% Financial KPIs	*% Non-financial KPIs*
C.P. Rex	50%	50%
B.R. Soden	50%	50%
C.R. McNally	70%	30%
D.A. Sims	50%	50%

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Short-term Incentive (STI) (continued)

Table 10 – Summary of STI Programme (continued)

What are the key performance indicators (KPIs)?

Managing Director

The KPIs for the Managing Director's FY2012 STI are set out in the table below.

Table 12 – FY2012 KPIs for the Managing Director

	Target KPIs (60%of total STI opportunity)	***Stretch KPIs (40% of total STI opportunity)***
Financial	• Financial performance to budget *(30%)	• Core NPAT above FY2012 budget** (20%)
Non-financial	• Strategy, leadership & culture (18%) • European operations (6%) • Discretionary criteria (6%)	Discretionary criteria (20%) including (but not limited to): • long term planning strategies; • workplace health & safety • succession planning; • risk management; • stakeholder management; and • promotion of the Ramsay Way and culture.

* Further details of the financial performance measures used to assess this component of the Managing Director's STI are set out on page 64.

** Full vesting of the financial component of the Managing Director's stretch KPIs will only occur where Core NPAT exceeds the FY2012 budget by 6% or more.

Other Executives
The KPIs for other Executives vary depending on their role and areas of responsibility.

Examples of the FY2012 *financial* KPIs used for Executives other than the Managing Director include:

- Core EBIT performance to budget
- Business unit contribution to EBIT
- Capital and Financial Management

Examples of the FY2012 *non-financial* KPIs used for Executives other than the Managing Director include:

- Strategy, leadership and culture KPIs such as:
  - Delivery of safe patient care;
  - Sustainable workforce planning;
  - Succession planning;
  - Implementation of 5 year strategic plans; and
  - Promotion of the "Ramsay Way" culture.
- Functional KPIs such as:
  - Search for strategic acquisitions;
  - Management of Brownfield opportunities;
  - New Business Initiatives;
  - Investor Relations; and
  - Effective communication.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Short-term Incentive (STI) (continued)

Table 10 – Summary of STI Programme (continued)

Why were the KPIs chosen?	Underpinning the KPIs are the Company's commitment to the twin objectives of: • delivering safe, high quality clinical care for our patients; and • providing a safe working environment for all our people. A combination of financial and non-financial KPIs have been chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will ultimately drive future growth and returns for shareholders. The financial KPIs were chosen to provide measureable financial performance criteria strongly linked to year-on-year shareholder returns. Non-financial KPIs were chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives including the delivery of safe, high quality patient care, safe working environment, strategic growth, the retention of a professional workforce and the development of new business initiatives.
How are the KPIs measured?	Performance against the relevant operational targets is assessed 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. For example, the OH&S KPI for the Managing Director is assessed based on the year-on-year change in the Lost Time Injury Frequency Rate. Where quantitative assessment is not practicable, qualitative performance appraisals are used. Qualitative assessments are undertaken by the Board. Where available, the Board draws on the outcomes of 360-degree feedback reviews in making these assessments, which are periodically conducted by Ramsay in conjunction with an external consultant. Any 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.
Who assesses the performance of the Executives?	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. The Managing Director assesses the performance of all other Executives and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination.
In what form is the STI delivered?	All STI awards are delivered as a cash payment to Executives, with the exception of the Managing Director. Under the Managing Director's Executive Service Agreement, half of his STI payment is paid in cash. The Company must withhold the remaining 50% of the STI earned, less applicable tax, and use the amount to purchase on-market ordinary shares in the Company at market price. The purchased shares do not form part of the share-based payments for the purposes of note 23 of the Financial Report. 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 the shares are acquired. The restrictions on trading these shares have been imposed to further strengthen the link between the Managing Director's remuneration and shareholder interests, as it provides an additional incentive for the Managing Director to focus on the Company's long-term, sustainable growth. Shares purchased as part of the Managing Director's STI payment are only ever acquired on-market during the trading windows in accordance with the Company's Securities Trading Policy.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Short-term Incentive (STI) (continued)

Table 10 – Summary of STI Programme (continued)

What if an Executive ceases employment?	If an Executive ceases employment with the Company before STI targets are achieved, then they will generally not be entitled to receive any STI bonus. However, if cessation of employment is due to illness, disability or death or is a Company-initiated termination other than for cause (for example redundancy), the Executive may receive a pro-rata STI payment for the portion of the performance period they were employed by the Company based on their performance over that period.
What STI awards did Management earn in FY2012?	STI payments for FY2012 are set out in table 13 below. These are only paid after the auditors have signed off on the statutory financial accounts for the full year.

A review was undertaken by the Remuneration Committee of the Managing Director's performance against his target KPIs and his 'stretch' KPIs for FY2012. The Group's financial performance against the FY2012 was outstanding, with Core EPS and Core NPAT exceeding the previous year by 14.8% and 14.5% respectively. As a result, the Managing Director's target KPIs (both financial and non-financial) were satisfied in full. In relation to the financial component of the Managing Director's 'stretch' KPIs, Core NPAT was above the threshold set for vesting, but was less than the level required for full vesting (being 6% above the budgeted Core NPAT for FY2012). For the non-financial target and 'stretch' KPIs (set out in table 12 above), the Remuneration Committee determined that these had all been met in full. As a result, the Remuneration Committee recommended that the Managing Director receive 87.63% of his total STI opportunity. The recommendations of the Remuneration Committee were accepted and approved by the Board.

The Managing Director conducted an evaluation of the performance of each of the Executives against their individual FY2012 KPIs and discussed the results of these evaluations with the Remuneration Committee. As each of the Executives either met or exceeded their individual KPIs for FY2012, the Remuneration Committee recommended to the Board that each of the Executives receive 100% of their STIs for FY2012. This recommendation was accepted and approved by the Board.

Table 13 shows the actual STI bonus amounts to be paid to the Executives for their performance in FY2012.

Table 13 – STI bonuses for Executives FY2012 – to be paid in FY2013 [1]

Executive	Minimum potential STI Bonus	Maximum potential STI bonus [2]	Actual STI awarded to be paid in FY2013 subject to target KPIs	Actual STI awarded to be paid in FY2013 subject to 'stretch' KPIs	Actual STI awarded as % of Maximum STI
C.P. Rex [3, 4]	Nil	$2,000,000	$1,200,000	$552,595	87.63%
B.R. Soden	Nil	$625,000	$625,000	Not applicable	100%
D.A. Sims	Nil	$367,000	$367,000	Not applicable	100%
C.R. McNally	Nil	$367,000	$367,000	Not applicable	100%

1. *The STI awards for FY2011 that were paid in FY2012 are set out in the Company's Remuneration Report for FY2011.*
2. *The maximum potential value of the FY2012 STI awards for all Executives except Mr Rex (i.e. all other Executives who receive STI awards are paid only in cash) is the amount disclosed in Table 13. As a minimum level of performance must be achieved before any STI is awarded, the minimum potential value of the STI for all participants in FY2012 was nil.*
   Mr Rex's FY2012 STI award is comprised of a cash payment (50%) and a portion (50%, less taxes) used to purchase restricted shares. The shares cannot be disposed of for three years unless Mr Rex's employment with the Company ceases earlier. Therefore, the maximum potential value of Mr Rex's FY2012 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.
3. *For Mr Rex, 60% of his maximum bonus is awarded where target KPI performance levels are achieved. The remaining 40% of his maximum bonus only becomes available where performance meets or exceeds stretch KPI levels, in which case some or all of the remaining 40% of the STI may be awarded based on performance against stretch KPI levels.*
4. *As Mr Rex exceeded target performance levels for FY2012 and also partially succeeded in meeting the 'stretch' targets, his total FY2012 STI award is 87.63% of the total maximum STI available for the financial year.*

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Long-term Incentive (LTI) (continued)

Table 14 – Summary of LTI Programme

What is the purpose of the LTI programme?	The purpose of the LTI programme is to align executive reward with shareholder wealth by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
Who participates in the LTI programme?	Participation in the LTI programme is only offered to a small number of executives who are able to significantly contribute to the generation and preservation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles (including the Executives as well as other key executives on a discretionary basis) (**'LTI Participants'**).
What proportion of total remuneration does the LTI programme represent for Key Management Personnel?	For FY2012 LTI grants, the award value was not set as a percentage of fixed remuneration but was instead based on the intended total remuneration value for the Executive. This resulted in grants being made that represented between 40-50% of the Executive's total remuneration package for FY2012. However, Executives will not derive actual value from their LTI grants unless the applicable challenging performance hurdles are achieved.
How is reward delivered under the LTI programme?	LTI grants are delivered to LTI Participants 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 minimum 3 year period. If the applicable service and performance conditions are satisfied, the Performance Rights will vest, and Company shares will be delivered to the LTI Participants.
Do participants pay for the Performance Rights?	Performance Rights are offered at no cost to the LTI Participants.
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.
What restrictions apply?	The Company prohibits hedging of Performance Rights. Shares received upon vesting of awards that are held in trust under the LTI Plan are subject to disposal and dealing restrictions as long as they remain in the trust. While they remain in the trust, the shares cannot be sold, transferred or otherwise dealt with without prior Board approval. If the Board approves an application for the restrictions to be lifted on shares acquired under the LTI Plan, the shares may be released from the trust and may only be sold within one of the 'trading windows' and otherwise in accordance with the Company's Securities Trading Policy.
What are the performance hurdles?	For Performance Rights granted to Executives, grants are split into two equally weighted components with vesting linked to two independently-applied performance conditions: • one component is tested against a relative Total Shareholder Return (**'TSR'**) hurdle; and • the remaining component is tested against an Earning Per Share growth (**'EPS'**) hurdle. For certain other LTI Participants (but none of the Executives), grants of performance rights may be subject to a third Business Unit Performance hurdle. This additional hurdle only applies for LTI Participants who have direct responsibility and control over a discrete business unit (e.g divisional and business unit heads). Where an LTI grant is subject to a Business Unit Performance hurdle, the grant is split into three, equally weighted components: • One component is tested against the relative TSR hurdle; • Another component is tested against the EPS hurdle; and • The remaining component is tested against the Business Unit Performance hurdle. Diagram 4 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.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Long-term Incentive (LTI) (continued)

Table 14 – Summary of LTI Programme (continued)

<table>
<tr><td>How is the relative TSR hurdle measured?</td><td>
Relative TSR hurdle
The relative TSR hurdle is determined by measuring and ranking the Company's TSR relative to the TSRs of a comparator group of companies. On the recommendation of the Remuneration Committee, the Board has determined that, for LTI grants made on or after 1 July 2011, the most appropriate comparator group is comprised of companies in the S&P/ASX 200 index as at the start of the performance period, excluding companies in sectors having different drivers of operating performance being those in the real estate, financial and resources industries.
For the FY2009 LTI grant (which vested in FY2012), the comparator group was comprised of S&P/ASX 200 index companies ranked 101 to 200 at the start of the 3-year performance period, excluding companies in the metals and mining sectors, adjusted for companies which have undergone mergers, takeovers or insolvency during the performance period.
Broad industry groups are used for the purposes of assessing relative TSR performance because there are too few Australian healthcare companies of similar size to Ramsay for TSR comparison purposes. Comparator groups are only adjusted where appropriate as a result of mergers, takeovers or other corporate reconstructions during the performance period.
Performance Rights tested against the relative TSR hurdle vest on a sliding scale in accordance with the vesting schedule for Performance Rights set out in the table below:
Table 15 – TSR vesting schedule
<table>
<tr><th>Company's TSR ranking against the comparator group</th><th>% of Performance Rights subject to the TSR hurdles 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 50th and 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>
If the TSR hurdle is not achieved on the first test date then unvested Performance Rights will be re-tested on two more occasions (at six and 12 months following the original testing date) for performance over the extended period.
As the comparator group used for assessing the Company's TSR is comprised of companies from a broad 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. For example, the Company's share price may be significantly impacted by unexpected market forces external to the Company. Accordingly, the Board adopts the approach that re-testing on two further occasions (if necessary) will afford a fairer opportunity for assessing the Company's TSR performance over a multi-year period.
If the TSR hurdle is not satisfied on the second and final re-test, all unvested Performance Rights will immediately lapse.
</td></tr>
</table>

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Long-term Incentive (LTI) (continued)

Table 14 – Summary of LTI Programme (continued)

How is the EPS hurdle measured?	**EPS hurdle** 'EPS' is defined as core earnings per share from continuing operations before specific items and amortisation of intangibles, as represented by non-core items (set out in note 2(a) of the Financial Report). This definition has remained consistent from year to year. Since the introduction of the core EPS hurdle, there have been no material discontinued or divested operations under the applicable accounting standards. 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. 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, as well as the performance achieved for the prior financial year. In setting EPS targets, the Board aims to strike an appropriate balance between making the targets achievable for Executives and driving them to achieve exceptional performance. 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. Performance Rights vest on a sliding scale as described below. No re-testing of the EPS hurdle is permitted.
What are the EPS Targets and Thresholds?	The following table outlines the vesting schedule for the Performance Rights that are tested against the EPS hurdle. *Table 16 – EPS hurdle vesting schedule* **Aggregate EPS performance** / **% of Performance Rights subject to the EPS hurdles 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% 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 2012 the maximum EPS target was set at 112.7 cents per share and the threshold EPS target was 90% of the maximum target (101.4 cents per share). This threshold was higher than the previous year's actual EPS result of 101.1 cents per share. The FY2012 accounts indicate that the EPS achieved was 116.1 cents per share. Over the 3 year period to June 2012, 100% of the Performance Rights subject to the EPS hurdles vested.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Long-term Incentive (LTI) (continued)

Table 14 – Summary of LTI Programme (continued)

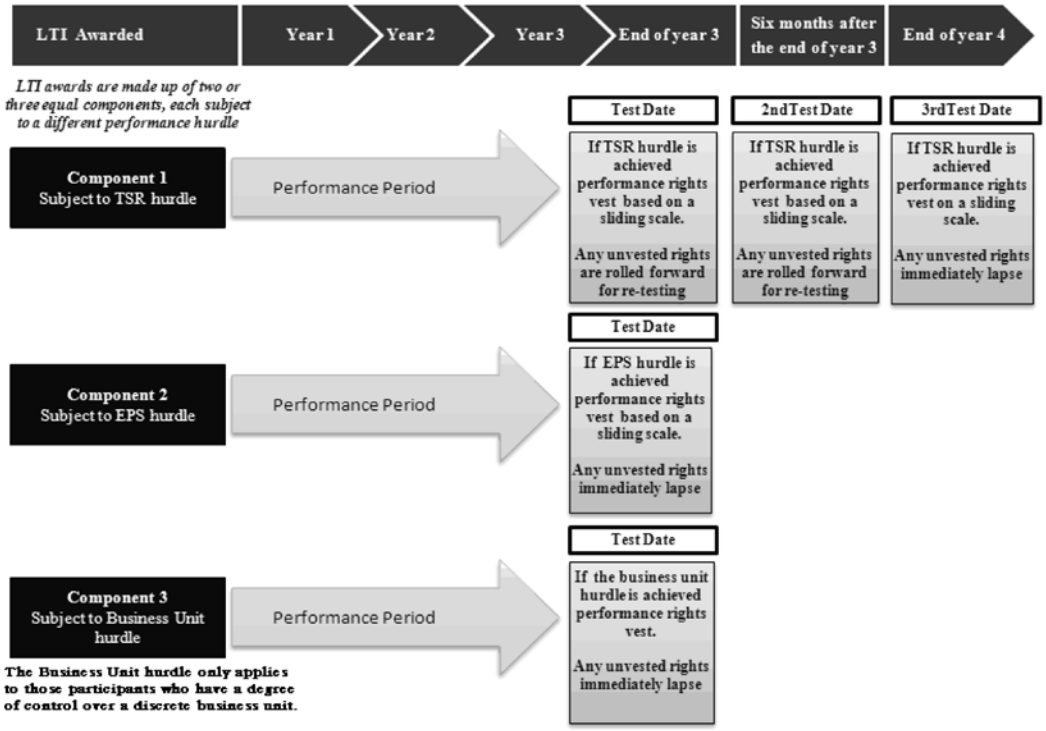
Why have the performance hurdles been chosen?	The TSR hurdle has been chosen because it provides a direct link between executive reward and shareholder return (relative to the Company's peers). Executives will not derive any value from the LTI grants made in FY2012 unless the Company's performance is at least at the median of the comparator group for the performance period. 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. The business unit performance measure is an additional hurdle chosen only for those LTI Participants who have direct responsibility and control over the performance of discrete parts of the Group's business. No Executives have a business unit hurdle as part of their LTI grants. The purpose of this additional hurdle for these LTI Participants is to help focus their efforts towards continually improved performance of the business unit for which they are responsible. Diagram 4 below demonstrates the operation of the performance hurdles noted above.
What if an LTI Participant ceases employment?	Under the terms of issue of the LTI grants and the LTI Plan Rules, if an LTI Participant ceases employment with the Company before the performance conditions are tested, then the unvested Performance Rights will generally lapse. If the LTI Participant's cessation of employment is due to death, illness, disability or redundancy, or where the Board consents, some or all of the unvested Performance Rights held by the LTI Participant at the time his or her employment ceases may vest at the Board's discretion, having regard to pro-rata performance and the particular circumstances of the LTI Participant. All rights will lapse immediately if a participant ceases employment within one year after the award date. Where an LTI Participant 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. Any Performance Rights that vest upon cessation of employment will remain subject to the trading restrictions set out above.
What happens in the event of a change in control?	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 and the circumstances leading to the change of control.
What Performance Rights were granted in FY2012?	The grants made to the Executives are summarised in table 17 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 2012 AGM.
What was the movement in the number and value of Performance Rights held by Key Management Personnel during FY2012?	These are summarised in table 18 below.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Diagram 4 – Operation of LTI hurdles



Note: Re-testing of TSR performance is done over the extended performance period, i.e. at 3.5 and 4 years.

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Table 17 – Performance Rights granted to Executives in FY2012

Executive	Performance condition [1]	Number of performance rights granted [2]	Fair value per performance right [3]	Maximum value of grant [4]
C.R. Rex	TSR	105,000	$13.86	$1,455,300
	Core EPS	105,000	$17.51	$1,838,550
		210,000		**$3,293,850**
B.R. Soden	TSR	42,500	$13.86	$589,050
	Core EPS	42,500	$17.51	$744,175
		85,000		**$1,333,225**
C.R. McNally	TSR	27,500	$13.86	$381,150
	Core EPS	27,500	$17.51	$481,525
		55,000		**$862,675**
D.A. Sims	TSR	27,500	$13.86	$381,150
	Core EPS	27,500	$17.51	$481,525
		55,000		**$862,675**

1. *Performance Rights are subject to performance over a 3-year period from 1 July 2011 to 30 June 2014. Performance Rights lapse where the applicable 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, FY2012 Performance Rights have not yet been forfeited or vested.*

2. *The grants made to Executives constituted their full LTI entitlement for FY2012 and were made on 17 November 2011 subject to the terms summarised in Table 14.*

3. *The fair value per Performance Right was calculated by independent consultants PricewaterhouseCoopers as at the grant date of 17 November 2011. An explanation of the pricing model used to calculate these values is set out in note 23.2 to the Financial Report.*

4. *The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met).*

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Remuneration components (continued)

Table 18 – Movement in Performance Rights held by Executives to the date of this Report

	Date of grant	Number of rights granted	Vesting date [1]	Number of rights vested [2]	Value of rights vested [3] $	Number of rights forfeited / lapsed [4]	Value of rights forfeited / lapsed $
C.P. Rex							
Equity Settled Performance Rights	30-Dec-08	50,000	31-Aug-11	50,000	883,075	-	-
	20-Oct-09	55,000	31-Aug-12	55,000	1,373,873	-	-
	17-Nov-10	150,000	30-Aug-13	-	-	-	-
	17-Nov-11	210,000	29-Aug-14	-	-	-	-
Equity Based Retention Rights	1-Jul-08	600,000	1-Jul-13	-	-	-	-
B.R. Soden							
Equity Settled Performance Rights	30-Dec-08	45,000	31-Aug-11	45,000	794,768	-	-
	20-Oct-09	50,000	31-Aug-12	50,000	1,248,975	-	-
	17-Nov-10	75,000	30-Aug-13	-	-	-	-
	17-Nov-11	85,000	29-Aug-14	-	-	-	-
C.R. McNally							
Equity Settled Performance Rights	30-Dec-08	25,000	31-Aug-11	25,000	441,538	-	-
	20-Oct-09	35,000	31-Aug-12	35,000	874,283	-	-
	17-Nov-10	55,000	30-Aug-13	-	-	-	-
	17-Nov-11	55,000	29-Aug-14	-	-	-	-
D.A. Sims							
Equity Settled Performance Rights	30-Dec-08	35,000	31-Aug-11	35,000	618,153	-	-
	20-Oct-09	40,000	31-Aug-12	40,000	999,180	-	-
	17-Nov-10	55,000	30-Aug-13	-	-	-	-
	17-Nov-11	55,000	29-Aug-14	-	-	-	-

1. *This vesting date is an indicative date only. Vesting will occur once the Board has determined the extent to which the applicable performance hurdles have been met. The timing of vesting is likely to coincide with the announcement of the release of Ramsay's full year results for the relevant financial period.*
2. *On vesting of each Performance Right, the holder received one fully-paid share in the Company, subject to disposal and other dealing restrictions, if held in the trust (refer page 65).*
3. *The amount is based on the Company's 5-day 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:
   - *$17.6615 on 31 August 2011 (updated from additional volume information)*
   - *$24.9795 on 31 August 2012*
4. *The performance conditions applicable to Performance Rights which vested on 31 August 2011 and 31 August 2012 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.*

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Total remuneration

Details of each Executive's remuneration for FY2012 (calculated in accordance with applicable accounting standards) are set out in table 19. All values are in A$ unless otherwise stated.

Table 19 – Executive remuneration (calculated in accordance with accounting standards) for FY2012 and FY2011

Name	Short term				Post employment		Shared based payment rights [4]			Total	Total performance related
	Salary & fees $	Non monetary [1] $	Leave entitlements $	Accrued Bonus [2, 3] $	Superannuation $	Accrued termination benefits $	Amortised cost of incentive share based rights $	Equity based retention rights [5] $	Percentage of remuneration %	$	%
C.P. Rex											
FY2012	2,000,000	10,818	269,553	1,752,595	15,775	-	1,880,417	1,060,800	42%	6,989,958	67%
FY2011	1,500,000	15,361	46,023	1,500,000	15,199	-	934,133	1,060,800	39%	5,071,516	69%
B.R. Soden											
FY2012	1,250,000	34,773	180,244	625,000	15,775	-	900,367	-	30%	3,006,159	51%
FY2011	1,100,000	51,009	278,747	550,000	15,199	-	592,458	-	23%	2,587,413	44%
C.R. McNally											
FY2012	735,000	16,938	84,657	367,000	15,775	-	617,133	-	34%	1,836,503	54%
FY2011	700,000	25,812	141,116	350,000	15,199	-	405,408	-	25%	1,637,535	46%
D.A. Sims											
FY2012	735,000	29,276	42,041	367,000	15,775	-	631,517	-	35%	1,820,609	55%
FY2011	700,000	29,909	42,974	350,000	15,199	-	450,125	-	28%	1,588,207	50%
Totals											
FY2012	**4,720,000**	**91,805**	**576,495**	**3,111,595**	**63,100**	**-**	**4,029,434**	**1,060,800**	**37%**	**13,653,229**	**60%**
FY2011	**4,000,000**	**122,091**	**508,860**	**2,750,000**	**60,796**	**-**	**2,382,124**	**1,060,800**	**32%**	**10,884,671**	**57%**

1. *This figure represents non-monetary benefits such as health insurance cover and motor vehicle running costs that do not form part of the Executive's cash salary.*
2. *Accrued STI bonuses payable to Mr Rex are delivered 50% in cash and the other 50% is withheld (less applicable tax) to purchase on-market ordinary shares in the Company at market price held in Mr Rex's name.*
3. *The FY2012 amounts represent the Executives' accrued STI for the year, and paid in cash in the following financial year.*
4. *In accordance with the requirements of the Accounting Standards, the remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. Performance Rights awarded under the LTI Plan and equity-based retention grants made that remained unvested as at 1 July 2011). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Executives may ultimately realise should the equity instruments vest. The fair value of the Performance Rights at the date of their grant has been determined in accordance with AASB 2 applying the Black-Scholes and Monte Carlo Simulation models. The assumption underpinning these valuations are set out in note 23 to the financial statements. The value of the deferred equity component of LTI awarded for FY2012 for the Managing Director has been included as a share-based payment in accordance with AASB 2.*
5. *Pursuant to Mr Rex's Executive Service Agreement he received equity based retention rights which give him a conditional entitlement to receive 600,000 ordinary shares in the Company. They will vest subject to Mr Rex continuing his employment as Managing Director until 1 July 2013.*

REMUNERATION REPORT – Audited

4. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Service agreements

Mr Christopher Rex

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

Table 20 – 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 equity based retention rights in the Company that vest on 1 July 2013 (or earlier, 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 Executives
No other Executives have written employment/service contracts and therefore their employment continues until a termination of employment by either the individual executive or the Company occurs. 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 the Company's policies.

REMUNERATION REPORT – Audited

5. 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 21 – 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 $2,000,000 (including the superannuation guarantee levy) was approved by shareholders at the 2010 AGM.
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: • the responsibilities and risks of each Non-Executive Director role; • 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 advisors.
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 Non-Executive Directors and Shareholders, Non-Executive Directors are encouraged to hold shares in the Company (purchased by the Non-Executive Director on-market). The majority of 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. The Board also reviews the market competitiveness of fee levels and assesses whether they are appropriate in the Company's circumstances. Details of the most recent review of Non-Executive Director fees are provided below.

Review of Non-Executive Director Fees
The comparator group used to benchmark Non-Executive Director fees was the same comparator group used to benchmark fixed remuneration for key executives, being similarly-sized ASX-listed companies with international operations (refer to page 66 for details).

The Board is of the view that a 5% increase in the fees for Non-Executive Directors for FY2012 was reasonable, in light of market practice and the continuing strong performance of the Group.

The Remuneration Committee engaged the services of an independent consultant, Godfrey Remuneration Group, who confirmed the view that a 5% increase in fees was reasonable from the points of view of both the Company and the Directors.

REMUNERATION REPORT – Audited

5. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

Board & committee fees

Table 22 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	Fees, per annum, for FY2012: • **Board:** − Chairman - $315,000 − Deputy Chairman - $157,500 − Members - $126,000 • **Audit Committee:** − Chairman - $36,750 − Members - $23,625 • **Risk Management Committee:** − Chairman - $31,500 − Members - $21,000 • **Remuneration Committee:** − Chairman - $18,375 − Members - $13,125 • **Nomination Committee:** − Chairman – Nil − Members – Nil These fees are within the current approved Directors' Fee Pool. The Company has no immediate plans to further increase the Directors' Fee Pool.
Other fees/benefits	No additional fees for special duties or exertions were paid during FY2012. 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 $15,775 per Director for FY2012. Certain Non-Executive Directors are entitled to retirement benefits under the Directors Retirement Benefits Plan. Further details are provided below.

REMUNERATION REPORT – Audited

5. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

Board & committee fees (continued)

Suspension of Non-Executive Directors Retirement Benefit Plan

Background

Non-Executive Directors appointed prior to October 2003 remain entitled to retirement benefits under the (now frozen) Directors' Retirement Benefit Plan. Under the Plan, retirement benefits previously accrued on a pro-rata basis over a period of nine years, commencing after a minimum service period of three years.

Following a resolution passed by Company shareholders at the 2010 Annual General Meeting:

1. The operation of the Directors' Retirement Benefit Plan was frozen with effect from 31 December 2009. This severed the previous nexus between increases in Non-Executive Directors' fees and increases in their retirement benefits;

2. Frozen entitlements as at 31 December 2009, are indexed in line with the one-year Commonwealth Government Bond Rate (adjusted twice a year). No other adjustments are 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

3. The indexed value of the frozen entitlement will be paid to each affected Non-Executive Director, upon the Director's retirement, in accordance with sections 200B and 200E of the Act.

Accrued benefits

The value of the frozen benefits as at 30 June 2012, to which participating Non-Executive Directors are entitled upon retirement are set out below:

Table 23 – Frozen Non-Executive Directors' Retirement Benefits

Total Frozen Benefit 31 December 2009	Total Provision 30 June 2011	Total Bond Rate Adjustment	Total Provision 30 June 2012
$2,879,813	$3,081,251	$129,923 [1]	$3,211,174 [1]

1. *Cumulatively an amount of $3,211,174 (2011: $3,081,251) has been provided as at 30 June 2012 and $129,923 (2011: $139,442) expensed in the current year.*

No retirement benefits were paid out in FY2012 or FY2011.

REMUNERATION REPORT – Audited

5. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

Total remuneration

Details of Non-Executive Directors' remuneration for FY2012 and FY2011 (calculated in accordance with applicable accounting standards) are set out in table 24.

Table 24 – Non-Executive Director Remuneration for FY2012 and FY2011

Director	Short-term benefits ($)		Post-employment benefits ($)		Total Fees $
	Fees	Non-monetary Benefits	Superannuation Contributions [1]	Retirement Benefits [2]	
P.J. Ramsay AO (Chairman)					
FY2012	315,000	-	15,775	34,597	365,372
FY2011	300,000	-	15,199	37,133	352,332
M.S. Siddle (Deputy Chairman)					
FY2012	170,625	-	15,356	18,991	204,972
FY2011	162,500	-	14,625	20,382	197,507
A.J. Clark AM					
FY2012	149,625	-	13,466	16,715	179,806
FY2011	142,500	-	12,825	17,940	173,265
P.J. Evans					
FY2012	207,375	-	15,775	23,990	247,140
FY2011	197,500	-	15,199	25,747	238,446
I.P.S. Grier AM					
FY2012	147,000	-	13,230	-	160,230
FY2011	140,000	-	12,600	-	152,600
R.H. McGeoch AM					
FY2012	144,375	-	12,994	16,208	173,577
FY2011	137,500	-	12,375	17,395	167,270
K.C.D. Roxburgh					
FY2012	170,625	-	15,356	19,422	205,403
FY2011	162,500	-	14,625	20,845	197,970
Totals					
FY2012	**1,304,625**	**-**	**101,952**	**129,923**	**1,536,500**
FY2011	**1,242,500**	**-**	**97,448**	**139,442**	**1,479,390**

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. These amounts represent the bond rate adjustment for the year as set out in table 23.*

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

Details of the number of meetings of the board and its committees held during the year, and of each Director's attendance at these meetings, are set out in the Corporate Governance Statement of this Annual Report (in the "Board Committees" section of the commentary on the Company's compliance with Principle 1).

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

AUDITORS' INDEPENDENCE DECLARATION

The written Auditors' Independence Declaration in relation to the audit of the financial report has been included at page 79 and forms part of this report.

ROUNDING

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

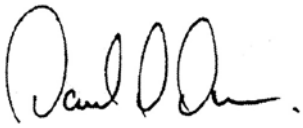
NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 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	$	1,430,000
Other services	$	312,000

Signed in accordance with a resolution of the Directors.



P.J. RAMSAY
Chairman

C.P. REX
Managing Director

Sydney, 7 September 2012

Ernst & Young

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

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Simmonds
Partner
Sydney
7 September 2012

Liability limited by a scheme approved under Professional Standards Legislation

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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 consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Liability limited by a scheme approved under Professional Standards Legislation

Opinion

In our opinion:

a. 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 as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Ramsay Health Care Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Simmonds
Partner
Sydney
7 September 2012

RAMSAY HEALTH CARE LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ramsay Health Care Limited, we declare that:

In the opinion of the Directors:

(a) the financial statements and notes of Ramsay Health Care Limited are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of its financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

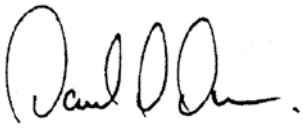
(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

(c) there are reasonable grounds to believe that the Company 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 2012.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



P.J. RAMSAY
Chairman

C.P. REX
Managing Director

Sydney, 7 September 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Revenue and other income			
Revenue from services		3,956,476	3,719,691
Interest income		4,625	5,182
Revenue - income from the sale of development assets		4,976	15,011
Other income - profit on sale of assets		7,406	5,261
Total revenue and other income	4	**3,973,483**	**3,745,145**
Employee benefits costs	5	(1,948,344)	(1,825,074)
Occupancy costs	5	(254,818)	(248,273)
Service costs		(211,975)	(204,742)
Medical consumables and supplies		(987,012)	(950,375)
Cost of goods sold - book value of development assets sold		(4,355)	(10,561)
Depreciation, amortisation and impairment	5	(146,894)	(135,075)
Total expenses, excluding finance costs		**(3,553,398)**	**(3,374,100)**
Profit from continuing operations before tax and finance costs		**420,085**	**371,045**
Finance costs	5	(83,507)	(76,924)
Profit before income tax from continuing operations		**336,578**	**294,121**
Income tax	6	(90,720)	(93,755)
Profit after tax from continuing operations		**245,858**	**200,366**
Net profit for the year		**245,858**	**200,366**
Attributable to non-controlling interest		1,753	1,991
Attributable to owners of the parent		244,105	198,375
		245,858	**200,366**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	112.7	90.8
Profit (after CARES dividend) from continuing operations	7	112.7	90.8
Diluted earnings per share			
Profit (after CARES dividend)	7	111.8	90.2
Profit (after CARES dividend) from continuing operations	7	111.8	90.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Net profit for the year		245,858	200,366
Other comprehensive income/(expense)			
Cash flow hedges			
(Loss)/gain taken to equity	22	(18,031)	36,609
Transferred to income statement	22	9,802	(25,519)
Actuarial (loss) on defined benefit plans	27	(1,045)	(885)
Net (loss)/gain on bank loan designated as a hedge of a net investment		(4,439)	34,372
Foreign currency translation		(6,423)	(44,328)
Income tax on items of other comprehensive income	6	2,469	(3,327)
Other comprehensive (expense) for the year net of tax		**(17,667)**	**(3,078)**
Total comprehensive income for the year		**228,191**	**197,288**
Attributable to non-controlling interest		1,753	1,991
Attributable to owners of the parent		226,438	195,297
		228,191	197,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $000	2011 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	173,418	226,545
Trade receivables	12	422,167	424,517
Inventories	13	105,035	87,801
Derivative financial instruments	22	-	823
Other current assets	14	47,440	46,167
		748,060	**785,853**
Assets classified as held for sale		1,150	1,150
Total current assets		**749,210**	**787,003**
Non-current assets			
Other financial assets		2,445	1,943
Property, plant and equipment	15	1,846,459	1,786,496
Goodwill and intangible assets	16	870,643	886,196
Deferred tax asset	6	81,089	48,892
Non-current prepayments		10,748	10,999
Derivatives financial instruments	22	-	635
Non-current receivables	12	25,355	29,287
Total non-current assets		**2,836,739**	**2,764,448**
TOTAL ASSETS		**3,585,949**	**3,551,451**
LIABILITIES			
Current liabilities			
Trade and other payables	18	579,342	537,317
Interest-bearing loans and borrowings	20	31,483	13,903
Derivative financial instruments	22	14,521	9,182
Provisions	19	147,162	135,455
Income tax payable	6	37,512	31,891
Total current liabilities		**810,020**	**727,748**
Non-current liabilities			
Interest-bearing loans and borrowings	20	1,037,575	1,227,226
Provisions	19	264,342	230,599
Pension liability	27	18,142	18,841
Derivative financial instruments	22	14,519	13,029
Other creditors		5,297	7,293
Deferred tax liability	6	29,853	22,852
Total non-current liabilities		**1,369,728**	**1,519,840**
TOTAL LIABILITIES		**2,179,748**	**2,247,588**
NET ASSETS		**1,406,201**	**1,303,863**
EQUITY			
Issued capital	21.1	713,523	713,523
Treasury shares	21.6	(23,259)	(18,474)
Convertible Adjustable Rate Equity Securities (CARES)	21.5	252,165	252,165
Cash flow hedges	22	(20,249)	(14,489)
Share based payment reserve		23,101	13,867
Vested employee equity		(9,384)	(7,502)
Other reserves		(29,759)	(18,897)
Retained earnings		507,868	393,228
Parent interests		**1,414,006**	**1,313,421**
Non-controlling interests		**(7,805)**	**(9,558)**
TOTAL EQUITY		**1,406,201**	**1,303,863**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Changes in Equity for the Year to 30 June 2012						
	Balance at 1 July 2011 $000	Dividends $000	Shares purchased for executive performance share plan $000	Treasury shares vesting to employees in the year $000	Share based payment reserve $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2012 $000
Issued capital	713,523	-	-	-	-	-	713,523
Treasury shares	(18,474)	-	(9,642)	4,857	-	-	(23,259)
Convertible preference shares - CARES	252,165	-	-	-	-	-	252,165
Share based payment reserve	13,867	-	-	(2,975)	12,209	-	23,101
Cash flow hedges	(14,489)	-	-	-	-	(5,760)	(20,249)
Bank loan designated as a hedge of a net investment	93,174	-	-	-	-	(4,439)	88,735
Foreign currency translation	(112,071)	-	-	-	-	(6,423)	(118,494)
Actuarial loss on pension fund	(3,223)	-	-	-	-	(1,045)	(4,268)
Retained earnings	396,451	(128,420)	-	-	-	244,105	512,136
Vested employee equity	(7,502)	-	-	(1,882)	-	-	(9,384)
Owners of the parent	**1,313,421**	**(128,420)**	**(9,642)**	**-**	**12,209**	**226,438**	**1,414,006**
Non-controlling interests	**(9,558)**	**-**	**-**	**-**	**-**	**1,753**	**(7,805)**
Total equity	**1,303,863**	**(128,420)**	**(9,642)**	**-**	**12,209**	**228,191**	**1,406,201**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities			
Receipts from customers		3,952,668	3,750,915
Payments to suppliers and employees		(3,323,717)	(3,152,254)
Income tax paid		(108,274)	(87,537)
Income tax refund		17,051	-
Finance costs		(103,835)	(80,533)
Net cash flows from operating activities	9	**433,893**	**430,591**
Cash flows from investing activities			
Purchase of property, plant and equipment		(222,213)	(214,957)
Proceeds from sale of property, plant and equipment		38,145	4,935
Interest received		4,625	5,182
Acquisition of subsidiary, net of cash received	10	-	(18,069)
Net cash flows used in investing activities		**(179,443)**	**(222,909)**
Cash flows from financing activities			
Dividends paid		(128,420)	(110,747)
Repayment of principal to Bondholders		(2,916)	(2,692)
Repayment of finance lease - principal		(5,346)	(4,686)
Purchase of ordinary shares		(9,642)	(12,188)
Draw down of borrowings		993,608	-
Repayments of borrowings		(1,151,421)	(28,856)
Net cash flows used in financing activities		**(304,137)**	**(159,169)**
Net (decrease)/increase in cash and cash equivalents		(49,687)	48,513
Net foreign exchange differences on cash held		(3,440)	(7,657)
Cash and cash equivalents at beginning of year		226,545	185,689
Cash and cash equivalents at end of year	9	**173,418**	**226,545**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited (**'The Company'**) for the year ended 30 June 2012 was authorised for issue on 7 September 2012 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,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and listed investments which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items are otherwise carried at cost.

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2011.

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 profit (segment result) after tax from continuing operations, and the core earnings per share from continuing operations measures, provides additional information which is used for internal segment reporting and therefore would be useful for shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2012 $000	2011 $000
(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit attributable to owners of the parent	244,105	198,375
Add/(less) non-core items:		
- Non-cash rent expense relating to UK leased hospitals	23,693	26,976
- Amortisation - service concession assets	2,186	2,224
- Profit on sale of assets	(7,406)	(5,261)
- Income from the sale of development assets	(4,976)	(15,011)
- Book value of development assets sold	4,355	10,561
- Acquisition, disposal, and development costs	5,466	4,683
- Impairment of non-current assets	-	2,014
- Defined benefit pension plan costs	-	3,444
- Loss on interest rate hedge	67	76
- Charge for expired debt facility costs due to early refinancing	5,924	-
Income tax on non-core items	(3,153)	(7,054)
Income tax refund received relating to changes to tax consolidation legislation	(17,051)	-
Non-controlling interest in non-core items (net of tax)	(564)	(441)
	8,541	22,211
Core profit (segment result) after tax from continuing operations	252,646	220,586
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	252,646	220,586
Less: CARES Dividend	(17,676)	(15,847)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	234,970	204,739
Weighted average number of ordinary shares adjusted for effect of dilution	202,443,435	202,457,705
Core earnings per share from continuing operations	116.1c	101.1c

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Reconciliation of statutory income statement to core (segment) income statement

The table below reconciles the statutory consolidated income statement to the core (segment) consolidated income statement. The non-core items listed at 2(a)(i) are excluded from the relevant line items in the consolidated statutory income statement to ascertain the core (segment) consolidated income statement.

	2012 $000 Statutory consolidated income statement	2012 $000 Non-core items as listed at 2(a)(i)	2012 $000 Core (segment) consolidated income statement
Revenue and other income			
Revenue from services	3,956,476	-	3,956,476
Interest income	4,625	-	4,625
Revenue - income from the sale of development assets	4,976	(4,976)	-
Other income - profit on sale of assets	7,406	(7,406)	-
Total revenue and other income	**3,973,483**	**(12,382)**	**3,961,101**
Employee benefits costs	(1,948,344)	-	(1,948,344)
Occupancy costs	(254,818)	23,693	(231,125)
Service costs	(211,975)	5,466	(206,509)
Medical consumables and supplies	(987,012)	-	(987,012)
Cost of goods sold - book value development assets sold	(4,355)	4,355	-
Depreciation and amortisation	(146,894)	2,186	(144,708)
Total expenses, excluding finance costs	**(3,553,398)**	**35,700**	**(3,517,698)**
Profit from continuing operations before tax and finance costs	**420,085**	**23,318**	**443,403**
Finance costs	(83,507)	5,991	(77,516)
Profit before income tax from continuing operations	**336,578**	**29,309**	**365,887**
Income tax	(90,720)	(20,204)	(110,924)
Profit after tax from continuing operations	**245,858**	**9,105**	**254,963**
Net profit for the year	**245,858**	**9,105**	**254,963**
Attributable to non-controlling interest	1,753	564	2,317
Attributable to owners of the parent	244,105	8,541	252,646
	245,858	**9,105**	**254,963**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Reconciliation of statutory income statement to core (segment) income statement (continued)

	2011 $000 Statutory consolidated income statement	2011 $000 Non-core items as listed at 2(a)(i)	2011 $000 Core (segment) consolidated income statement
Revenue and other income			
Revenue from services	3,719,691	-	3,719,691
Interest income	5,182	-	5,182
Revenue - income from the sale of development assets	15,011	(15,011)	-
Other income - profit on sale of assets	5,261	(5,261)	-
Total revenue and other income	**3,745,145**	**(20,272)**	**3,724,873**
Employee benefits costs	(1,825,074)	3,444	(1,821,630)
Occupancy costs	(248,273)	26,976	(221,297)
Service costs	(204,742)	4,683	(200,059)
Medical consumables and supplies	(950,375)	-	(950,375)
Cost of goods sold - book value development assets sold	(10,561)	10,561	-
Depreciation and amortisation	(135,075)	4,238	(130,837)
Total expenses, excluding finance costs	**(3,374,100)**	**49,902**	**(3,324,198)**
Profit from continuing operations before tax and finance costs	**371,045**	**29,630**	**400,675**
Finance costs	(76,924)	76	(76,848)
Profit before income tax from continuing operations	**294,121**	**29,706**	**323,827**
Income tax	(93,755)	(7,054)	(100,809)
Profit after tax from continuing operations	**200,366**	**22,652**	**223,018**
Net profit for the year	**200,366**	**22,652**	**223,018**
Attributable to non-controlling interest	1,991	441	2,432
Attributable to owners of the parent	198,375	22,211	220,586
	200,366	**22,652**	**223,018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Compliance with IFRS

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

(c) New Accounting Standards and Interpretations

(i) Change in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- AASB 2009 – 12 *Amendments to Australian Accounting Standards* (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and interpretations 2, 4, 16, 1039 & 1052)
- AASB 2010 – 5 *Amendments to Australian Accounting Standards* (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and interpretations 112, 115, 127, 132 & 1042)
- AASB 2010 – 6 *Amendments to Australian Accounting Standards* (AASB 1 & AASB 7)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)
The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment of the interpretation has no effect on the financial position nor performance of the Group.

AASB 2009 – 12 Amendments to Australian Accounting Standards
This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. All the other amendments principally arise from editorial corrections made by the IASB to its Standards and Interpretations and by the AASB to its pronouncements. The amendments have had no effect on the financial position or performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(i) Change in accounting policy (continued)

AASB 2010 – 5 Amendments to Australian Accounting Standards
This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.
These amendments have no major impact on the requirements of the amended pronouncements. The amendments have had no effect on the financial position or performance of the Group.

AASB 2010 – 6 Amendments to Australian Accounting Standards
This Standard adds and amends disclosure requirements about transfers of financial assets, including the nature of the financial assets involved and the risks associated with them. The amendments have had no effect on the financial position or performance of the Group.

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The adoption of this new amendment will not have any impact on the financial position or performance of the Group.	1 July 2012

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013**	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	1 January 2013	The adoption of this new standard will not have any impact on the financial position or performance of the Group.	1 July 2013

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

** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.	1 January 2013	The adoption of this new standard will not have any impact on the financial position or performance of the Group.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) New Accounting Standards and Interpretations (continued)
(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
Annual Improvements 2009–2011 Cycle ***	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

*** IFRS amendments have not yet been adopted by the AASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

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

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

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

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

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

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

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

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

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

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Non-controlling interests represent the interest in Health Care Trust No 1, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

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

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

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 & assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 17.

Share – based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation and Black Scholes model, using the assumptions detailed in note 23.

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 currencies of the overseas subsidiaries are: Indonesian Rupiah for Affinity Health Indonesia; British pounds for Ramsay Health Care (UK) Limited; and Euro for Ramsay Santé SA. As at the reporting date the assets and liabilities of the overseas subsidiaries 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

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 the 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 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.

(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 such that:

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(j) 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 transaction 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, that is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cashflows from the financial assets have expired or been transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments & other financial assets (continued)

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

(k) Inventories

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

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

(l) Trade & other receivables

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

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

(m) 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.

(n) Interest-bearing loans & borrowings

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

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.

(o) Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payment transactions

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

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

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

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

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

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

(i) The extent to which the vesting period has expired and

(ii) The number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date.

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

Share Based Payment Reserve
This reserve is used to record the value of the share based payments provided to employees.

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

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

(q) Leases

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

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

(r) Revenue

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

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

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

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

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

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

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

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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.

(t) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Derivative financial instruments & hedging

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

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

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

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

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

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

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

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

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

(ii) Bank loan designated as a hedge of a net investment
The bank loan designated as a hedge of a net investment in a foreign operation, is accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument (Bank Loan) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest in a joint venture

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(w) 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:

	Service Concessions Assets	**Development Costs**
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the lease (up to 40 years)	Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.	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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

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'.

(y) 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.

(z) 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.

(aa) Insurance

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

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

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

(ab) Contributed Equity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Business combinations

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

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

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.

(ad) 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.

(ae) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 29.

At reporting 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:

	2012 $000	2011 $000
Financial Assets		
Cash and cash equivalents	173,418	226,545
Financial Liabilities		
Bank Loans	(264,389)	(274,562)
Net exposure	(90,971)	(48,017)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in note 22, with a net negative fair value of $29,040,000 (2011: negative: $20,753,000) which are exposed to fair value movements if interest rates change.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain at least 50% of its borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 73% (2011: 76%) of the Group's borrowings are at a fixed rate of interest.

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

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the end of the reporting period, as specified in the following table, if the interest rates had been higher or lower than the year end rates and all other variables were held constant, the consolidated entity's post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012	2011	2012	2011
	$000	$000	$000	$000
AUD				
+ 200 basis points (2011: + 100 basis points)	(1,153)	(1,060)	27,960	2,159
- 200 basis points (2011: - 100 basis points)	1,150	1,052	(29,974)	(2,189)
GBP				
+ 100 basis points (2011: + 100 basis points)	(445)	(353)	3,704	4,325
- 100 basis points (2011: - 100 basis points)	276	48	(3,617)	(3,966)
IDR				
+ 100 basis points (2011: + 100 basis points)	(120)	(136)	-	-
- 100 basis points (2011: - 100 basis points)	123	137	-	-
EUR				
+ 100 basis points (2011: + 100 basis points)	(19)	(22)	751	1,134
- 100 basis points (2011: - 100 basis points)	22	22	(741)	(1,189)

The assumed movement in basis points for the interest rate sensitivity analysis is considered reasonable, given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

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 2012, comparing to 2011 is due to the decrease in hedging from 76% in 2011 to 73% in 2012 and the increased interest rate volatility in 2012.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(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 reporting date, the Group had the GBP exposure of £83,420,000 (2011: £18,898,000) that is not designated in a net investment hedge.

The Group has a GBP borrowing of £117,000,000 (2011: £117,000,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 22.

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

At reporting date, 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 other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income* Higher/(Lower)	
	2012	2011	2012	2011
	$000	$000	$000	$000
AUD/GBP +10%	(22)	(290)	(11,617)	(2,283)
AUD/GBP -10%	24	319	12,782	2,511

A sensitivity of 10% has been used as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

The movements in profit are due to an increase or decrease in the fair value of the GBP denominated 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 reporting date, the Group had the Euro exposure of €39,414,000 (2011: €39,116,000) that is not designated in net investment hedges.

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk (continued)

At reporting date, 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 other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012	2011	2012	2011
	$000	$000	$000	$000
AUD/EUR +10%	(70)	(67)	(4,362)	(4,742)
AUD/EUR -10%	77	74	4,801	5,218

A sensitivity of 10% has been used as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

The movements in profit are due to an increase or decrease in the fair value of the Euro denominated financial instruments not designated in the net investment hedges.

(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 reporting 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 Governments 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 spread across a number of Health Funds and Governments. Whilst the Group does have significant credit risk exposure to a single debtor or group of related debtors, the credit quality of these debtors is considered high, as they are either Health Funds, governed by APRA prudential requirements, or Governments.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

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's 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.

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

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

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

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

Year ended 30 June 2012	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	173,418	-	-	-	173,418
Trade and other receivables	430,352	10,193	12,577	2,585	455,707
	603,770	10,193	12,577	2,585	629,125
Financial liabilities					
Trade and other payables	(575,154)	-	-	-	(575,154)
Interest-bearing loans and borrowings	(67,578)	(51,686)	(1,132,832)	(5,203)	(1,257,299)
Sub-ordinated bonds	-	-	(57,642)	-	(57,642)
	(642,732)	(51,686)	(1,190,474)	(5,203)	(1,890,095)
Net outflow	(38,962)	(41,493)	(1,177,897)	(2,618)	(1,260,970)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

Year ended 30 June 2011	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	226,545	-	-	-	226,545
Trade and other receivables	426,333	3,289	11,608	7,117	448,347
	652,878	3,289	11,608	7,117	674,892
Financial liabilities					
Trade and other payables	(533,357)	-	-	-	(533,357)
Interest-bearing loans and borrowings	(123,684)	(1,138,187)	(40,911)	-	(1,302,782)
Sub-ordinated bonds	-	-	(55,884)	-	(55,884)
	(657,041)	(1,138,187)	(96,795)	-	(1,892,023)
Net (outflow)/inflow	(4,163)	(1,134,898)	(85,187)	7,117	(1,217,131)

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 reporting date. Net settled derivative liabilities comprise forward interest rate swap contracts that are used as economic hedges of interest payable.

	< 6 months $000	6-12 months $000	1-5 years $000	>5 years $000	Total $000
Year ended 30 June 2012					
Derivatives liabilities – net settled	(8,217)	(7,316)	(13,671)	-	(29,204)
Net maturity	(8,217)	(7,316)	(13,671)	-	(29,204)
Year ended 30 June 2011					
Derivatives liabilities – net settled	(6,308)	(6,109)	(11,433)	-	(23,850)
Net maturity	(6,308)	(6,109)	(11,433)	-	(23,850)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

(e) Fair value

The Group has available to it 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 was estimated using the level 2 method valuation technique and is summarised in the table below.

	2012 $000	2011 $000
Financial assets		
Derivative instruments – interest rate swaps	-	1,458
Financial liabilities		
Derivative instruments – interest rate swaps	(29,040)	(22,211)

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, and foreign exchange contracts not traded on a recognised exchange.

Transfer between categories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4. REVENUE

Revenue and Other Income

	2012 $000	2011 $000
Revenue from patients	3,871,505	3,652,194
Rental income - Other persons/corporations	37,304	26,689
Income from ancillary services	47,667	40,808
Interest - Other persons/corporations	4,625	5,182
Revenue and other income from continuing operations	3,961,101	3,724,873
Income from sale of development assets	4,976	15,011
Profit on sale of assets	7,406	5,261
	3,973,483	3,745,145

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation and impairment included in income statement		
Depreciation - Plant and equipment	103,655	90,675
Depreciation - Buildings	31,860	31,133
Impairment - Plant and equipment	-	2,014
Total depreciation and impairment	135,515	123,822
(b) Amortisation included in income statement		
Service concession assets	2,186	2,224
Development cost	9,193	9,029
Total amortisation	11,379	11,253
(c) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the income statement	106,693	105,298

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

Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and UIG 115 *Operating leases – incentives*	(23,693)	(26,976)

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 2012 was lower than the rent expensed by $23,693,000 (2011: $26,976,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2012 $000	2011 $000
(d) Employee benefits cost		
Wages and salaries	1,760,807	1,654,262
Workers' compensation	16,166	11,244
Superannuation	100,738	94,188
Termination benefits	3,526	1,566
Other employment	59,375	54,650
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	7,732	5,720
Defined benefit pension plan	-	3,444
	1,948,344	1,825,074
(e) Finance costs		
Interest expense - Other persons/corporations	80,144	78,652
Finance charges - Lease liability	1,734	2,215
Finance charges - Charge for expired debt facility costs due to early refinancing	5,924	-
Finance charges - Loss on interested rate hedge	67	76
	87,869	80,943
Less: Finance costs capitalised	(4,362)	(4,019)
	83,507	76,924

6. INCOME TAX

	2012 $000	2011 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	111,209	86,650
Adjustments in respect of previous years	(15,074)	(1,648)
Deferred income tax		
Relating to origination and reversal of temporary differences	(48)	3,013
Adjustments in respect of deferred income tax of previous years	(5,367)	5,740
Income tax expense reported in the income statement	90,720	93,755
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	336,578	294,121
At the Parent Entity's statutory income tax rate of 30% (2011: 30%)	100,973	88,236
Expenditure not allowable for income tax purposes	5,695	3,962
Income tax refund received relating to changes to tax consolidation legislation	(17,051)	-
Foreign tax rate adjustment	(30)	(295)
Other	1,133	1,852
	90,720	93,755
Income tax expense reported in the consolidated income statement attributable to continuing operations	90,720	93,755
(c) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	(2,544)	3,260
Actuarial gain/loss on defined benefit plans	(302)	-
Treasury shares	(4,454)	(244)
	(7,300)	3,016

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2012 $000 Current income tax	2012 $000 Deferred income tax	2011 $000 Current income tax	2011 $000 Deferred income tax
Opening balance	(31,891)	26,040	(35,819)	39,094
(Charged)/credited to income	(96,135)	5,415	(85,002)	(8,753)
(Charged)/credited to equity	-	7,300	-	(3,016)
Reclassification	-	11,656	-	-
Payments/(Refunds)	90,667	-	89,252	-
Exchange differences	(153)	825	(322)	(1,765)
Acquisition of subsidiary	-	-	-	480
Closing balance	(37,512)	51,236	(31,891)	26,040
Tax expense in the income statement		(90,720)		(93,755)
Amounts recognised in the statement of financial position				
Deferred tax asset		81,089		48,892
Deferred tax liability		(29,853)		(22,852)

	Statement of Financial Position 2012 $000	2011 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(10,704)	(11,451)
Recognition of revenue	(9,662)	(10,686)
Depreciable assets	(62,428)	(65,100)
Other	(2,314)	(10,162)
Other provisions and lease liabilities	(18,435)	(14,305)
Gross deferred tax liabilities	(103,543)	(111,704)
Set-off of deferred tax assets	73,690	88,852
Net deferred tax liabilities	(29,853)	(22,852)
(ii) Deferred tax assets		
Employee provisions	70,578	65,425
Other provisions and lease liabilities	55,564	41,404
Unearned income	7,287	5,497
Other	1,358	4,692
Losses	11,248	14,401
Derivatives	8,744	6,325
Gross deferred tax assets	154,779	137,744
Set-off of deferred tax assets	(73,690)	(88,852)
Net deferred tax assets	81,089	48,892

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2012, there is $10,011,179 (2011: $10,091,759) of unrecognised deferred income tax assets in relation to capital losses carried forward. As it is not probable they will be used in the foreseeable future, they have not been recognised.

(f) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by $42,487,000 (2011: increased $38,502,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 33.

(g) Tax relating to other comprehensive income

	2012 $000	2011 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	5,409	(10,983)
- Cashflow hedges transferred to the income statement	(2,940)	7,656
	2,469	(3,327)

7. 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.

	2012 $000	2011 $000
Net profit for the year attributable to the owners of the parent	244,105	198,375
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(17,676)	(15,847)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	226,429	182,528

	2012 Number of Shares	2011 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,828,094	201,106,486
Effect of dilution – share rights	1,615,341	1,351,219
Weighted average number of ordinary shares adjusted for the effect of dilution	202,443,435	202,457,705

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 23) have the potential to dilute earnings per share.

	2012 Cents per Share	2011 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	112.7	90.8
- diluted (after CARES dividend) for the year	111.8	90.2
- basic (after CARES dividend) from continuing operations	112.7	90.8
- diluted (after CARES dividend) from continuing operations	111.8	90.2

8. DIVIDENDS PAID OR PROPOSED

	2012 $000	2011 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (25.5 cents per share) (2011: 22.5 cents per share)	51,531	45,468
(ii) Previous year final dividend paid		
Franked dividends – ordinary (29.5 cents per share) (2011: 25.0 cents per share)	59,614	50,520
	111,145	95,988
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (34.5 cents per share) (2011: 29.5 cents per share)	69,718	59,614
(c) Dividends declared and paid during the period on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	17,676	15,847
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	8,318	8,982

	Parent	
	2012 $000	2011 $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% (2011: 30%)	180,744	147,464
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	24,418	21,303
	205,162	168,767
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	(33,444)	(28,965)
	171,718	139,802

* 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% (2011: 30%). $78,036,000 (2011: $68,596,000) of the proposed dividends will be franked at the rate of 30% (2011: 30%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. CASH AND CASH EQUIVALENTS

	2012 $000	2011 $000
Cash at bank and in hand	173,418	226,545
Reconciliation to Statement of cash flows		
For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and in hand	173,418	226,545
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	245,858	200,366
Adjustments for:		
Depreciation, amortisation and impairment	146,894	135,075
Interest received	(4,625)	(5,182)
Changes in assets & liabilities		
Deferred tax	(10,747)	10,214
Receivables	5,880	26,998
Other assets	(1,280)	2,136
Creditors and accruals	10,311	11,166
Provisions	52,208	53,003
Inventory	(16,094)	811
Tax provisions	5,488	(3,996)
Net cash from operating activities	433,893	430,591

Disclosure of financing facilities
Refer to note 29.

10. BUSINESS COMBINATIONS

Acquisition of Clinique Convert - 2011

On 31 May 2011, Ramsay Santé acquired 99.77% of the share capital of Clinique Convert. Ramsay Santé has recognised the fair values of the identifiable assets and liabilities of the Clinique Convert as follows:

	$000
Cash overdraft	(11)
Accounts Receivable	2,191
Inventory	762
Other current assets	1,351
Property, plant and equipment	7,647
Deferred income tax asset	480
Creditors and accruals	(5,658)
Intercompany loan	(4,196)
Provisions and other liabilities non-current	(2,187)
Fair value of identifiable net assets	379
Non-controlling interest in identifiable acquired net assets	(1)
Intercompany loan eliminated on consolidation	4,196
Goodwill arising on acquisition	13,484
	18,058
Acquisition date fair value of consideration transferred	
Cash paid	18,058
	18,058
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs.	599
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(11)
Cash paid	(18,058)
Net consolidated cash outflow	(18,069)

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

The primary reason for the business combination is the acquisition of an existing business.

Key factors contributing to the $13,484,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique Convert facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of benefits for the Group.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Types of services

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

Accounting policies and inter-segment transactions

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

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

11. SEGMENT INFORMATION (CONTINUED)

	Total and Continuing operations		
	Asia Pacific $000	**Europe $000**	**Total $000**
Year ended 30 June 2012			
Revenue			
Revenue from services	3,178,788	777,688	3,956,476
Total revenue before intersegment revenue	3,178,788	777,688	3,956,476
Intersegment revenue	5,938	-	5,938
Total segment revenue	3,184,726	777,688	3,962,414
Results			
Segment net profit after tax	235,300	17,346	252,646
Finance costs	(44,593)	(38,914)	(83,507)
Interest income	4,325	300	4,625
Income tax expense	(81,101)	(9,619)	(90,720)
Depreciation and impairment	(98,438)	(37,077)	(135,515)
Amortisation - software	(8,474)	(719)	(9,193)
Amortisation - service concession assets	(2,186)	-	(2,186)

	Asia Pacific $000	**Europe $000**	**Total $000**
Year ended 30 June 2011			
Revenue			
Revenue from services	2,952,634	767,057	3,719,691
Total revenue before intersegment revenue	2,952,634	767,057	3,719,691
Intersegment revenue	3,400	-	3,400
Total segment revenue	2,956,034	767,057	3,723,091
Results			
Segment net profit after tax	199,052	21,534	220,586
Finance costs	(38,523)	(38,401)	(76,924)
Interest income	5,182	-	5,182
Income tax expense	(87,132)	(6,623)	(93,755)
Depreciation and impairment	(90,312)	(33,510)	(123,822)
Amortisation - software	(8,519)	(510)	(9,029)
Amortisation - service concession assets	(2,224)	-	(2,224)

11. SEGMENT INFORMATION (CONTINUED)

	2012 $000	2011 $000
(i) Segment revenue reconciliation to income statement		
Total segment revenue	3,962,414	3,723,091
Inter segment sales elimination	(5,938)	(3,400)
Interest income	4,625	5,182
Revenue - income from the sale of development assets	4,976	15,011
Other income - Profit on sale of assets	7,406	5,261
Total revenue - income statement	3,973,483	3,745,145

(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 non-core items. Refer to note 2(a) for the reconciliation of net profit attributable to owners of the parent to core profit (segment result) after tax.

12. RECEIVABLES

	2012 $000	2011 $000
Current		
Trade and other debtors	430,352	433,286
Allowances for impairment loss	(8,185)	(8,769)
	422,167	424,517
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	18,725	22,014
Receivable from the Government for plant and equipment	2,498	2,864
Rental property bonds receivables	3,169	1,983
Other	963	2,426
	25,355	29,287
Total	447,522	453,804

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment loss of $8,185,000 (2011: $8,769,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

At 1 July	(8,769)	(8,852)
Charge for the year	(2,245)	(4,858)
Acquisition of subsidiary	-	(51)
Foreign exchange translation	157	555
Amounts written off (included in service costs)	2,672	4,437
At 30 June	(8,185)	(8,769)

12. RECEIVABLES (CONTINUED)

(ii) Ageing analysis

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
2012	455,707	376,736	41,117	17,857	3,877	7,935	8,185
2011	462,573	339,477	58,436	25,803	12,321	17,767	8,769

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $70,786,000 (2011: $114,327,000). 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.

(iii) Related party receivables

For terms and conditions of related party receivables refer to note 30.

(iv) Fair value

Due to the short term nature of the current receivables, the carrying value approximates fair value. The carrying values of the discounted non-current receivables approximates their fair values.

(v) Credit risk

The maximum exposure to credit risk for current receivables is their fair value. 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

The maximum exposure to credit risk for non-current receivables at the reporting date is the higher of the carrying value and fair value of each class of these receivables. As the majority of the non-current receivables are receivable from the Government, this is assessed as low risk.

(vi) Foreign exchange & interest rate risk

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

(vii) Terms & conditions

The non-current receivables from the Government in respect of the availability charge for the operation of a privately operated public hospital will be fully repaid by June 2018.

13. INVENTORIES

	2012 $000	2011 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	94,880	76,150
Development assets to be sold that are currently under construction – at cost	10,155	11,651
	105,035	87,801

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2012 totalled $987,012,000 (2011: $950,375,000) for the Group. This expense has been included in the medical consumables and supplies in the income statement. The cost of development assets sold which has been recognised as an expense for the year ended 30 June 2012 totalled $4,355,000 (2011: $10,561,000) for the Group. This expense has been included in Cost of goods sold – Book value of development assets sold in the income statement.

14. OTHER CURRENT ASSETS

	2012 $000	2011 $000
Prepayments	36,027	35,874
GST receivable	7,829	7,785
Other current assets	3,584	2,508
	47,440	46,167

15. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
Cost			
At 1 July 2010	1,611,037	1,069,369	2,680,406
Additions	126,601	94,996	221,597
Acquisition of subsidiary	-	7,647	7,647
Disposals	(3,366)	(20,203)	(23,569)
Exchange Differences	(39,428)	(45,122)	(84,550)
At 30 June 2011	**1,694,844**	**1,106,687**	**2,801,531**
Additions	139,344	92,197	231,541
Disposals	(29,985)	(32,885)	(62,870)
Exchange Differences	(5,529)	(6,630)	(12,159)
At 30 June 2012	**1,798,674**	**1,159,369**	**2,958,043**
Depreciation and Impairment			
At 1 July 2010	(249,921)	(693,381)	(943,302)
Depreciation charge for the year	(31,133)	(90,675)	(121,808)
Impairment	-	(2,014)	(2,014)
Disposals	459	14,305	14,764
Exchange Differences	5,376	31,949	37,325
At 30 June 2011	**(275,219)**	**(739,816)**	**(1,015,035)**
Depreciation charge for the year	(31,860)	(103,655)	(135,515)
Disposals	5,842	26,807	32,649
Exchange Differences	482	5,835	6,317
At 30 June 2012	**(300,755)**	**(810,829)**	**(1,111,584)**
Net Book Value			
At 30 June 2012	**1,497,919**	**348,540**	**1,846,459**
At 30 June 2011	**1,419,625**	**366,871**	**1,786,496**

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2012 is $48,347,000 (2011: $53,682,000).
Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

16. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
Cost				
At 1 July 2010	871,549	43,329	31,610	946,488
Additions	-	445	3,661	4,106
Acquisition of subsidiary	13,484	-	3	13,487
Disposals	(944)	(257)	-	(1,201)
Exchange Differences	(41,537)	(1,243)	(286)	(43,066)
At 30 June 2011	**842,552**	**42,274**	**34,988**	**919,814**
Additions	-	308	1,031	1,339
Disposals	-	(17)	(232)	(249)
Exchange Differences	(4,401)	(481)	(388)	(5,270)
At 30 June 2012	**838,151**	**42,084**	**35,399**	**915,634**
Amortisation and Impairment				
At 1 July 2010	-	(10,822)	(11,715)	(22,537)
Amortisation charge for the year	-	(2,224)	(9,029)	(11,253)
Disposals	-	172	-	172
At 30 June 2011	**-**	**(12,874)**	**(20,744)**	**(33,618)**
Amortisation charge for the year	-	(2,186)	(9,193)	(11,379)
Disposals	-	9	232	241
Exchange Differences	-	-	(235)	(235)
At 30 June 2012	**-**	**(15,051)**	**(29,940)**	**(44,991)**
Net Book Value				
At 30 June 2012	**838,151**	**27,033**	**5,459**	**870,643**
At 30 June 2011	**842,552**	**29,400**	**14,244**	**886,196**

^ *Internally generated, including software costs*

(ii) Description of the Group's intangible assets and goodwill

Goodwill has been acquired through business combinations and is determined to have an indefinite life. 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.

The intangible asset, 'service concession assets', has been acquired through business combinations and purchases of assets.

17. IMPAIRMENT TESTING OF GOODWILL

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

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

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

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

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2012 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2013 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 (2011: 3%).

The pre tax discount rate applied to cash flow projections is 12.8% (2011: 12.3%). The post tax discount rate is 9.8% (2011: 9.5%).

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 2012 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 7.9% (2011: 9.2%). The post tax discount rate applied to cash flow projections is 7.2% (2011: 8.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2011: 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 2012 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 6.3% (2011: 6.4%). The post tax discount rate applied to cash flow projections is 5.7 % (2011: 5.8%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 0.5% (2011: 0.5%).

17. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

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

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

	Australia/Indonesia		UK		France		Total	
	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000
Carrying amount of goodwill	554,172	554,172	187,858	183,217	96,121	105,163	838,151	842,552

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2012 and 30 June 2011

- 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 24% - 33% for overseas operations consistent with the current local tax legislation.

- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.

- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

For the United Kingdom, management do not 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 result in the carrying value of the UK goodwill exceeding the recoverable amount.

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

18. TRADE & OTHER PAYABLES

	2012 $000	2011 $000
Trade payable	246,979	227,285
Sundry creditors and accrued expenses	181,115	167,300
Employee and director entitlements	148,575	140,312
Other payables	2,673	2,420
	579,342	537,317

(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.

19. PROVISIONS

	2012 $000	2011 $000
Current		
Restructuring provision	6,656	6,730
Unfavourable contracts	4,965	4,384
Insurance provision	131,439	124,341
Other provisions	4,102	-
	147,162	135,455
Non-current		
Non-current employee and Director entitlements	106,902	93,568
Deferred lease provision	137,393	110,328
Unfavourable contracts	18,270	23,173
Other provisions	1,777	3,530
	264,342	230,599
Total	411,504	366,054

19. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2011	110,328	6,730	124,341	27,557	3,530	272,486
Arising during the year	23,670	540	13,297	-	4,145	41,652
Utilised during the year	-	(614)	(5,046)	(4,859)	(642)	(11,161)
Exchange differences	3,395	-	(91)	537	(552)	3,289
Unused amounts reversed	-	-	(1,062)	-	(602)	(1,664)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2012	137,393	6,656	131,439	23,235	5,879	304,602
Current 2012	-	6,656	131,439	4,965	4,102	147,162
Non-current 2012	137,393	-	-	18,270	1,777	157,440
	137,393	6,656	131,439	23,235	5,879	304,602
Current 2011	-	6,730	124,341	4,384	-	135,455
Non-current 2011	110,328	-	-	23,173	3,530	137,031
	110,328	6,730	124,341	27,557	3,530	272,486

(b) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of acquisitions 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 2012 and 2013.

Insurance provision

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

Deferred lease provision

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

Unfavourable contracts

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

20. INTEREST BEARING LOANS AND BORROWINGS

		2012 $000	2011 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,159	2,916
- Lease liabilities	(ii)	4,163	5,572
- Bank loan	(iii)	5,041	5,415
Unsecured liabilities:			
- Bank Loans	(iii)	19,120	-
		31,483	13,903
Non-current			
Secured liabilities:			
- Loans - bondholders	(i)	20,403	23,563
- Lease liabilities	(ii)	18,108	21,984
- Bank loan	(iii)	38,968	51,218
- Loan - subordinated bonds	(iv)	42,716	43,278
Unsecured liabilities:			
- Bank loan	(iii)	917,380	1,087,183
		1,037,575	1,227,226
Total		1,069,058	1,241,129

(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.
(ii) Lease liabilities are effectively secured by the leased asset (refer note 25).
(iii) Further information on bank loans is set out in note 29.
(iv) Loans - subordinated bonds. Further information is set out in note 29.

(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 reporting date, the market interest rates vary from 3.54% to 3.63% (2011: 4.61% to 5.23%) for Australia, 0.67% to 1.00% (2011: 0.77% to 1.24%) for UK, 4.20% to 4.48% (2011: 6.00% to 7.20%) for Indonesia, and 0.65% to 0.79% (2011: 1.13% to 2.03%) for France respectively.

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Fair values (continued)

	2012		2011	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	980,509	997,388	1,143,816	1,194,365
Lease liabilities	22,271	26,570	27,556	26,243
Bondholders	23,562	26,737	26,479	28,792
Subordinated bonds	42,716	55,293	43,278	59,906
	1,069,058	1,105,988	1,241,129	1,309,306

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 non-current interest bearing liabilities are set out in the following table:

	2012 $000	2011 $000
Finance lease		
Leased assets	48,347	53,682
Fixed and floating charge		
Receivables	18,725	22,014
Bank loan	84,257	92,184
Total non-current assets pledged as security	151,329	167,880

(d) Defaults & breaches

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

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2012 $000	2011 $000
21.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2011: 202,081,252 ordinary shares fully paid)	713,523	713,523

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

21.1 Ordinary Shares (continued)

(b) 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.

21.2 Cash Flow Hedges Reserve

Nature & Purpose
This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The debit to equity during the year to 30 June 2012 represents a decrease in forecast long term interest rates.

21.3 Share Based Payment Reserve

Nature & Purpose
This reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their compensation. Refer to note 23 for further details of these plans.

21.4 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 Share Based Payment Reserve and the actual purchase price of the shares.

21.5 Convertible Adjustable Rate Equity Securities (CARES)

	2012 $000	2011 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2011: 2,600,000 CARES shares fully paid)	252,165	252,165

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

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

(b) Terms and conditions of CARES

Issuer	**Ramsay Health Care Limited**
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: Dividend Entitlement = $\frac{\text{Dividend Rate x Face Value x N}}{365}$ where: N is the number of days in the Dividend Period The payment of Dividends is at the Directors' discretion and is subject to there being funds legally available for the payment of Dividends and the restrictions which apply in certain circumstances under the financing arrangements. If declared, the first Dividend will be payable on each CARES in arrears on 20 October 2005 and thereafter on each 20 April and 20 October until CARES are converted or exchanged.
Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: Dividend Rate = (Market Rate + Margin) x (1-T) where: The Market Rate is the 180 day Bank Bill Swap Rate applying on the first day of the Dividend Period expressed as a percentage per annum. The Margin for the period to 20 October 2010 was 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005. T is the prevailing Australian corporate tax rate applicable on the Allotment Date. As Ramsay did not convert or exchange by 20 October 2010 the Margin was increased by a one time step up of 2.00% (200 basis points) per annum.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.
Conversion or exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or $100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than $50 million in aggregate Face Value of CARES on issue.
Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during 20 business days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 shares.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meeting of Ramsay except in limited circumstances.

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

21.6 Treasury Shares

	2012 $000	2011 $000
1,522,333 ordinary shares (30 June 2011: 1,319,666)	23,259	18,474

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

21.7 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 21.5 for further information on the existing CARES (2,600,000).

During 2012, dividends of $128,821,000 (2011: $111,835,000) were paid. For the year ended 30 June 2012 fully franked ordinary dividends of 60.0c (2011: 52.0c) per share were declared (Interim dividend of 25.5c, Final dividend of 34.5c). These dividends represented a payout ratio of approximately 51.7% of Core Earnings per Share of 116.1c. Management's target for dividends for 2013 – 2016, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 1.5 times for the year ended 30 June 2012 (2011: 1.93 times).

The Group had certain senior debt facilities that would have matured in November 2012. These facilities were refinanced and the wholly owned Subsidiaries of the Group (except certain dormant subsidiaries) have committed senior debt funding until April 2015 and April 2017 (please refer to Note 29 for further information in relation to these borrowings). As such, these subsidiaries have 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 wholly owned Subsidiaries of the Group (except certain dormant subsidiaries) are not and have not been in breach of any of the financial and other undertakings of the Senior Debt Facility Agreement.

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $000	2011 $000
Current assets		
Interest rate derivatives contracts – cash flow hedges	-	823
Non – current assets		
Interest rate derivatives contracts – cash flow hedges	-	635
Current liabilities		
Interest rate derivatives contracts – cash flow hedges	14,521	9,182
Non - current liabilities		
Interest rate derivatives contracts – cash flow hedges	14,519	13,029

(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 3.56% (2011: 5.01%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.89% (2011: 0.83%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.65% (2011: 1.53%).

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, GBP 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 73% (2011: 76%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 3.51% and 5.69% (2011: 4.55% and 5.69%) and the variable rates is the 90-day bank bill swap bid rate, which at reporting date was 3.49% (2011: 5.00%). The GBP interest rate swap contracts fixed interest rate range between 3.02% and 5.46% (2011: 3.02% and 5.46%) and the variable rate is the 90-day London inter-bank offered rate, which at reporting date was 0.87% (2011: 0.93%). The Euro interest rate swap contracts fixed interest rate range between 2.015% and 2.02% (2011: 2.015% and 2.02%) and the variable rate is the 90 day Euro zone interbank deposit rates, which at reporting date was 0.65% (2011: 1.55%).

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

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

	2012 $000	2011 $000
0-1 years	351,216	400,000
1-2 years	240,708	369,491
2-3 years	170,708	70,000
3-5 years	321,820	185,821
	1,084,452	1,025,312

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:

	2012 $000	2011 $000
Opening balance	(14,489)	(22,252)
Transferred to interest expense	9,802	(25,519)
Taken to equity	(18,031)	36,609
Related income tax	2,469	(3,327)
Closing balance	(20,249)	(14,489)
Loss on cash flow hedge ineffectiveness recognised immediately in the income statement	(67)	(76)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2012 is a GBP borrowing of £117,000,000 (2011: £117,000,000) which has been designated as a hedge of the net investment 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 investment in the UK subsidiary. A net loss on the bank loan designated as a hedge of the net investment of $4,439,000 (2011: net gain $34,372,000) was recognised in equity during the year.

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

(b) Interest rate risk

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

(c) Credit risk

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

23. SHARE BASED PAYMENT PLANS

23.1 Recognised share-based payment expenses

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

	2012 $000	2011 $000
Expense arising from equity-settled share based payment transactions	7,732	5,720
Total expense arising from share-based payment transactions (note 5 (d))	7,732	5,720

23.2 Executive Performance Rights Plan (Equity)

An executive performance rights scheme was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to 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:

	2012		2011	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,232,000	$10.75	822,701	$8.42
- granted	656,000	$16.32	575,000	$12.89
- vested	(320,000)	$9.37	(165,701)	$6.50
- forfeited	-	-	-	-
Balance at end of year	1,568,000		1,232,000	
Exercisable at end of year	-		-	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2012:

Number of Rights	Grant Date	Vesting Date [1]	Weighted Average Fair Value [2]
158,666	20-Oct-09	31-Aug-12	$7.58
188,334	20-Oct-09	31-Aug-12	$9.68
249,334	17-Nov-10	30-Aug-13	$10.61
285,666	17-Nov-10	30-Aug-13	$14.36
10,000	29-Jun-11	30-Aug-13	$14.30
20,000	29-Jun-11	30-Aug-13	$16.70
297,834	17-Nov-11	29-Aug-14	$13.86
343,166	17-Nov-11	29-Aug-14	$17.51
5,000	22-May-12	29-Aug-14	$18.14
10,000	22-May-12	29-Aug-14	$19.92
1,568,000			

[1] The vesting date shown is the most likely vesting date subject to full satisfaction of the respective performance conditions.
[2] Fair value at grant date

23. SHARE BASED PAYMENT PLANS (CONTINUED)

23.2 Executive Performance Rights Plan (Equity) (continued)

Fair Values of Performance Rights (Equity)

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 fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 20 October 2009, 17 November 2010, 29 June 2011, 17 November 2011, and 22 May 2012.

	Granted 22-May-12	Granted 17-Nov-11	Granted 29-Jun-11	Granted 17-Nov-10	Granted 20-Oct-09
Dividend yield	3.10%	3.13%	3.25%	3.10%	3.80%
Expected volatility	23%	25%	20% - 40%	22% - 30%	30% - 35%
Historical volatility	25%	25%	25%	25%	35%
Risk-free interest rate	2.4% - 2.5%	3.3% - 3.4%	4.6% - 4.7%	5.1% - 5.2%	5.2% - 5.4%
Effective life of incentive right	3 years	3 years	3 years	3 years	3 years

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

23.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

P.J. Ramsay AO	Non-Executive Chairman
M.S. Siddle	Non-Executive Deputy Chairman
C.P. Rex	Managing Director
B.R. Soden	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 the reporting date.

(b) Compensation of Key Management Personnel

	2012 $	2011 $
Non-Executive Directors		
Short term	1,304,625	1,242,500
Post employment	231,876	236,890
	1,536,501	1,479,390
Executive Directors		
Short term	6,370,388	5,041,141
Post employment	31,550	30,398
Performance/Incentive/Retention rights	3,841,583	2,587,392
	10,243,521	7,658,931
Executives		
Short term	2,376,912	2,339,812
Post employment	31,550	30,398
Performance/Incentive/Retention rights	1,248,650	855,533
	3,657,112	3,225,743
Total		
Short term	10,051,925	8,623,453
Post employment	294,976	297,686
Performance/Incentive/Retention rights	5,090,233	3,442,925
	15,437,134	12,364,064

24. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

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

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 Performance Rights is forbidden.

30 June 2012	Vested	Granted	Grant Date	Fair Value $ *(note 23)*	First Test Date	Second TSR Test Date	Last TSR Test & Expiry Date
Directors							
C. Rex [1]	25,000	-	30/12/08	$9.05	30/6/11	31/12/11	30/6/11
C. Rex [2]	25,000	-	30/12/08	$9.15	30/6/11	N/A	N/A
C. Rex [1]	-	105,000	17/11/11	$13.86	30/6/14	31/12/14	30/6/15
C. Rex [2]	-	105,000	17/11/11	$17.51	30/6/14	N/A	N/A
B. Soden [1]	22,500	-	30/12/08	$9.05	30/6/11	31/12/11	30/6/12
B. Soden [2]	22,500	-	30/12/08	$9.15	30/6/11	N/A	N/A
B. Soden [1]	-	42,500	17/11/11	$13.86	30/6/14	31/12/14	30/6/15
B. Soden [2]	-	42,500	17/11/11	$17.51	30/6/14	N/A	N/A
Executives							
C. McNally [1]	12,500	-	30/12/08	$9.05	30/6/11	31/12/11	30/6/11
C. McNally [2]	12,500	-	30/12/08	$9.15	30/6/11	N/A	N/A
C. McNally [1]	-	27,500	17/11/11	$13.86	30/6/14	31/12/14	30/6/15
C. McNally [2]	-	27,500	17/11/11	$17.51	30/6/14	N/A	N/A
D. Sims [1]	17,500	-	30/12/08	$9.05	30/6/11	31/12/11	30/6/12
D. Sims [2]	17,500	-	30/12/08	$9.15	30/6/11	N/A	N/A
D. Sims [1]	-	27,500	17/11/11	$13.86	30/6/14	31/12/14	30/6/15
D. Sims [2]	-	27,500	17/11/11	$17.51	30/6/14	N/A	N/A

30 June 2011	Vested	Granted	Grant Date	Fair Value $ *(note 23)*	First Test Date	Second TSR Test Date	Last TSR Test & Expiry Date
Directors							
C. Rex [1]	42,306	-	23/10/07	$6.50	30/06/10	31/12/10	30/06/11
C. Rex [1]	-	75,000	17/11/10	$10.61	30/06/13	31/12/13	30/06/14
C. Rex [2]	-	75,000	17/11/10	$14.36	30/06/13	N/A	N/A
B. Soden [1]	27,700	-	23/10/07	$6.50	30/06/10	31/12/10	30/06/11
B. Soden [1]	-	37,500	17/11/10	$10.61	30/06/13	31/12/13	30/06/14
B. Soden [2]	-	37,500	17/11/10	$14.36	30/06/13	N/A	N/A
Executives							
C. McNally [1]	20,146	-	23/10/07	$6.50	30/06/10	31/12/10	30/06/11
C. McNally [1]	-	27,500	17/11/10	$10.61	30/06/13	31/12/13	30/06/14
C. McNally [2]	-	27,500	17/11/10	$14.36	30/06/13	N/A	N/A
D. Sims [1]	10,073	-	23/10/07	$6.50	30/06/10	31/12/10	30/06/11
D. Sims [1]	-	27,500	17/11/10	$10.61	30/06/13	31/12/13	30/06/14
D. Sims [2]	-	27,500	17/11/10	$14.36	30/06/13	N/A	N/A

[1] Equity based performance rights subject to satisfaction of relative TSR performance condition
[2] Equity based performance rights subject to satisfaction of core EPS Growth performance condition

24. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(d) Performance and Incentive Right holdings of Key Management Personnel

30 June 2012	Performance/ Retention/ Incentive Right	Balance at beginning of period 01 Jul 11	Granted as Remuneration	Exercised	Balance at end of period 30 Jun 12	Vested at 30 Jun 12
Directors						
C. Rex	Equity Performance Rights	255,000	210,000	(50,000)	415,000	-
C. Rex	Retention Rights	600,000	-	-	600,000	-
B. Soden	Equity Performance Rights	170,000	85,000	(45,000)	210,000	-
Executives						
C. McNally	Equity Performance Rights	115,000	55,000	(25,000)	145,000	-
D. Sims	Equity Performance Rights	130,000	55,000	(35,000)	150,000	-

30 June 2011	Performance/ Retention/ Incentive Right	Balance at beginning of period 01 Jul 10	Granted as Remuneration	Exercised	Balance at end of period 30 Jun 11	Vested at 30 Jun 11
Directors						
C. Rex	Equity Performance Rights	147,306	150,000	(42,306)	255,000	-
C. Rex	Retention Rights	600,000	-	-	600,000	-
B. Soden	Equity Performance Rights	122,700	75,000	(27,700)	170,000	-
Executives						
C. McNally	Equity Performance Rights	80,146	55,000	(20,146)	115,000	-
D. Sims	Equity Performance Rights	85,073	55,000	(10,073)	130,000	-

(e) Shareholdings of Key Management Personnel

30 June 2012	Balance 01 Jul 11		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 12	
	Ord.	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*
Directors										
C. Rex	337,015	5,334	-	-	50,000	-	22,501	-	409,516	5,334
B. Soden	100,791	2,000	-	-	45,000	-	-	-	145,791	2,000
Executives										
C. McNally	176,047	-	-	-	25,000	-	-	-	201,047	-
D. Sims	40,550	-	-	-	35,000	-	-	-	75,550	-

24. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(e) Shareholdings of Key Management Personnel (continued)

30 June 2011	Balance 01 Jul 10		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 11	
	Ord.	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*
Directors										
C. Rex	272,803	5,334	-	-	42,306	-	21,906	-	337,015	5,334
B. Soden	73,091	3,335	-	-	27,700	-	-	(1,335)	100,791	2,000
Executives										
C. McNally	155,901	-	-	-	20,146	-	-	-	176,047	-
D. Sims	30,477	-	-	-	10,073	-	-	-	40,550	-

25. EXPENDITURE COMMITMENTS

	Note	2012 $000	2011 $000
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		5,146	4,126
- After one year but not more than five years		15,877	12,019
- After more than five years		6,886	25,420
Total minimum lease payments		27,909	41,565
- Less: future finance charges		(5,638)	(14,009)
- Present value of minimum lease payments		22,271	27,556
Total lease liability accrued for:			
Current			
- Finance leases	20	4,163	5,572
Non-current			
- Finance leases	20	18,108	21,984
		22,271	27,556

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and twenty five years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2011: 4.0% to 7.4%). The security over finance leases is disclosed in note 20.

25. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	2012 $000	2011 $000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		97,937	92,811
- After one year but not more than five years		375,649	376,325
- After more than five years		2,053,793	2,094,085
Aggregate lease expenditure contracted for at reporting date		2,527,379	2,563,221
Amounts provided for:			
- deferred lease – non-current	19	137,393	110,328
- unfavourable contract - current	19	4,965	4,384
- non-current	19	18,270	23,173
		160,628	137,885
Amounts not provided for:			
- rental commitments		2,366,751	2,425,336
Aggregate lease expenditure contracted for at reporting date		2,527,379	2,563,221

Operating leases have lease terms of between one and twenty five years. Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

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

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

(d) Guarantee and indemnity in relation to a hospital

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

26. SUPERANNUATION COMMITMENTS

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

27. DEFINED BENEFIT PENSION PLAN

The Group has defined benefit plans in the UK, France and Indonesia, as at 30 June 2012. The defined benefit plans in the UK and Australia are now closed and were only open to existing employees who had always been on the plan. They were not open to new employees. During this year the decision was made to wind up the Australian plan. This was completed by 30 June 2012. The decision to wind up the UK plan was made in 2011 and was still underway at 30 June 2012.

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

	Pension Plans	
	2012 $000	2011 $000
Net benefit expense (recognised in employee benefits)		
Current service cost	607	726
Interest cost on benefit obligation	1,046	1,077
Expected return on plan assets	(237)	(236)
Net actuarial (gains)/losses recognised in the period	(386)	(214)
Past service cost	2	-
Net benefit expense (note 5) (recognised in superannuation expense)	1,032	1,353
Actual return on plan assets	(146)	769

	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(23,773)	(23,378)	(18,423)	(10,636)	(10,304)
Fair value of plans assets	5,631	4,537	4,098	3,990	5,236
Net (liability) – non-current	(18,142)	(18,841)	(14,325)	(6,646)	(5,068)

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

	Pension Plans	
	2012 $000	2011 $000
Opening defined benefit obligation	23,378	18,423
Acquisition of subsidiary	-	1,119
Current service cost	607	726
Interest cost	1,046	1,077
Actuarial assessment of value required to wind up UK plans	-	3,444
Benefits paid	(1,498)	(150)
Actuarial losses on obligation	663	1,418
Past service costs	-	-
Exchange differences on foreign plans	(423)	(2,679)
Closing defined benefit obligation	23,773	23,378

27. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plans	
	2012 $000	2011 $000
Opening fair value of plans assets	4,537	4,098
Expected return	236	238
Contributions by employer	1,754	402
Benefits paid	(630)	-
Actuarial losses	(382)	533
Exchange differences on foreign plans	116	(734)
Fair value of plans assets	5,631	4,537

The Group expects to contribute $3,631,000 to its defined benefit pension plans in 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets for the UK (2011: UK and Australia) are as follows:

	Pension Plans	
	2012 (%)	2011 (%)
Equities	-	60 - 69
Bonds	94	20 - 21
Property	-	4 - 6
Other	6	6 -14

	Pension Plans	
	2012 $000	2011 $000
Actuarial losses recognised in the statement of comprehensive income	1,045	885
Cumulative actuarial losses recognised in the statement of comprehensive income	4,268	3,223

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

	Pension Plans	
	2012 (%)	2011 (%)
Discount rate	2.5 - 6.6	4.5 - 7.6
Expected rate of return on assets	2.5	6.5
Future salary increases	2.5 - 10.0	2.0 - 10.0
Future pension increases	2.5	3.7

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.

28. AUDITORS' REMUNERATION

	2012 $	2011 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	1,490,000	1,593,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	1,179,000	916,000
Assurance related	27,000	23,000
Other	16,000	58,000
	2,712,000	2,590,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	664,000	736,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	251,000	284,000
Due diligence services	245,000	37,000
Other	24,000	-
	3,896,000	3,647,000

29. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility & Working Capital Facility

a) Repayment and Cancellation of senior debt facility

On 30 April 2012 the Ramsay Group repaid and cancelled the Syndicated Facility Agreement (2007 SFA) executed on 20 November 2007 and maturing on 19 November 2012.

The amounts repaid under the 2007 SFA totalled A$740,000,000 and £200,000,000.

***b)* Execution of new senior debt facility**

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (2011 SFA).

The 2011 SFA consists of:

- A three year revolving facility – with total commitments of $400,000,000, £86,666,667 and €100,000,000; and
- A five year revolving facility – with total commitments of $800,000,000, £173,333,333 and €200,000,000.

On 30 April 2012 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) made the first draw downs under the 2011 SFA of A$760,000,000 and £150,000,000 and these draw downs were used to repay and refinance the 2007 SFA and for working capital.

The total amounts drawn down under the 2011 SFA as at 30 June 2012 was $700,000,000, £150,000,000 and €nil.

The three year facility matures in April 2015 and the five year facility matures in April 2017.

The 2011 SFA is unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

29. BORROWINGS (CONTINUED)

Terms & Conditions (continued)

(ii) Bilateral Facilities

The terms and conditions of the existing bilateral facilities, detailed below, have been amended to be consistent with the 2011 SFA:

- Bilateral facility with ANZ for working capital with a limit of $6,500,000 and £3,100,000. The ANZ bilateral facility consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP).
- Bilateral facility with NAB for working with a limit of $10,000,000 and £10,000,000. The NAB bilateral facility includes a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP) together with certain transactional facilities.
- Other bilateral facilities (including set-off facilities, corporate card and lease line facilities) with Westpac and others.
- Under the bilateral facilities as at 30 June 2012 the total outstanding was $10,760,958 (2011: $10,411,636) and £3,550,968 (2011: £4,734,624).

(iii) Indonesian Bank Loan

On 8 February 2010 PT Affinity Health Indonesia entered into a one-year revolving credit facility with PT ANZ Panin Bank with a total facility of IDR 81,610,000,000 and on 4 February 2011, this facility agreement was amended whereby the term of the facility was extended to 8 February 2013. As at 30 June 2012 an amount of IDR 81,610,000,000 (2011: 81,610,000,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with ANZ Panin Bank. The total facility limit is IDR 163,220,000,000 and as at 30 June 2012 an amount of IDR 102,020,000,000 (2011: IDR 128,220,000,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 1.2%.

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

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility arrangement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40,000,000 worth of core debt facilities, €40,000,000 worth of debt facilities to fund future acquisitions and/or expansionary capital expenditures and €5,000,000 revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2012 was €37,000,000 (2011: €40,000,000) and the undrawn commitment (after the mandatory repayment and cancellation) was €44,000,000 (2011: €45,000,000).

The new debt facilities have a maturity of five years and 50% of the loans are term loans with the remainder being repayable as a bullet on maturity. The new debt facilities are secured against certain assets of the Ramsay Santé group.

29. BORROWINGS (CONTINUED)

Terms & Conditions (continued)

(v) Ramsay Sante subordinated bonds

Ramsay Sante issued to its shareholders a securitised loan in the form of bonds amounting to €11,458,036 on 15 December 2005, €11,247,717 on 14 June 2007, €13,908,483 on 23 July 2009 and €18,000,000 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 between 6 and 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 2012 an amount of €54,614,236 (2011: €54,614,236) and accrued interest of €20,634,433 (2011: €15,059,985) was outstanding in respect of these bonds. As at 30 June 2012, Predica, the non-controlling interest held €26,477,000 (2011: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €8,043,545 (2011: €5,486,359).

30. RELATED PARTY TRANSACTIONS

Equity Instruments of Directors

The beneficial and direct interest of each Director in the equity of the Company as at 30 June 2012 was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities (CARES)				Performance Rights[2]	
	2012		2011		2012		2011		2012	2011
	Direct	*Indirect*[1]	*Direct*	*Indirect*[1]	*Direct*	*Indirect*[1]	*Direct*	*Indirect*[1]	*Direct*	*Direct*
P.J. Ramsay	-	73,149,269	-	73,149,269	-	-	-	-	-	-
M.S. Siddle	152,564	-	152,564	-	-	-	-	-	-	-
C.P. Rex	407,320	2,196	334,819	2,196	-	5,334	-	5,334	415,000	255,000
B.R. Soden	141,658	4,133	96,658	4,133	-	2,000	-	2,000	210,000	170,000
A.J. Clark	82,000	-	82,000	-	-	1,600	-	1,400	-	-
P.J. Evans	7,209	-	7,209	-	-	-	-	-	-	-
I.P.S. Grier	-	-	58,116	-	-	-	-	-	-	-
R.H. McGeoch	-	74,231	-	74,231	-	257	-	257	-	-
K.C.D. Roxburgh	47,500	32,000	48,500	31,000	-	-	-	-	-	

[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 23.

Mr Ramsay has a relevant interest in 73,149,269 (2011: 73,149,269) 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.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Equity Instruments of Directors (continued)

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 (2011: 15 September 2011). 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 Rex acquired 22,501 ordinary shares on market in respect of the STI bonus, and 50,000 ordinary shares through the Executive Performance Rights Plan.
- Mr Soden acquired 45,000 ordinary shares through the Executive Performance Rights Plan.
- Mr Clark indirectly acquired 200 CARES on market.
- Mr Grier sold 58,116 ordinary shares on market.
- Mr Roxburgh sold 1,000 ordinary shares and indirectly acquired 1,000 ordinary shares on market.

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

Transactions with Directors of Ramsay Health Care Limited 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 arm's length basis. Total amount outstanding at 30 June 2012 is $16,694 (2011:$50,705).

During the year costs of $73,439 (2011: $50,705) were charged to and an amount of $107,450 (2011: nil) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $8,964 (2011: $13,491) were charged by and an amount of $8,964 (2011: $13,491) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

- Entities associated with Mr Grier

During the year an amount of nil (2011:$10,000) was paid to a company related to Mr Grier for services rendered to the Group.

31. SUBSEQUENT EVENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

32. CLOSED GROUP

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the following entities from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

RHC Nominees Pty Limited
RHC Developments Pty Limited
Ramsay Health Care Investments Pty Limited
Ramsay Hospital Holdings Pty Limited
Ramsay Hospital Holdings (Queensland) Pty Limited
Ramsay Finance Pty Limited
Ramsay Aged Care Holdings Pty Limited
Ramsay Aged Care Properties Pty Limited
RHC Ancillary Services Pty Limited
Linear Medical Pty Limited
Newco Enterprises Pty Limited
Sydney & Central Coast Linen Services Pty Limited
Benchmark Healthcare Holdings Pty Limited
Benchmark Healthcare Pty Limited
AHH Holdings Health Care Pty Limited
AH Holdings Health Care Pty Limited
Ramsay Centauri Pty Limited
Alpha Healthcare Pty Limited
Ramsay Health Care Australia Pty Limited
Donvale Private Hospital Pty Limited
The Benchmark Hospital Group Pty Limited
Dandenong Valley Private Hospital Pty Limited
Benchmark – Surrey Pty Limited
Benchmark – Peninsula Pty Limited
Benchmark – Donvale Pty Limited
Benchmark – Windermere Pty Limited
Benchmark – Beleura Pty Limited
Beleura Properties Pty Limited
Affinity Health Care Holdings Pty Limited
Affinity Health Holdings Australia Pty Limited
Affinity Health Finance Australia Pty Limited
Affinity Health Pty Limited
Affinity Health Foundation Pty Limited
Affinity Health Holdings Indonesia Pty Limited
Hospitals of Australia Pty Limited
Relkban Pty Limited
Relkmet Pty Limited
Votraint No. 664 Pty Limited
Votraint No. 665 Pty Limited
Australian Medical Enterprises Pty Limited
AME Hospitals Pty Limited
Victoria House Holdings Pty Limited
C&P Hospitals Holdings Pty Limited
HCoA Hospital Holdings (Australia) Pty Limited
AME Properties Pty Limited
AME Superannuation Pty Limited
Attadale Hospital Property Pty Limited
Glengarry Hospital Property Pty Limited
Hadassah Pty Limited
Rannes Pty Limited
Hallcraft Pty Limited
Jamison Private Hospital Property Pty Limited
Affinity Health (FP) Pty Limited
Armidale Hospital Pty Limited

32. CLOSED GROUP (CONTINUED)

Entities subject to class order (continued)

Caboolture Hospital Pty Limited
Joondalup Hospital Pty Limited
Logan Hospital Pty Limited
Noosa Privatised Hospital Pty Limited
AMNL Pty Limited
Mayne Properties Pty Limited
Port Macquarie Hospital Pty Limited
HCoA Operations (Australia) Pty Limited
Hospital Corporation Australia Pty Limited
Dabuvu Pty Limited
HOAIF Pty Limited
HCA Management Pty Limited
Malahini Pty Limited
Tilemo Pty Limited
Hospital Affiliates of Australia Pty Limited
C.R.P.H Pty Limited
Hospital Developments Pty Limited
P.M.P.H Pty Limited
Pruinosa Pty Limited
Australian Hospital Care Pty Limited
Australian Hospital Care (Allamanda) Pty Limited
Australian Hospital Care (Latrobe) Pty Limited
Australian Hospital Care 1998 Pty Limited
AHC Foundation Pty Limited
AHC Tilbox Pty Limited
Australian Hospital Care (Masada) Pty Limited
Australian Hospital Care Investments Pty Limited
Australian Hospital Care (MPH) Pty Limited
Australian Hospital Care (MSH) Pty Limited
Australian Hospital Care (Pindara) Pty Limited
Australian Hospital Care (The Avenue) Pty Limited
Australian Hospital Care Retirement Plan Pty Limited
eHealth Technologies Pty Limited
Health Technologies Pty Limited
Rehabilitation Holdings Pty Limited
Bowral Management Company Pty Limited
Simpak Services Pty Limited
APL Hospital Holdings Pty Limited
Alpha Pacific Hospitals Pty Limited
Health Care Corporation Pty Limited
Alpha Westmead Private Hospital Pty Limited
Illawarra Private Hospital Holdings Pty Limited
Northern Private Hospital Pty Limited
Westmead Medical Supplies Pty Limited
Herglen Pty Limited
Mt Wilga Pty Limited
Sibdeal Pty Limited
Workright Pty Limited
Adelaide Clinic Holdings Pty Limited
eHospital Pty Limited
New Farm Hospitals Pty Limited
North Shore Private Hospital Pty Limited
Phiroan Pty Limited
Ramsay Health Care (Asia Pacific) Pty Limited
Ramsay Health Care (South Australia) Pty Limited
Ramsay Health Care (Victoria) Pty Limited
Ramsay Health Care Services (QLD) Pty Limited
Ramsay Health Care Services (VIC) Pty Limited
Ramsay Health Care Services (WA) Pty Limited
Ramsay Professional Services Pty Limited
Ramsay Diagnostics (No. 1) Pty Limited
Ramsay Diagnostics (No. 2) Pty Limited

32. CLOSED GROUP (CONTINUED)

As a condition of the Class Order, these entities entered into a Deed of Cross Guarantee on 22 June 2006 or have subsequently been added as parties to the Deed of Gross Guarantee by way of Assumption Deeds dated 24 April 2008, 27 May 2010 and 24 June 2011. 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	
	2012	**2011**
Consolidated Income Statement	**$000**	**$000**
Profit from operations before income tax	329,312	261,820
Income tax expense	(89,797)	(81,363)
Net profit for the year	239,515	180,457
Retained earnings at the beginning of the year	375,684	307,740
Actuarial gain/(loss) on defined benefit plan	-	(105)
Retained earnings adjustments for addition of entities into the class order	-	(1,662)
Dividends provided for or paid	(128,404)	(110,746)
Retained earnings at the end of the year	486,795	375,684
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	102,959	148,404
Trade receivables	347,559	317,500
Inventories	73,107	68,055
Derivative financial instruments	-	823
Other current assets	22,192	21,609
	545,817	556,391
Assets classified as held for sale	1,150	1,150
Total Current Assets	**546,967**	**557,541**
Non-current Assets		
Other financial assets	422,913	421,052
Goodwill and intangibles	574,172	583,648
Deferred tax asset	58,538	26,799
Property, plant and equipment	1,519,694	1,441,166
Other non-current assets	13,360	15,605
Total Non-current Assets	**2,588,677**	**2,488,270**
TOTAL ASSETS	**3,135,644**	**3,045,811**
LIABILITIES		
Current Liabilities		
Trade and other payables	446,043	415,267
Interest-bearing loans and borrowings	85	86
Provisions	135,648	127,951
Derivative financial instruments	14,128	8,948
Income tax payable	38,091	36,370
Total Current Liabilities	**633,995**	**588,622**
Non-current Liabilities		
Interest-bearing loans and borrowings	876,636	940,822
Other creditors	-	17
Pension liability	-	140
Derivative financial instruments	13,947	13,029
Provisions	107,979	95,524
Total Non-current Liabilities	**998,562**	**1,049,532**
TOTAL LIABILITIES	**1,632,557**	**1,638,154**
NET ASSETS	**1,503,087**	**1,407,657**

32. CLOSED GROUP (CONTINUED)

	Closed Group	
	2012 $000	2011 $000
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(23,259)	(18,474)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	486,795	375,684
Other reserves	73,863	84,759
TOTAL EQUITY	**1,503,087**	**1,407,657**

33. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	2012 $000	2011 $000
Current assets	1,125,364	1,099,874
Total assets	1,269,333	1,241,566
Current liabilities	(43,468)	(39,892)
Total liabilities	(43,468)	(39,892)
Issued capital	(713,523)	(713,523)
Other equity	(512,342)	(488,151)
Total shareholders' equity	(1,225,865)	(1,201,674)
Net profit for the year after tax	140,805	84,589

As a condition of the class order (set out in note 32), 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 32 for further information.

Additional Information

RAMSAY HEALTH CARE LIMITED

Additional information required under ASX Listing Rule 4.10 & not shown elsewhere in this Annual Report is as follows. This information is current as at 18 September 2011.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	11,723	5,725,116	2.83
1,001 – 5,000	8,354	18,177,093	9.00
5,001 – 10,000	900	6,228,985	3.08
10,001 – 100,000	348	7,786,285	3.85
100,001 and over	46	164,163,773	81.24
Totals	**21,371**	**202,081,252**	**100%**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 446 holders, for a total of 1,574 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.	HSBC Custody Nominees (Australia) Limited	24,218,262	11.98
3.	J P Morgan Nominees Australia Limited	20,024,681	9.91
4.	National Nominees Limited	17,046,829	8.44
5.	BNP Paribas Nominees Pty Limited (Master Custodian DRP)	4,692,374	2.32
6.	Citicorp Nominees Pty Limited	4,275,026	2.12
7.	J P Morgan Nominees Australia Limited (Cash Income A/c)	2,590,816	1.28
8.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	1,720,683	0.85
9.	Australian Foundation Investment Company Limited	1,360,000	0.67
10.	Argo Investments Limited	1,353,923	0.67
11.	BNP Paribas Nominees Pty Limited (SL Non Cash Col)	1,254,000	0.62
12.	Australian Executor Trustees Limited	1,175,333	0.58
13.	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	1,056,800	0.52
14.	AMP Life Limited	915,870	0.45
15.	Custodial Services Limited (Beneficiaries Holdings A/c)	853,647	0.42
16.	BNP Paribas Nominees Pty Limited (DRP)	757,353	0.37
17.	HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/c)	742,524	0.37
18.	Equity Trustees Limited (SGH20)	696,000	0.34
19.	Questor Financial Services Limited (TPS RF A/c)	462,235	0.23
20.	UBS Nominees Pty Limited	364,083	0.18
	Totals	**158,709,708**	**78.52%**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 18 September 2012:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	73,149,269	36.20

(e) Voting Rights

In accordance with the Constitution, each member present at a meeting whether in person, by proxy, 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	3,703	992,536	38.17
1,001 – 5,000	207	408,080	15.70
5,001 – 10,000	15	90,846	3.49
10,001 – 100,000	18	557,709	21.45
100,001 and over	2	550,829	21.19
Totals	**3,945**	**2,600,000**	**100.00**

(g) Less than marketable parcels of CARES

There were no holdings of CARES in less than marketable parcels at the date of this report.

(h) 20 Largest CARES Holders

	Name	Number of fully paid CARES	% of Issued Securities
1.	J P Morgan Nominees Australia Limited	435,829	16.76
2.	Australian Foundation Investment Company Limited	115,000	4.42
3.	National Nominees Limited	66,981	2.58
4.	Citicorp Nominees Pty Limited	59,445	2.29
5.	Questor Financial Services Limited (TPS RF A/c)	55,550	2.14
6.	RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	50,005	1.92
7.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	40,809	1.57
8.	Navigator Australia Limited (MLC Investment Settlement A/c)	40,356	1.55
9.	Sandhurst Trustees Limited (DMP Asset Management A/c)	38,972	1.50
10.	Argo Investments Limited	25,000	0.96
11.	Australian Executor Trustees Limited (No 1 A/c)	24,458	0.94
12.	J P Morgan Nominees Australia Limited (Cash Income A/c)	24,452	0.94
13.	HSBC Custody Nominees (Australia) Limited	23,176	0.89
14.	RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIP A/c)	20,633	0.79
15.	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	18,500	0.71
16.	BNP Paribas Nominees Pty Limited (Master Custodian DRP)	17,061	0.66
17.	Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	16,119	0.62
18.	Edsgear Pty Limited	12,500	0.48
19.	Peroda Nominees Pty Limited (Berman Super Fund A/c)	11,936	0.46
20.	UBS Wealth Management Australia Nominees Pty Limited	11,756	0.45
	Totals	**1,108,538**	**42.63%**

(i) On-Market Buy-Backs

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

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