People caring for people

RAMSAY HEALTH CARE

Annual Report 2013

Ramsay Health Care Limited

Annual General Meeting 2013

The 2013 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am, Thursday, 14 November 2013. The full venue details are:

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

Indicative Key Dates for 2014

Results Release Dates:

Interim Results – Tuesday, 25 February 2014
Preliminary Final Results – Thursday, 28 August 2014

Dividend Payment Dates – Ordinary Shares:

Interim Dividend: Wednesday, 26 March 2014 (Record Date: 10 March 2014)
Final Dividend: Wednesday, 24 September 2014 (Record Date: 10 September 2014)

Dividend Payment Dates – CARES:

Tuesday, 22 April 2014 (Record Date: 4 April 2014)
Monday, 20 October 2014 (Record Date: 3 October 2014)

Annual General Meeting 2014:

The 2014 Annual General Meeting of Ramsay Health Care Limited will be held on Thursday, 13 November 2014 (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.au

Contents

Financial highlights

Revenue
$4.2 billion
Group revenue up 5.5% on previous year

EBIT
$485.3 million
Group earnings before interest & tax
up 10.6% on previous year

Net Profit
$290.9 million
Core net profit up 15.1% on previous year

Earnings per share
135.9 cents
Core earnings per share up 17.1% on previous year

Dividend
70.5 cents
Full year dividend up 17.5% on previous year

The Ramsay Way

Ramsay Health Care is committed to being a leading provider of health care services by delivering high quality outcomes for patients and ensuring long term profitability.

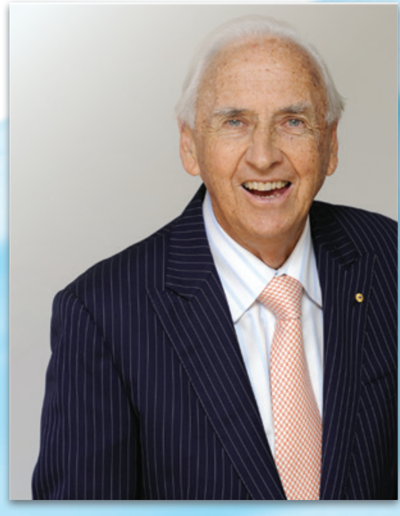
- We are caring, progressive, enjoy our work and use a positive spirit to succeed
- We take pride in our achievements and actively seek new ways of doing things better
- We value integrity, credibility and respect for the individual
- We build constructive relationships to achieve positive outcomes for all
- We believe that success comes through recognizing and encouraging the value of people and teams
- We aim to grow our business while maintaining sustainable levels of profitability, providing a basis for stakeholder loyalty

2013 financial year summary of financial performance

YEAR ENDED 30 JUNE	2013 ($ millions)			2012 ($ millions)	increase
	Australia & Indonesia	Europe	Group	Group	
Operating Revenue	$3,393.6	$780.9	$4,174.5	$3,956.5	5.5%
EBITDA	$523.5	$104.2	$627.7	$583.5	7.6%
EBIT	$418.3	$67.0	$485.3	$438.8	10.6%
Core NPAT(1)			**$290.9**	**$252.6**	**15.1%**
Core EPS (cents)(2)			**135.9¢**	**116.1¢**	**17.1%**
DIVIDENDS PER SHARE (cents)					
Final dividend - fully franked			**41.5¢**	**34.5¢**	**20.3%**
Full year dividend - fully franked			**70.5¢**	**60.0¢**	**17.5%**

(1) CORE NPAT IS BEFORE NON-CORE ITEMS & FROM CONTINUING OPERATIONS.

(2) CORE EPS IS DERIVED FROM CORE NET PROFIT AFTER CARES DIVIDENDS.



Paul Ramsay AO

Chairman

Chairman's Report

In another excellent year, Ramsay Health Care grew its portfolio to 120 hospitals, admitted 1.3 million patients and delivered over 30,000 babies across the globe.

During the year, Ramsay UK was awarded Private Hospital Group of the Year by Health Investor UK in recognition of its outstanding achievements in delivering health care. We have only been operating in the United Kingdom since 2007 but have become a well-respected player in the private health care sector in that region, thanks to our excellent management team and our ongoing focus on the delivery of high quality patient care.

In Indonesia, all three Ramsay Health Care facilities have now achieved international accreditation status with JCI (Joint Commission International). Ramsay is the only Indonesian hospital group to have all its hospitals achieve this prestigious accreditation status and is recognition of the importance we place on quality and safety. In total, only nine hospitals in Indonesia have international accreditation with JCI including all the three Ramsay hospitals.

We also remain focused on managing environmental, social and governance issues, and to this end Ramsay Health Care was very pleased to be one of nine Australian companies to be included in the 2013 Global 100 Most Sustainable Corporations in the world for the second year in a row. Ramsay was also included once again in the 2013 FTSE4Good Index.

Ramsay announced a Group core net profit after tax of $290.9 million for the year ended 30 June 2013, a 15.1% increase on the previous corresponding period.

Group core net profit delivered core earnings per share of 135.9 cents for the year, a 17.1% increase on the 116.1 cents recorded a year ago and slightly ahead of upgraded guidance announced to the market in February 2013.

Directors are pleased to announce a fully-franked final dividend of 41.5 cents, up 20.3% on the previous corresponding period, taking the full year dividend to 70.5 cents, up 17.5% on the prior year.

During the year, we continued our expansion both in Australia and overseas. In France, we purchased a new hospital in Toulouse – Clinique de l'Union – a large and prestigious hospital, which really transforms our portfolio in this country. We also acquired Peel Health Campus, a public hospital located in Mandurah, Western Australia, and have plans to expand this hospital as soon as possible. We look forward to bringing our healthcare management experience to these hospitals.

A further highlight was our tie-up with Malaysian company Sime Darby Berhad, in a joint venture that combines Ramsay's three Indonesian facilities with Sime Darby's three Malaysian hospitals. For some time, the Board has been keen to further expand in Asia being aware of the enormous opportunities in the region with 600 million people living in the ASEAN and a rising middle class demanding quality health care.

The new joint venture, formed on 1 July 2013, combines two excellent companies and brings together Ramsay's healthcare management experience with Sime Darby's extensive experience in Asia. It will provide an effective launch pad for further expansion in this region and we look forward to the opportunities that will come from this partnership.

In Australia, we opened several major projects this year including Joondalup Private Hospital in Perth - the first standalone private hospital in Perth's northern suburbs for more than 30 years. Opened in March 2013, the 145 bed hospital was the latest project to be finalised as part of the $393 million redevelopment of the Joondalup Health Campus which is delivering an extensive range of new facilities for public and private patients and is funded jointly by the WA State Government and Ramsay Health Care.

Also in 2013, we opened the new development at Greenslopes Private Hospital in Brisbane taking this hospital to 676 beds and the largest private hospital in Australia. With the introduction of maternity services to that hospital, all major adult specialties are now offered on one site. I am extremely proud of our developments at this hospital over the past 18 years of Ramsay ownership, growing this hospital from a repatriation hospital into the largest and most comprehensive private hospital in the country yet, all the while, maintaining our focus on veteran healthcare.

Ramsay Health Care continues to produce increasing returns from its successful brownfield capacity expansion programme in Australia following significant investment in brownfields over the past few years. In fiscal year 2013, the Board approved almost $200 million

The Ramsay Way culture recognises that our people are the key to our success.

for several major projects which will come on stream over the coming years and will contribute to improved returns. The expanding and ageing population as well as a growing demand for quality healthcare is driving Ramsay's continued investment in capacity expansion.

Continuing strong operating cash flow has allowed Ramsay to invest significantly in attractive brownfield developments whilst maintaining low leverage and significant financial flexibility. Furthermore, effective working capital management delivered a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

In July 2013, the Board was very pleased to launch a new employee share programme for permanent employees who have served at least three years with Ramsay Health Care in Australia. The programme is designed to give Ramsay staff an ownership interest in our Company. Over the last decade, Ramsay has become one of the world's leading private hospital operators. The Board was keen to be able to share this success with our most important asset – our people. The new share programme for employees is designed to enable our staff to become part of the success story that is Ramsay and, at the same time, acknowledge the vital role that our staff play in our organisation each and every day.

Almost 13,300 employees received an allocation of Ramsay shares in September 2013, and each year the Board will decide any future offers and the terms of these offers. I am delighted to be able to acknowledge the hard work, dedication and loyalty of our people through this share offer. The Ramsay Way culture recognises that our people are the key to our success.

Next year will be Ramsay Health Care's 50th anniversary and I look forward to this golden jubilee being a very special year for our Company. We have come a long way, having started as a small hospital operator in Sydney to the global company we are today and it is all because of the great people we have working for our company and the wonderful staff and doctors.

I would like to take this opportunity to thank Christopher Rex and the Ramsay Board for their hard work and support throughout the year.

PAUL RAMSAY AO | CHAIRMAN

Christopher Rex

Managing Director

Managing Director's Report

In the 2013 fiscal year, Ramsay Health Care's business performed well across the Company's worldwide portfolio with contributions flowing through from our brownfield capacity expansion programme. As anticipated, newly completed projects commenced contributing to earnings, in addition to the continuation of upside from projects completed in prior years.

Quality & Safety

Over the last year Ramsay Health Care has continued its focus on patient care and staff safety.

In 2013, Ramsay's Australian facilities continue to rate well within national benchmarks across 13 clinical indicators including infection rates, patient falls, medication safety errors and unplanned readmissions.

In addition to publishing our safety and quality; environmental, social and governance performance on the Ramsay internet site for the Group as a whole, all hospital-level patient quality and safety data was launched on our hospital websites in 2013. This provides clear open and public disclosure of our performance in this area to all our patients and the wider community.

In Australia in 2013, 35 of our hospitals successfully completed the new National Standards – which represents a very high proportion of private hospitals that have completed these standards since they were introduced at the commencement of the year.

In terms of staff safety, Ramsay's safety philosophy *to send our employees home at the end of every shift as fit and healthy as they were at the start of their shift*, is extremely high on our agenda. Across the world we employ over 30,000 staff and it is critical that we ensure their well-being.

To this end, I am very pleased that year on year we are continuing to see a reduction in the number of injuries to employees right across the Company recording a 12.9% fall in LTIs (long term injuries) in 2013 compared with the previous year. Our LTIFR (long term injury frequency rate) remains well below the national benchmark.

Growth Strategy

Strategically, the year has been very successful in terms of building on the key components of the Company's growth strategy.

We successfully progressed our strategy for public/private collaborations, acquiring Peel Health Campus in WA, a 152 bed public hospital located in southern Perth, and a new contract to operate Mildura Base Hospital was negotiated with the Victorian state government. With our new Sunshine Coast hospital due to open in December 2013, which will deliver public and private services, the number of public/private ventures in Ramsay's Australian portfolio increases to five.

We were also successful in expanding our Asian operations with the completion of a joint venture with Sime Darby Berhad on 1 July 2013. The partnership creates a viable growth strategy for Ramsay to expand its footprint throughout Asia leveraging off our significant management experience and Sime Darby's extensive Asian networks.

After a period of consolidation, we acquired our tenth hospital in France in June 2013. Clinique de l'Union, a 531 bed hospital in Toulouse, is an excellent addition to our French portfolio and fits well with our growth strategy in France.

During the year, the Board approved over $200 million in brownfield developments at Ramsay's Australian hospitals, ensuring that our hospitals are well-positioned to meet the growing demand for health care in Australia.

Operational Highlights

Australia

Ramsay's Australian business achieved revenue growth of 7% and EBIT growth of 11.1% during the period. Hospital level EBITDA margins increased 50 basis points from 17.4% to 17.9%.

Some major hospital expansions were completed and opened in the 2013 fiscal year including the $47 million expansion of Greenslopes Private Hospital in Brisbane and the $10 million expansion of surgical services at Beleura Private Hospital on the Mornington Peninsula.

Ramsay also opened the new $133 million Joondalup Private Hospital on the Joondalup Health Campus in Perth, the final stage of the $393 million development at that campus which has

Strategically, the year has been very successful in terms of building on the key components of the Company's growth strategy.

spanned four years and has been jointly funded by the WA government.

Major hospital expansions approved during the period included: $64 million for the expansion of Hollywood Private in Perth; $56 million for the expansion of Warringal Private in Melbourne; and $34 million for the expansion of Pindara Private on the Gold Coast. These expansions will open over the next two years.

Ramsay acquired the 152 bed Peel Health Campus, a public hospital located in Mandurah, in May 2013. Ramsay is committed to investing in the expansion of both the public and private capacity of this hospital as soon as possible.

We remain interested in exploring further opportunities as governments seek to procure more input from the private sector in the building and operation of public hospitals, such as the recently announced Northern Beaches Hospital in Sydney and the Sunshine Coast University Hospital at Kawana.

Operational Highlights Indonesia

Ramsay's Indonesian business delivered a strong operating result for the year. In local currency (Indonesian Rupiah) revenue grew 11.5% and EBIT grew 28% during the period. EBITDA margins rose from 16.5% to 17.8%.

The new joint venture with Sime Darby combines its portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three hospitals in Indonesia. Partnering with Sime Darby provides Ramsay with a platform to expand further throughout Asia, leveraging off Ramsay's significant healthcare management experience and Sime Darby's extensive Asian networks.

Operational Highlights Europe

Ramsay's UK business exceeded expectations during the year with EBITDAR (ie operating profit before rent) rising 2.6% to £93.4 million off the back of a marginal increase in revenue. Similarly EBIT rose by 6% to £31.8 million.

Ramsay UK hospitals recorded a 6.2% rise in NHS admissions. NHS admissions now comprise close to 70% of the total admissions to Ramsay's UK facilities. UK operating margins before rent (EBITDAR) increased by 50 basis points to 25.5%.

Ramsay Santé also performed well with EBITDAR increasing by 4.9% to €31.4 million. Ramsay Santé operating margins before rent (EBITDAR) increased by 30 basis points to 18.0%. EBIT rose by 5.7% to €14.2 million.

In June 2013 our French subsidiary Ramsay Santé, acquired Clinique de l'Union, a medical, surgical and obstetric hospital, treating 43,000 inpatients and 26,000 emergency presentations each year. This acquisition brings the total number of hospitals in the Ramsay Santé portfolio to 10 and is the second acquisition since Ramsay acquired its majority interest in the French operator in 2010.

Outlook

The 2014 financial year will see Ramsay Health Care continue its successful growth strategy of reinvesting in its existing facilities; developing more public/private partnerships; and pursuing acquisitions in new and existing markets where it can apply its proven management model.

We will continue to produce increasing returns from our successful brownfield capacity expansion programme following significant investment in brownfields over the past few years.

We are looking forward to the opening of our Sunshine Coast University Private Hospital in December in partnership with Queensland Health.

Ramsay will further develop and execute a growth plan with Sime Darby for Asia with the aim of developing a quality portfolio of hospitals throughout the Asian region.

We will also integrate our newly acquired hospitals in Australia, Asia and France and grow them to their full potential, while continuing to canvas emerging opportunities in these and other markets.

I would like to thank the Board, the Ramsay Executive and all staff and doctors throughout Ramsay for their support and contribution through the year.

CHRISTOPHER REX | MANAGING DIRECTOR

Hospitals & facilities

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


CLINIQUE DE L'UNION

120

United Kingdom
36

France
10

Malaysia
3

ARA DAMANSARA MEDICAL CENTRE

SUBANG JAYA MEDICAL CENTRE

PARKCITY MEDICAL CENTRE

PEEL HEALTH CAMPUS

Indonesia
3

Australia
68

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 AO

KERRY C D ROXBURGH

JOHN D C O'GRADY
Group General Counsel
& Company Secretary

Board of Directors

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 also a Director of the Football Federation Australia, the governing body of football in Australia.

Bruce R Soden B.Comm CA FAICD

Group Finance Director – Appointed 02/01/97

Mr Bruce Soden 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 Veteran 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 $8.5 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.

Board of Directors…continued

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 company:

- Prime Media Group Limited (Appointed March 1991)

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.

Mr Grier is also the 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 AO
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. In 1990 he was awarded Membership of the Order of Australia for services to Law and the Community and in 2013, also awarded an Officer of the Order of Australia for distinguished service to the Community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games. Mr McGeoch is Co-Chairman of the Australian New Zealand Leadership Forum and is also a director of Destination NSW. He is currently retained by the Banking Syndicate in control of Mediaworks in NZ.

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)
- 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 C O'Grady
LLB FAICD

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

Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales. He is a Fellow of the Australian Institute of Company Directors (AICD). 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 MESAA

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 Charter Hall Limited, of Tyro Payments Ltd and of Tasman Cargo Airlines Pty 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 company:

- Charter Hall Limited (Appointed April 2005) (Currently Chairman)

Corporate Governance Statement

Ramsay Health Care Limited ('the **Company**') is committed to delivering high quality health care services and 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.

2013 Initiatives & Highlights

During FY2013 the Company launched the Ramsay Health Care Performance and Sustainability Report, detailing the Company's performance in patient safety and quality, the environment, human resources, workplace health and safety and corporate governance. Whilst environment, social and governance (**ESG**) performance were already factored into our strategic planning and risk management strategies, this Report puts Ramsay's ESG results on the public record for the first time. The Report can be accessed at www.ramsayhealth.com.au/Performance-Report.

During the year, the Company also initiated a new Environmental Sustainability Policy. This new Policy underpins Ramsay's commitment to continuously improve the Group's environmental performance in ways that are sustainable, practical, innovative and cost effective.

In May 2013, the Board reviewed and updated its Diversity Policy to include additional facets of diversity to be considered in the recruitment and development of its workforce. Details of the Diversity Policy, measurable objectives and the Company's progress against these objectives are set out on pages 22 and 23 of this Statement and can also be found on the Company's website.

In 2013, Ramsay Health Care was once again recognised in the Global 100 Most Sustainable Corporations in the World, an industry-leading corporate sustainability index which recognises proactive management of ESG issues. Companies are rated according to performance in areas such as carbon, water and waste productivity, employee turnover and lost time injuries. The Company was the only Australian-based health care company to be included in this index.

Since 2011 Ramsay has been included in the FTSE4Good Index, an index which objectively measures the performance of companies that meet globally recognised corporate responsibility standards, and was again accepted into this index in 2013.

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 23 September 2013 (unless otherwise stated) in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The table on pages 27 to 29 indicates where specific Recommendations are addressed in this Statement.

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

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 provides for the delegation of functions to Board Committees and to senior management. These are set out in the Board Charter, which was most recently updated in October 2012 to formally recognise the new role of Lead Independent Director and can be found in the Corporate Governance section of the Company's website. A Statement of Delegated Authorities, which was most recently updated and approved by the Board in April 2013, 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

Formally delegates certain functions to Board Committees and to management via formal Board and Committee charters. Directly retains responsibility for a range of matters including:

- overseeing the Company's strategic direction;
- monitoring the performance of the CEO and approving senior management remuneration policies;
- reporting to shareholders;
- monitoring the effectiveness of and compliance with policies governing the operation of the Company;
- monitoring strategic risk management systems and the integrity of internal control and reporting systems;
- reviewing and approving the annual operating budget;
- determining dividend policy and approving dividends;
- approving decisions concerning the capital of the Company; and
- the appointment of the CEO and succession planning.

DELEGATION

ACCOUNTABILITY

DELEGATION

ACCOUNTABILITY

Audit Committee

Key functions:
To oversee and review:

- the financial reporting process
- the existence and maintenance of internal controls and accounting systems
- the scope and effectiveness of the external audit
- the appointment, performance and remuneration of external auditors

Risk Management Committee

Key functions:
Overseeing:

- and approving risk management, internal compliance and control policies and procedures
- design and implementation of risk management and internal control systems to manage the Company's material business risks

Remuneration Committee

Key functions:
Reviewing and making recommendations on:

- executive remuneration and incentive policy
- level of remuneration for non-executive directors
- CEO and other senior executive remuneration packages
- design of all equity-based plans

Nomination Committee

Key functions:
Reviewing and making recommendations on:

- Board size and composition
- criteria for Board membership
- appointment, re-election and succession

DELEGATION

ACCOUNTABILITY

CEO & other Senior Executives

Board Committees

The Board has established four standing Board Committees which assist it 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.

The applicable composition requirements and current membership of each of the Board Committees are set out below:

Board Committee	Composition requirements	Membership
Audit Committee	Comprised of at least three members, all of whom are non-executive directors and a majority of whom are independent. Chaired by an independent non-executive director.	Mr Peter Evans (Chair), Mr Tony Clark AM and Mr Kerry Roxburgh.
Risk Management Committee	Comprised of at least three members, two of whom must be non-executive directors with at least one being a member of the Audit Committee. Chaired by an independent director. The Managing Director, Group Finance Director, Chief Operating Officer, Chief Risk Officer and Group General Counsel must also be members.	Mr Peter Evans (Chair), Mr Kerry Roxburgh, Mr Patrick Grier AM, Mr Christopher Rex, Mr Bruce Soden, Mr Craig McNally, Mr Danny Sims and Mr John O'Grady.
Remuneration Committee	Comprised of at least three members, all of whom are non-executive directors and a majority of whom are independent. Chaired by an independent non-executive director.	Mr Rod McGeoch AO (Chair), Mr Peter Evans and Mr Michael Siddle.
Nomination Committee	Comprised of at least three members, a majority of whom are independent non-executive directors. Chaired by an independent non-executive director.	Mr Rod McGeoch AO (Chair), Mr Paul Ramsay AO and Mr Kerry Roxburgh.

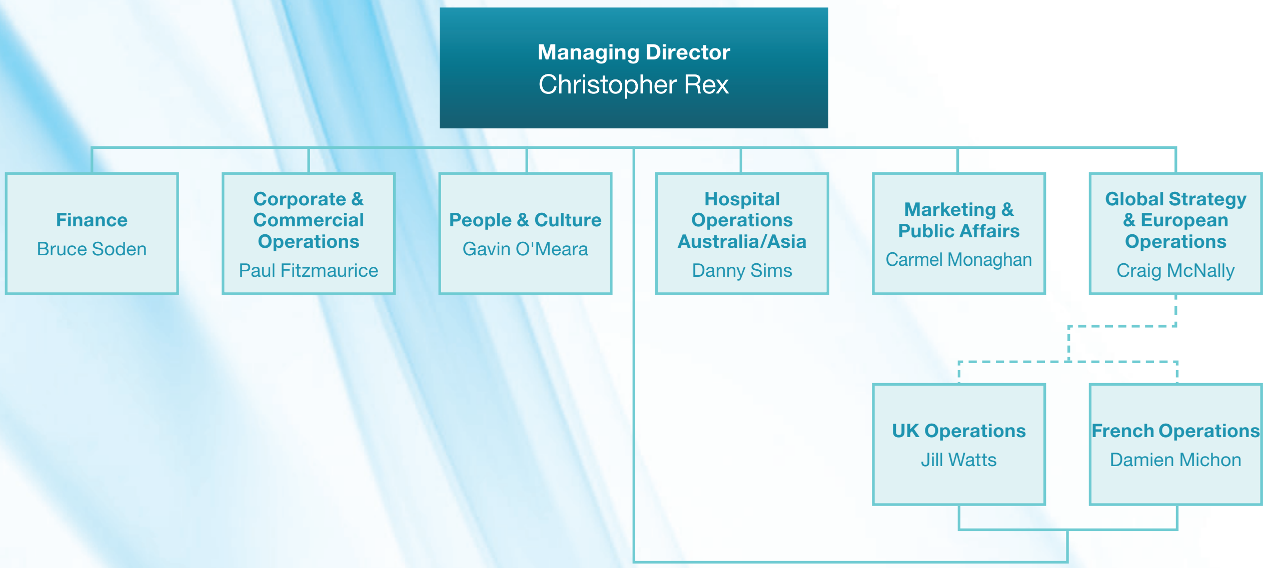
The number of Board and Board Committee meetings held during the year and the number of meetings that were attended by each of the directors, is set out in the table below:

	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)				2 (2)
M.S. Siddle	10 (10)			5 (5)	
C.P. Rex	10 (10)		6 (6)		
B.R. Soden	10 (10)		6 (6)		
A.J. Clark AM	10 (10)	7 (7)			
P.J. Evans	10 (10)	7 (7)	6 (6)	5 (5)	
I.P.S Grier AM	10 (10)		3 (6)		
R.H. McGeoch AO	10 (10)			5 (5)	2 (2)
K.C.D Roxburgh	9 (10)	7 (7)	6 (6)		2 (2)

Senior executives

The Board delegates the 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 reporting 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 are established and defined in the Company's Statement of Delegated Authorities, most recently updated to optimise the function and decision-making of the executive as the Company continues to grow and expand geographically, whilst maintaining appropriate oversight by the Board.

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 or capital expenditure with direct or indirect exposure to the Company above the Managing Director's approval threshold of $3 million, ($4 million for rollover of existing contracts and $1 million for new, special or beyond-budget capital expenditure) must be submitted to the Board for approval. The Statement of Delegated Authorities details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes that are required to be followed. The policy was extensively reviewed and updated through 2012/2013 to: clarify aspects of the policy and processes; accommodate new positions created by growth in the business; limit the number of positions to which authority is delegated; and tailor delegation thresholds to the practical requirements of each position.

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 FY2013 and examples of the KPIs for other senior executives are set out in the Remuneration 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 process 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 of this Annual Report.

The Company aims to maintain a Board that comprises directors with a broad range of skills, expertise and experience (in particular in business and the private health sector) 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.

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 dividends year-on-year for more than ten years. The Company has consistently outperformed the market, including the S&P ASX 200 Healthcare Accumulation Index in recent years (refer to the graph included in the Remuneration Report).

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. The nomination and appointments of directors are made in accordance with the Company's Constitution and the Nomination Committee Charter, both of which are available 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 Board Diversity Policy (which was updated in May 2013 to encompass a broad range of diversity considerations).

The Board recognises the benefits that may be gained from changes to its composition and remains committed to the 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.

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 election at that meeting.

The Nomination Committee's current membership is set out earlier in this Statement and the independence of the members is discussed below. Details of Nomination Committee meetings and attendance by each Committee member are contained earlier in this 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 prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

In the case of Mr Tony Clark AM and Mr Peter Evans, the Board has had regard to their role as directors of Paul Ramsay Holdings Pty Limited (the Company's largest shareholder). In assessing the impact of this role on their exercise of independent judgement, the Board took into account the following factors:

- neither Mr Evans nor Mr Clark AM 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 majority of other shareholders (i.e. excluding Paul Ramsay Holdings Pty Limited) 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 AM and Mr Evans are independent of management.

Having regard to all of these factors, the Board continues to hold the view that Mr Evans' and Mr Clark's relationship with Paul Ramsay Holdings Pty Ltd does not interfere with, and should not be perceived to interfere with, the independent exercise of their judgement.

In the case of Mr Kerry Roxburgh and Mr Rod McGeoch AO, the Board does not consider there to be any relationships 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 remaining directors are regarded by the Board as 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 enhance the effectiveness of the Board.

- The Managing Director, Mr Christopher Rex – as a current executive of the Company, Mr Rex is not independent.
- The Group Finance Director, Mr Bruce Soden – as a current executive of the Company, Mr Soden is not independent.
- 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 Ramsay and the Chairman and was formerly the Chief Executive Officer of the Company. For this reason, he is not considered to be independent. However, Mr Siddle has considerable knowledge and experience in the management of the Company and private hospitals generally and of property development. Given this highly relevant and valuable experience, the Board considers that the interests of the shareholders are best met by the continued contribution of Mr Siddle.
- Mr Patrick Grier AM – Mr Grier is not considered to be independent as he was previously employed as Managing Director of 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 as a whole.

To enhance the independent functioning of the Board, in June 2012 the Board resolved to appoint Mr Kerry Roxburgh as Lead Independent Director. In October 2012 the Board Charter was updated to formally recognise this new role. The key functions of the Lead Independent Director are to:

- promote awareness of the importance of independent judgements in the Board's decision-making;
- 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;
- 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

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 considered they have adequate opportunity to access such advice.

Evaluating Board, Committee & Director performance

During the 2013 financial year, the Board undertook a formal, structured evaluation that involved each director completing a confidential questionnaire covering the role, composition and dynamics of the Board. The results of the questionnaires were compiled and an analysis reported to the Board by the Company Secretary. A similar evaluation process was undertaken by each of the Board Committees during the financial year.

In addition, 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 Risk Management Committee was also undertaken, with each of the senior managers who attend each RMC meeting to report on behalf of Sub-Committees completing the evaluation, as well as each of the Committee Members.

Results of the evaluations 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 each of the Committees are performing extremely well.

In relation to the Board, the evaluation identified that the high quality of interaction between Board members, the frank, open working relationship between the Board and management, and the Board's strong understanding of the business were key factors in its effective function. The evaluation also identified areas for increased focus, in particular to optimise management of the growing international operations of the Company.

All of the Board Committees were assessed as efficient and highly functional, with good understanding of the business, corporate strategy and risks to the business and with clearly defined and extremely effective relationships with the Board and management.

The established evaluation process continues to identify strengths, improvements and areas for increased focus, as well as providing oversight of the development of the Board Committees and their processes year on year.

In addition to the formal evaluation processes, the Chairman 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;
- 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 periodic review to ensure that it covers all relevant issues and sets standards consistent with Ramsay's commitment to ethical and responsible behaviours.

Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, bribery, breach of policies, dishonesty, harassment, bullying, unlawful discrimination, unethical or negligent behaviour, workplace safety hazards and medical negligence through the Ramsay Whistleblower Programme. The programme has been implemented in all Ramsay facilities in Australia, the UK and Indonesia and includes an independent hotline service operated by Deloitte to encourage anonymous disclosures 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.

The Company also has in place 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 a 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 Group business. 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 implementation of the Policy included internal publications and training sessions on the recognition of, relevance to the Company and the appropriate response to, concerns in relation to bribery or attempted bribery.

Equivalent policies 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 Chairman (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

Central to the Ramsay Way and the Company's desire to retain its status as one of the world's most sustainable organisations is its commitment to the environment. The Company has in place an Environmental Sustainability Policy, setting out the principles underpinning the Company's commitment towards environmental sustainability which are intended to form part of, and to support, all Ramsay activities. The Company's Environmental Management System (EMS) aims to implement the Policy and procedures developed under it, and to establish individual roles, a reporting structure and a programme for monitoring and auditing 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 has been included in the FTSE4Good Index each year since 2011 including, with a number of improved ratings, in 2013. It was also again listed in the 2013 Global 100 Most Sustainable Corporations in the World, being the only company in the Australian health care 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 details the Company's performance using indicators of patient safety and quality, workplace health and safety, human resources and governance 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. Both the Guidelines and the Diversity Policy were updated in May 2013 for consistency with legislative changes and to specifically pick up a broader range of diversity factors such as age, sexual orientation, race, disability, ethnicity and cultural background.

The Company has been assessed as compliant with the *Workplace Gender Equality Act 2012* and has received recognition for its progressive employee programmes, including its national wellness framework and initiatives for supporting and retaining older employees in the workplace.

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 2013 women comprised 83% of employees throughout the Group and occupied 78% of managers. Similarly in 2013, 25% of senior executive[1] positions in the Group were held by women. There are currently no female directors on the Board.

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, candidates' skills and experience in a variety of specified fields.

The Company has identified the need for a female perspective on the Board (particularly in light of the fact that women represent approximately 83% 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 continues to expand across geographical boundaries, the Board is also cognisant of the need to consider Board candidates from overseas in the interests of 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 and to assess the application of this Policy to the senior executive recruitment process.

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 and review their availability and utilisation;
- monitor the effectiveness of, and continue to expand on, existing initiatives designed to identify, support and develop talented women with leadership potential; and
- continue to identify new ways to entrench diversity as a cultural priority across the organisation.

The 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. Updates on the Company's progress against those objectives during FY2013 and the measurable objectives set for FY2014 by the Nomination Committee and adopted by the Board are set out in the tables below.

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

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

Measurable Diversity Objective	Timeframe	Progress in FY2013	Relevance for FY2014
Establish and maintain partnership/ sponsorship/membership with an external body promoting a women's leadership initiative	Ongoing	Ramsay joined Diversity Council in 2011. Diversity Council resources continue to be disseminated to and used by HR team	Membership of the Diversity Council will continue.
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.	Ongoing	The Succession Planning process has been ongoing for all hospital management teams. The bi-annual Future Leaders Programme is currently the Company's main initiative to identify and develop high potential female (and male) managers. Planning is underway for the 2014 Future Leaders Programme to support this initiative.	Future Leaders Programme to be held in 2014. The Manager People and Culture to report to the Nomination Committee on the success of this initiative.
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.	Ongoing	The bi-annual Ramsay Future Leaders Programme incorporates both formal and informal mentoring for all future leaders. The Company offers tailored professional development opportunities to senior management including access to mentoring and executive coaching.	Next Future Leaders programme to be held in 2014. Mentoring programme to be carried forward into FY2014.
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.	Ongoing	No vacancies have occurred among senior managers during the reporting year.	Ongoing for FY2014.
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	Completed during FY2013.	Relevant for FY2014.
Develop and implement online Diversity (including discrimination, bullying and harassment) training module for all senior managers.	Updated training to be rolled out by June 2014	Online diversity training updated in 2013 to reflect recent legislative changes and will be rolled out nationally by December 2013, in line with Ramsay's annual mandatory training programme.	Relevant for FY2014.
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 2012/13 reporting year because no additional directors sought.	Carried forward.
To be awarded the citation of "EOWA Employer of Choice for Women".	June 2014	Ramsay is on track to make an application by June 2014.	Carried forward.
Annual review of flexible and part-time work arrangements to endeavour to ensure that roles are appropriate to maintain career development.	Ongoing	Ramsay Flexible Leave Programme updated in May 2013 to improve understanding and use of the programme by employees. The company continues to monitor the availability and success of flexible work options. In June 2013, 77.4% of hospital based female staff took advantage of flexible work options and 37.7% of hospital based female managers work part-time.	Flexible and part-time work arrangements to be reviewed in 2014 in relation to whether such arrangements roles facilitate career development and success to be reported to the Board.

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 responsibilities in regard to financial reporting, the internal control environment, and audit management across the Group.

The Audit Committee Charter (available on the Company website) takes into account the roles and responsibilities of the Audit Committee, the Company's 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. The Audit Committee Charter includes details on the appointment and oversight of the external auditor.

The Audit Committee's current membership, the independence of the members and details of Audit Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement.

Principle 5: Make timely & balanced disclosure

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

The Company has a Continuous Disclosure Policy which was updated in May 2013 to take into account the changes to ASX Guidance Note 8. The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of senior executives for achieving compliance. More specifically, 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 and for consideration of information reported by the Company Secretary, the Disclosure Committee and (where necessary) the Board;
- establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8;
- establishes internal processes for briefing of analysts, investor and media groups, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market; 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 been 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 effectively at general meetings:

- financial reports, market reports and ASX releases 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.

During a number of hospital site visits in FY2013, the Board requested specific briefings on Workplace Health and Safety initiatives undertaken by each of those hospitals.

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 Risk Management framework:

- provides a Group-wide standardised approach which outlines the structure and 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 Group, such as financial, strategic, clinical, safety, environmental and legal risks;
- emphasises 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 prioritisation.

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 the Group'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,

as detailed in the RMC Charter available on the Company's website.

Risk Sub-Committees

To support and supplement the RMC, the company has established various risk Sub-Committees, namely the Operational, Property & Environment Risk Sub-Committee, the Clinical Governance Risk Sub-Committee and the Workforce, Safety & Culture Sub-Committee. These Sub-Committees are an important part of Ramsay's risk management and governance strategy. Each Sub-Committee oversees and reports to the Board and the RMC on the management of its respective area of specialisation and responsibility.

In addition to the members of the RMC set out earlier in 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, General Manager, Audit & Risk.

The risk management Committees of each of the Company's UK, Indonesian and French businesses have also been required to provide written reports to the RMC at each Committee meeting. From 1 July 2013, the risks related to Ramsay's Indonesian business will be reported to the Board of Ramsay Sime Darby Health Care Sdn Bhd, as part of new the joint venture with Sime Darby.

Division of risk management responsibilities & functions

The way in which the RMC 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.

Board

- Monitoring the integrity of internal control and reporting systems
- Monitoring strategic risk management

Risk Management Committee

- Oversight of the assessment and management of material business risks
- Oversight of the establishment and implementation of a Risk Management Framework, including reporting guidelines and risk management policies and monitoring compliance with those policies
- Reviewing the effectiveness of the Risk Management Framework in identifying and managing risks and controlling internal processes

Audit Committee

- Oversight of the reporting process
- Oversight and review of the existence and maintenance of internal controls and accounts
- Reviewing the scope and effectiveness of the external audit
- Maintaining lines of communication between the Board and the external auditors

Senior Managers

- Identifying and managing material business risks
- Implementing policies, procedures and systems adopted by the Board
- Assessing the effectiveness of control systems
- Reporting to the Board through the Risk Management Committee regarding the effectiveness of the Company's risk management procedures and systems

Managing Director/Group Finance Director

- Assessing whether risk management procedures and systems are operating effectively in all material respects (including in relation to financial reporting)
- Providing sign-off to the Audit Committee and the Board regarding the integrity of the financial reports
- Providing sign-off to the Board regarding the Company's risk management framework (including internal compliance and control systems)

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 implementation 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.
- High level review of the Company's procurement processes undertaken in 2013 by the Company's insurance brokers, in conjunction with Ramsay internal audit, to identify potential risks to the Company arising from these processes and make any recommendations on how identified risks may be addressed. The result of this review will be 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 FY2013

Management has reported to the Board as to 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 available 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;
- executive incentive plans;
- remuneration of the Company's key management personnel, Company Secretary and any other senior executive reporting to the Managing Director;
- 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 Managing Director; and
- the disclosure of remuneration in the Company's public materials including ASX filings and the annual report.

The Remuneration Committee's current membership, the independence of the members and details of Remuneration Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement.

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

Ramsay's policy is to reward executives with a combination of fixed, performance-based and equity-based incentives. To drive improvements in shareholder value, a significant proportion of remuneration for executive directors and senior executives is 'at risk' based on delivery of returns to shareholders. 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). Non-executive directors receive Board and Committee fees that are set having regard to the responsibilities and risks of the role and market competitiveness. 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). Most of the 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, please refer to the Remuneration Report.

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations			
	ASX Principle	**Reference[2]**	**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	However, as set out in section 2: • the majority of the Non-Executive Directors are independent; 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 valuable contributions to the management and strategy of the Ramsay 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.	1, 2	Yes

2 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[2]**	**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

2 *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[2]**	**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

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

Hospitals & facilities directory

Australia

NEW SOUTH WALES	
Albury Wodonga Private Hospital	www.alburywodongaprivate.com.au
Armidale Private Hospital	www.armidaleprivate.com.au
Baringa Private Hospital	www.baringaprivate.com.au
Berkeley Vale Private Hospital	www.berkeleyvaleprivate.com.au
Castlecrag Private Hospital	www.castlecragprivate.com.au
Coffs Harbour Day Surgery	www.coffsharbourdaysurgery.com.au
Coolenberg Clinic	www.coolenbergdaysurgery.com.au
Dudley Private Hospital	www.dudleyprivate.com.au
Figtree Private Hospital	www.figtreeprivate.com.au
Hastings Day Surgery	www.hastingsdaysurgery.com.au
Hunters Hill Private Hospital	www.huntershillprivate.com.au
Kareena Private Hospsital	www.kareenaprivate.com.au
Lawrence Hargrave Private Hospital	www.lawrencehargraveprivate.com.au
Lake Macquarie Private Hospital	www.lakemacquarieprivate.com.au
Mt Wilga Private Hospital	www.mtwilgaprivate.com.au
North Shore Private Hospital	www.northshoreprivate.com.au
Northside Clinic	www.northsideclinic.com.au
Northside Cremorne Clinic	www.northsidecremorneclinic.com.au
Northside West Clinic	www.northsidewestclinic.com.au
Northside Macarthur Clinic	www.northsidemacarthurclinic.com.au
Nowra Private Hospital	www.nowraprivate.com.au
Port Macquarie Private Hospital	www.portmacquarieprivate.com.au
Southern Highlands Private Hospital	www.southernhighlandsprivate.com.au
St George Private Hospital	www.stgeorgeprivate.com.au
Strathfield Private Hospital	www.strathfieldprivate.com.au
Tamara Private Hospital	www.tamaraprivate.com.au
Warners Bay Private Hospital	www.warnersbayprivate.com.au
Westmead Private Hospital	www.westmeadprivate.com.au
VICTORIA	
Albert Road Clinic	www.albertroadclinic.com.au
Beleura Private Hospital	www.beleuraprivate.com.au
Donvale Rehabilitation Hospital	www.donvalerehabilitationhospital.com.au
Glenferrie Private Hospital	www.glenferrieprivate.com.au
Frances Perry House	www.francesperryhouse.com.au
Linacre Private Hospital	www.linacreprivate.com.au
Masada Private Hospital	www.masadaprivate.com.au
Mildura Base Hospital	www.mildurabasehospital.com.au
Mitcham Private Hospital	www.mitchamprivate.com.au
Murray Valley	www.murrayvalleyprivate.com.au
Peninsula Private Hospital	www.peninsulaph.com.au
Shepparton Private Hospital	www.sheppartonprivate.com.au
The Avenue Hospital	www.theavenuehospital.com.au
Wangaratta Private Hospital	www.wangarattaprivate.com.au
Warringal Private Hospital	www.warringalprivate.com.au
Waverley Private Hospital	www.waverleyprivate.com.au
QUEENSLAND	
Caboolture Private Hospital	www.cabooltureprivate.com.au
Cairns Private Hospital	www.cairnsph.com.au
Cairns Day Surgery	www.cairnsdaysurgery.com.au
Caloundra Private Hospital	www.caloundraprivate.com.au
Greenslopes Private Hospital	www.greenslopesprivate.com.au
Hillcrest Rockhampton Private Hospital	www.hillcrestprivate.com.au
John Flynn - Gold Coast Private Hospital	www.johnflynnprivate.com.au
Nambour Selangor Private Hospital	www.nambourselangorprivate.com.au
New Farm Clinic	www.newfarmclinic.com.au
Noosa Hospital	www.noosahospital.com.au
Pindara Private Hospital	www.pindaraprivate.com.au
Pindara Day Procedure Centre	www.ramsayhealth.com.au
Short Street Day Surgery	www.ramsayhealth.com.au
St Andrew's - Ipswich Private Hospital	www.standrewsipswichprivate.com.au
The Cairns Clinic	www.thecairnsclinic.com.au
North West Private Hospital	www.northwestprivatehospital.com.au
WESTERN AUSTRALIA	
Attadale Private Hospital	www.attadaleprivate.com.au
Glengarry Private Hospital	www.glengarryprivate.com.au
Hollywood Private Hospital	www.hollywoodprivate.com.au
Joondalup Health Campus	www.joondaluphealthcampus.com.au
Peel Heatlh Campus	www.peelhealthcampus.com.au
SOUTH AUSTRALIA	
Adelaide Clinic	www.adelaideclinic.com.au
Fullarton	www.fullartonprivate.com.au
Kahyln	www.kahlyndaycentre.com.au

UK

Ashtead Hospital	www.ashteadhospital.co.uk
The Berkshire Independent Hospital	www.berkshireindependenthospital.co.uk
Duchy Hospital	www.duchyhospital.co.uk
Euxton Hall Hospital	www.euxtonhallhospital.co.uk
Fitzwilliam Hospital	www.fitzwilliamhospital.co.uk
Fulwood Hall Hospital	www.fulwoodhallhospital.co.uk
Mount Stuart Hospital	www.mtstuarthospital.co.uk
New Hall Hospital	www.newhallhospital.co.uk
North Downs Hospital	www.northdownshospital.co.uk
Nottingham Woodthorpe Hospital	www.nottinghamhospital.co.uk
Oaklands Hospital	www.oaklands-hospital.co.uk
Oaks Hospital	www.oakshospital.co.uk
Orwell Private Cardiothoracic Unit	www.orwellhospital.co.uk
Park Hill Hospital	www.parkhillhospital.co.uk
Pinehill Hospital	www.pinehillhospital.co.uk
Renacres Hospital	www.renacreshospital.co.uk
Rivers Hospital	www.rivershospital.co.uk
Rowley Hospital	www.rowleyhospital.co.uk
Springfield Hospital	www.springfieldhospital.co.uk
West Midlands Hospital	www.westmidlandshospital.co.uk
Winfield Hospital	www.winfieldhospital.co.uk
Woodland Hosptial	www.woodlandhospital.co.uk
The Yorkshire Clinic	www.yorkshireclinic.co.uk
Blakelands Hospital	www.blakelandshospital.co.uk
Bodmin NHS Treatment Centre	www.bodmintreatmentcentre.co.uk
Boston West Hospital	www.bostonwesthospital.co.uk
Clifton Park Hospital	www.cliftonparkhospital.co.uk
Cobalt NHS Treatment Centre	www.cobalttreatmentcentre.co.uk
Horton NHS Treatment Centre	www.hortontreatmentcentre.co.uk
Tees Valley Treatment Centre	www.teesvalleytreatmentcentre.co.uk
The Dean Neurological Centre	www.neurologicalservices.co.uk
Gardens Neurological Centre	www.neurologicalservices.co.uk
Jacob Neurological Centre	www.neurologicalservices.co.uk
Orchard Lea Retirement Village	www.ramsayorchardlea.co.uk
The Lodge	www.thelodgeuk.com
The Westbourne Centre (Joint Venture)	www.westbournecentre.com

France

Clinique du Mousseau	www.clinique-dumousseau.fr
Polyclinique Villeneuve Saint Georges	www.polyclinique-villeneuvesaintgeorges.fr
Polyclinique du Plateau	www.polyclinique-duplateau.fr
Clinique Lambert	www.clinique-lambert.fr
Clinique des Franciscaines	www.hopitalprivedeversailles.fr
Clinique de la Maye	www.hopitalprivedeversailles.fr
Clinique la Montagne	www.clinique-lamontagne.fr
Clinique de la Muette	www.clinique-delamuette.fr
Clinique de L'Union	www.clinique-union.fr
Clinique Convert	www.clinique-convert.fr

Indonesia*

RS Premier Jatinegara	www.rs-premierjatinegara.com
RS Premier Bintaro	www.rs-premierbintaro.com
RS Premier Surabaya	www.rs-premiersurabaya.com

Malaysia*

Subang Jaya Medical Centre	www.ramsaysimedarby.asia
Ara Damansara Medical Centre	www.ramsaysimedarby.asia
ParkCity Medical Centre	www.ramsaysimedarby.asia

* These facilities form part of the Ramsay Sime Darby Health Care joint venture

Corporate directory

Directors

Non Executive Directors
Paul Ramsay AO (Chairman)
Michael Siddle (Deputy Chairman)
Tony Clark AM
Peter Evans
Pat Grier AM
Rod McGeoch AO
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 2013

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

Contents

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2013.

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 AO - 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	1,233,873	5,334	430,000
B.R. Soden	270,791	2,000	180,000
A.J. Clark AM	82,000	1,700	-
P.J. Evans	7,209	-	-
I.P.S. Grier AM	-	-	-
R.H. McGeoch AO	57,331	257	-
K.C.D. Roxburgh	79,500	-	-

Mr Paul Ramsay AO has a relevant interest in 73,149,269 (2012: 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

On 1 July 2013, Mr Rex received 600,000 ordinary shares pursuant to retention rights which vested in accordance with the terms of an Executive Service Agreement dated 25 February 2008.

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 Ramsay Health Care Limited Group ("Ramsay" or "the Group") is a global hospital group operating 120 hospitals and day surgery facilities across Australia, the United Kingdom, France, Indonesia and Malaysia. The Group is committed to being a leading provider of health care services by delivering high quality outcomes for patients and ensuring long term profitability. Ramsay is well-respected in the health care industry for operating quality private hospitals and for its excellent record in hospital management, staff engagement 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 12,000 beds, the Group employs over 30,000 staff, now across five countries, and treats over 1.3 million patients per annum.

Ramsay listed on the Australian Securities Exchange in 1997 and, over the last sixteen years has developed and acquired a high quality portfolio of strategically located assets both in Australia and overseas, which have helped to position it at the forefront of the global health care market. Ramsay is committed to ongoing improvement in patient care in all areas and has an excellent record in providing quality patient care and managing clinical risk. All Ramsay facilities offer high quality health care services and are fully accredited with the relevant accreditation bodies in their regions. Accreditation is an important driver for safety and quality improvement and ensures that Ramsay hospitals are at the forefront of health care delivery.

Ramsay maintains a decentralised management structure at all of its hospitals and day surgery facilities which allows managers to develop productive working relationships with doctors. This has assisted in attracting high calibre medical practitioners to work in its facilities. Ramsay 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 and 2013, Ramsay was recognised in the Global 100 Most Sustainable Corporations in the World. In 2013 it was one of only nine Australian companies to make this industry leading corporate sustainability index. It has also been recognised by the FTSE4Good Index every year since 2011 for meeting globally-recognised corporate social responsibility standards.

The Group also commits significant funds and resources to clinical teaching and medical research believing that the private sector has an important role to play in the training and development of the future medical and nursing workforce. To this end, through its hospitals, the Group works closely with government and universities in the training of nursing and medical staff.

Financial Performance

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

Summary of Statutory earnings	**2013 $000**	**2012 $000**	**% Change**
Revenue from services	4,174,535	3,956,476	5.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	599,098	562,354	6.5%
Earnings before interest and tax (EBIT)	452,092	415,460	8.8%
Net profit attributable to owners of the parent	266,404	244,105	9.1%

	2013	**2012**	**% Change**
Basic earnings per share (after CARES dividend)	125.1c	112.7c	11.0%
Diluted earnings per share (after CARES dividend)	123.9c	111.8c	10.8%

Ramsay's net profit attributable to the owners of the parent for the year ended 30 June 2013 was $266.4 million, a 9.1% increase on the previous corresponding period. Earnings per share is 125.1 cents for the year, an 11.0% increase.

The result was driven by strong performance across Ramsay's worldwide portfolio and contributions from recently completed capacity expansions.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Performance (continued)

Operational Highlights – Asia Pacific

Ramsay's Asia Pacific operating segment (Australia and Indonesia) achieved revenue growth of 6.7% increasing to $3.4 billion and EBIT growth of 11.4% increasing to $418.2 million for the year ended 30 June 2013.

At the Australian hospital level EBITDA margins increased 50 basis points from 17.4% to 17.9%. The result was driven by increased admissions, a focus on cost control and an increased contribution from completed brownfield developments. The demand for health care and Ramsay's services continues to increase with an ageing and expanding population and the increased chronic disease burden which drives our investment in brownfield capacity expansion.

During the year some major hospital expansions were completed and opened, including the $47 million expansion of Greenslopes Private Hospital in Brisbane which saw the launch of maternity services at that hospital, and the $10 million expansion of surgical services at Beleura Private on the Mornington Peninsula.

Ramsay also opened the new $133 million Joondalup Private Hospital on the Joondalup Health Campus in Perth, the final stage of the $393 million development at that campus which has spanned four years and has been jointly funded with the WA government.

Ramsay's Indonesian business delivered a strong operating result for the year. In local currency (Indonesian Rupiah) revenue grew 11.5% (to AUD 68.1 million) and EBIT grew 28.0% (to AUD 8.0 million) during the period. EBITDA margins rose to 17.8% from 16.5%. The increased profitability was the result of organic growth of the business, driven by increased admissions and cost control.

Operational Highlights – Europe

The European operating segment (UK and France) realised modest revenue growth of 0.4% increasing to $780.9 million and EBIT growth of 6.5% increasing to $67.0 million.

Ramsay's UK business exceeded expectations during the year with EBITDAR rising 2.6% to £93.4 million off the back of a marginal increase in revenue. Similarly EBIT rose by 6.1% to £31.8 million.

Ramsay UK hospitals recorded a 6.2% rise in NHS admissions. NHS admissions now comprise close to 70% of the total admissions to Ramsay's UK facilities. UK operating margins before rent (EBITDAR) increased by 50 basis points to 25.5%.

Ramsay Santé also performed well with EBITDAR increasing by 4.9% to €31.4 million. Ramsay Santé operating margins before rent (EBITDAR) increased by 30 basis points to 18.0%. EBIT rose by 5.7% to €14.2 million.

Ramsay Santé saw modest admissions growth combined with improved productivity which led to the improved performance.

Financial Position

A summary of the audited balance sheet is set out below:

	2013 $000	2012 $000	% Change
Total assets	4,062,391	3,585,949	13.3%
Total liabilities	(2,520,576)	(2,179,748)	15.6%
Net assets	1,541,815	1,406,201	9.6%

Ramsay's total assets increased by 13.3% due to additional cash held on deposit and an increase in property, plant and equipment of $123 million (net of depreciation charges) due to the brownfields development program. Additionally, goodwill and intangible assets increased $107 million due to the acquisition of Peel Health Campus in Western Australia and Clinique de l'Union in France.

Total liabilities increased by 15.6% due to additional draw-downs in the senior bank debt facilities to fund the acquisition of new hospitals and the on-going brownfields development program.

Ramsay's net asset position increased by 9.6% which is largely attributable to the current year's profit after tax of $266 million less dividends paid of $143 million.

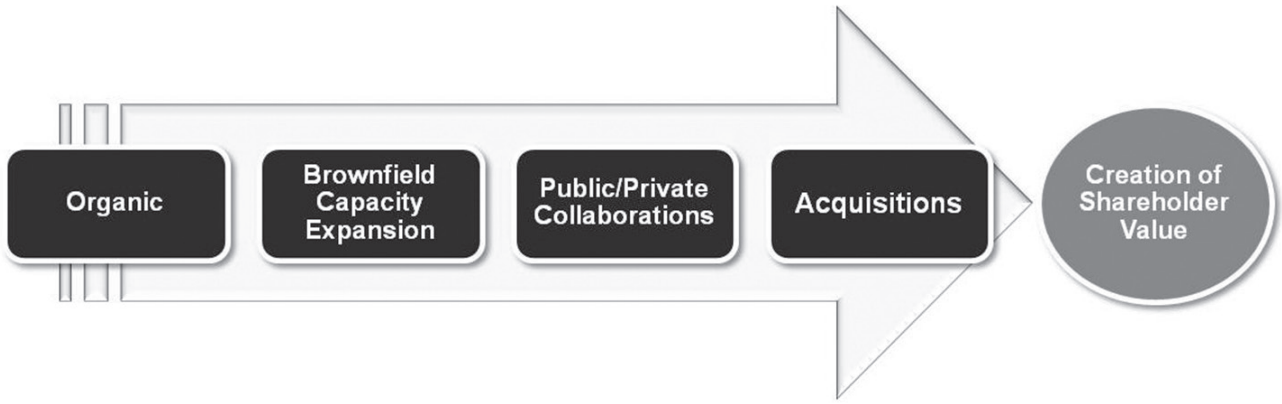
OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cash Flow

Continuing strong operating cash flow has allowed Ramsay to invest significantly in attractive brownfield developments whilst maintaining low leverage and significant financial flexibility. Furthermore, effective working capital management delivered a high cash conversion rate of more than 100% of operating profit (EBITDA) to gross operating cash flow.

Business Strategies and Prospects for Future Financial Years

Ramsay is focused on operating its business effectively and identifying opportunities which will deliver growth, both in the short term and over the longer term. Growth is only pursued if the Group's financial and strategic criteria and investment hurdles are satisfied. Ramsay's growth strategy is broken down into four key components which are discussed below.



Organic

Organic growth is underpinned by demographics, Ramsay's quality portfolio of hospitals and continuous business improvement.

Brownfields Capacity Expansion

Ramsay continues to invest in brownfield capacity expansion. Capacity expansions with a total value of approximately $200 million were approved in FY2013 and have commenced / will commence in FY2014. Some of these include:

- $56 million development of Warringal Private Hospital, Victoria which will see the hospital grow to a 205 bed facility with 10 operating theatres; and
- $64 million for 60 additional beds, 6 operating theatres and associated works at Hollywood Private Hospital, Perth.

Public / Private Collaborations

A key component of Ramsay's growth strategy is further involvement in the provision of public hospital services through "public / private collaborations". In FY2013 Ramsay was successful in acquiring Peel Health Campus, a public hospital located in Western Australia and negotiating a new contract to operate Mildura Base Hospital in Victoria.

In addition, Ramsay's new Sunshine Coast hospital is due to open in December 2013, which will deliver both public and private services and will bring the number of public / private ventures in Ramsay's Australian portfolio to five.

Ramsay will continue to tender for other public / private collaboration opportunities that arise which meet the Group's investment criteria.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Business Strategies and Prospects for Future Financial Years (continued)

Acquisitions

Ramsay acquired its 10th hospital in France in June 2013. Clinique de l'Union, a 531 bed hospital in Toulouse which fits well with Ramsay's growth strategy in that country.

Subsequent to 2013 year end, Ramsay completed a joint venture agreement with Sime Darby Berhad (a listed Malaysian company) to expand their health care businesses in Southeast Asia initially and eventually throughout the whole Asian region. The deal combines Sime Darby's portfolio of health care assets in Malaysia with Ramsay's three hospitals in Indonesia under a new joint venture company known as "Ramsay Sime Darby Health Care". The aim of the joint venture will be to build a quality portfolio of hospitals throughout Asia by leveraging off Ramsay's management expertise and Sime Darby's Asian networks. The joint venture commenced on 1 July 2013.

Ramsay continues to canvass emerging opportunities in France, the UK and other markets.

Material Business Risks

Ramsay faces a number of business risks that could affect the Group's operations, business strategies and financial prospects. These are described below:

Australian government policy & regulation

There are a number of areas in which changes in the policies of State and Federal government may have a material impact on the Australian health sector and, more specifically, the private health care sector and Ramsay. Some of the changes which may affect Ramsay include:

- The Federal Government's move since 1 July 2012 to "means test" individuals' private health insurance rebate may lead to a reduction in the number of Australians who hold private health fund memberships or members downgrading their cover to more affordable policies;
- The government regulation of health funds, in particular, restrictions on the levels of insurance premium increase and the scope of coverage; and
- Private hospital licensing policy which could have the effect of reducing the barriers to entry and exposing Ramsay to increased competition and additional compliance costs.

Foreign country government policy & regulation

As Ramsay continues to expand into foreign markets, the Group must operate in accordance with these countries' government policies and regulations which may differ from Australian government policy and regulation. Changes in foreign government policy may have a material impact on the health sector and Ramsay's business operations.

Additionally, cultural differences may arise in the way businesses operate in foreign markets in comparison to how Ramsay has traditionally carried out its operations. If cultural differences are not identified and addressed, the local population will not be open to using Ramsay's facilities in these markets and the facilities located in foreign countries will not achieve their expected positive contribution to the Group's overall performance.

Acquisitions

Over the last decade, Ramsay has acquired several hospitals and groups of hospitals both locally and abroad. Should these hospitals fail to continue their improvement in financial performance and not achieve their expected positive contribution to the Group's overall financial performance, this may adversely impact on the financial performance and operations of Ramsay.

As discussed above, part of Ramsay's business and growth strategy includes the potential acquisition of additional hospitals. The acquisitions may expose Ramsay to unanticipated liabilities. The process of integrating acquired operations into Ramsay's existing operations may also result in unforseen operating difficulties and may require significant financial resources.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

Health funds

The majority of Ramsay's revenue in Australia is derived from health funds. Accordingly, Ramsay has prima facie, significant credit risk exposure to receivables owing from a single or group of related health funds. The credit quality of these health funds is considered high as they are governed by the prudential requirements of the Private Health Insurance Administration Council (PHIAC).

Additionally, failure to reach a satisfactory commercial relationship with key health funds has the potential to impact on the financial performance and operations of Ramsay. Failure to achieve an acceptable outcome may be because of differences in rates, terms or conditions (including the introduction of different funding models).

Relationships with Doctors

As the majority of doctors operating or working at Ramsay's hospitals are not employees, doctors have no obligation to use any of Ramsay's facilities. Additionally, doctors directly affect the efficiency and quality of services of Ramsay's facilities through the number and type of patients they treat, the time they take in theatre, their consumption of supplies and their decision on when to discharge patients. Furthermore, Ramsay's reputation may be affected by the quality of the doctors using its facilities.

Reliance on Nursing

Ramsay's most significant cost is nursing labour. Whilst currently there is a good supply of nursing labour, it is projected that the supply will tighten over the next 10 years. Should Ramsay be unable to secure sufficient nurses or the cost of nurses escalates beyond anticipated levels this could impact on the financial and operational performance of the business.

Insurance

Insurance is maintained within ranges of coverage consistent with industry practice. If any one of Ramsay's insurers ceased to be in a position to meet claims (for example, because of insolvency) Ramsay could be materially adversely affected.

Licences

Hospitals are required to be licensed under various legislation. These licences are generally subject to annual review and are subject to revocation in certain circumstances. Hospitals cannot operate without a valid licence. If Ramsay is unable to secure applicable licences for the operation of its hospitals in the future or if any of its existing hospital licences are revoked, this may have a material adverse effect on Ramsay.

Competition

Ramsay operates in markets with established competitors and no assurance can be given that the actions of existing or future competitors will not have a material adverse effect on Ramsay's ability to implement its plans and on Ramsay's business, results of operations or financial condition.

Dividends

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

Final dividend recommended @ 41.5 cents per share (2012: 34.5 cents)	\$83,864,000 (2012: \$69,718,000)
Interim dividend paid during the year @ 29.0 cents per share (2012: 25.5 cents)	\$58,604,000 (2012: \$51,531,000)

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

Final dividend recommended @ \$2.73 per security (2012: \$3.20)	\$7,088,000 (2012: \$8,318,000)
Interim dividend paid during the year @ \$2.77 per security (2012: \$3.34)	\$7,190,000 (2012: \$8,694,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2012: 30%).

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 for profit 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 2013 was authorised for issue on 6 September 2013 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 1,352,000 (2012: 1,221,000) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to Note 24 of the financial statements for further details of any rights outstanding as at 30 June 2013.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad (a Malaysian listed company), through the contribution of our Indonesian assets and cash payments to Sime Darby Berhad of approximately $120 million over 3 years. The transaction will combine Sime Darby's portfolio of health care assets in Malaysia with Ramsay's three hospitals in Indonesia.

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

LIKELY DEVELOPMENTS 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

We are pleased to present you with the 2013 Remuneration Report.

A key focus of the Report is to demonstrate how our remuneration policies and practices are linked to the Company's performance, not just from a design perspective but in terms of the outcomes they deliver in practice.

FY2013 was another year of strong performance by Ramsay, both in terms of financial results, as well as the achievement of several significant strategic and operational milestones that will position Ramsay to continue delivering sustained returns to shareholders.

Ramsay's remuneration strategy has been highly effective in retaining key executive talent and motivating sustained high performance, without resulting in excessive levels of executive pay. While executives have been rewarded with vesting of the at-risk components of their remuneration, this has been a direct result of their success in delivering the Company's strategy and the value they have created for shareholders. In spite of the sustained levels of high performance, the Board and Remuneration Committee have resisted the temptation to approve large increases in executive remuneration. For FY2014, the Board has approved a fixed remuneration increase for Executives which in no case exceeded 3%. Further, for FY2014 long-term incentive awards, the Board and Remuneration Committee have made it even more challenging for participants to achieve the minimum, threshold level of vesting in relation to the earnings per share performance hurdle.

The Board was delighted during the year to agree a contract extension with the CEO and Managing Director, Chris Rex, that will see him continue in this role until at least 30 June 2016. The Board considers Mr Rex to be a key driver of the Company's success, and is confident that Mr Rex will continue to provide outstanding leadership to Ramsay's senior management team and to all staff across the Group.

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.

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

Yours sincerely

Rod H McGeoch AO
Chairman
Remuneration Committee

REMUNERATION REPORT – Audited

The Directors present this Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (**Act**) for the Company and its controlled entities (**the Group**) for the year ended 30 June 2013 (**FY2013**). The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act.

This Remuneration Report sets out the compensation arrangements in place for the key management personnel (**KMP**) of the Group for the purposes of the Act and the Accounting Standards (see table 1 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 Managing Director and his direct reports (referred to collectively in this Report as **Executives**) and the other Directors of the Company.

Table 1 – Key Management Personnel for FY2013

Key Management Personnel			
Non-Executive Directors		**Executives**	
Name	**Position**	**Name**	**Position**
P.J. Ramsay AO	Chairman	C.P. Rex	CEO and Managing Director (**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 AO	Director		
K.C.D. Roxburgh	Director		

The Remuneration Report is presented in the following sections:

Table 2 – 2013 Remuneration Report: Contents

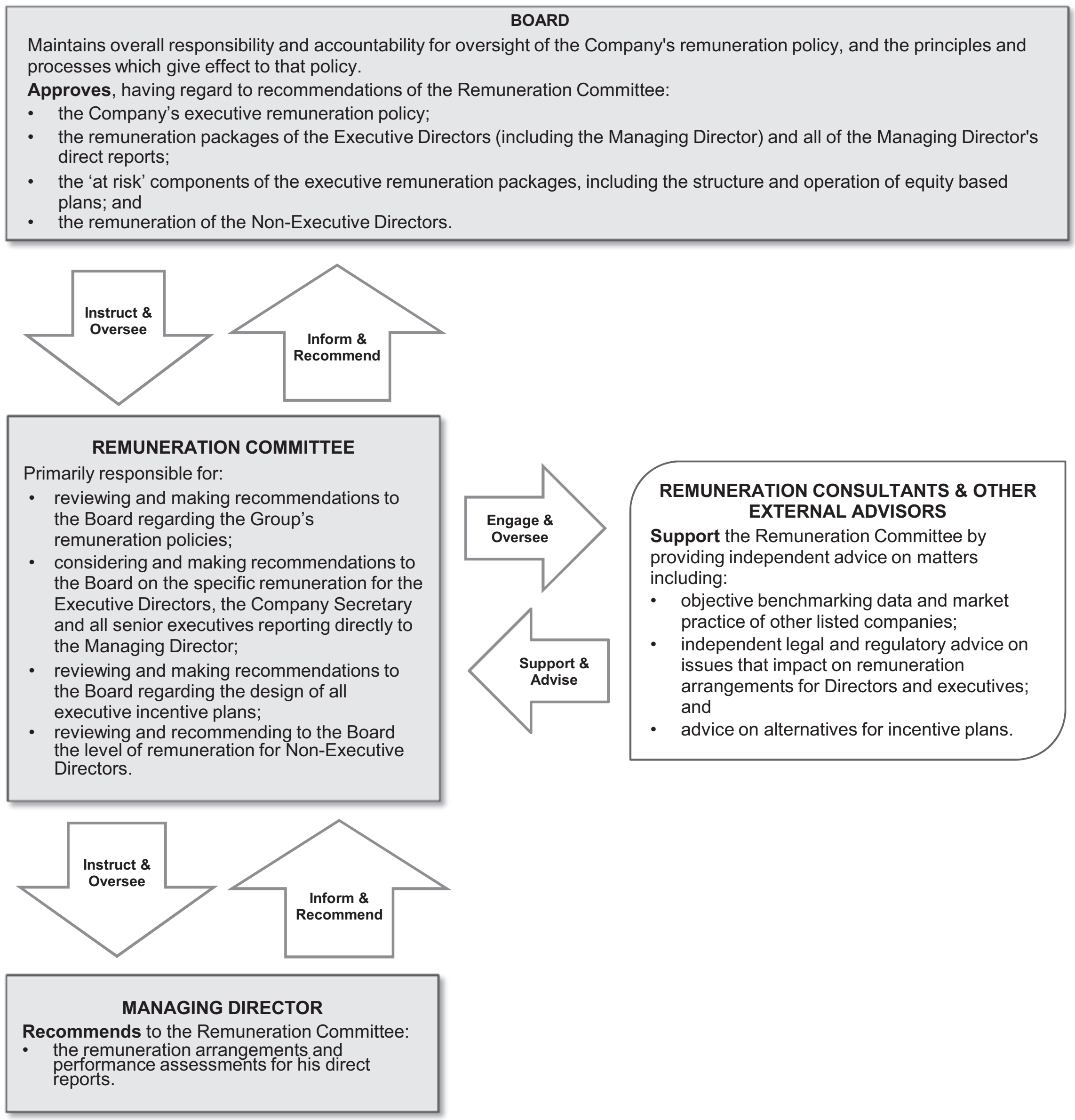
REMUNERATION REPORT – Audited

1. 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

1. 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. The Remuneration Committee membership is currently comprised of Messrs. McGeoch, Siddle and Evans.

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 sections of this Annual Report.

Engagement of remuneration consultants 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 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.

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, the Remuneration Committee has formal selection criteria and is responsible for oversight of any direct interaction between a remuneration consultant and a member of the Company's KMP. Recommendations from a remuneration consultant must also be accompanied by a declaration that the recommendation has been made free from undue influence by any member of the KMP.

During FY2013, Godfrey Remuneration Group (**Godfrey**) 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.

Godfrey's fees for providing the remuneration recommendations were approximately $19,800 (including GST). Godfrey did not provide any other advice to Ramsay during FY2013 and accordingly the Company did not make any payments to Godfrey other than those disclosed above. The Remuneration Committee engaged Godfrey to undertake independent benchmarking analysis for Non-Executive Directors' fees as well as salary levels for Executives.

The recommendations that were provided by Godfrey in FY2013 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, the Protocols were complied with in all respects.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY

Guiding principles

The key principles that underpin Ramsay's Executive remuneration approach and structures are set out in table 3 below.

Table 3 – Executive remuneration – guiding principles

Principle	Explanation
Talent management attraction and retention	The Company's remuneration structure aims to attract and retain exceptional people to lead and manage the Group and to support internal development and promotion of executive talent from within the Company.
Performance driven outcomes	The amount of remuneration ultimately earned by any individual is dependent on superior performance and generating value for shareholders that is mainly achieved through the 'at-risk' components of Executive remuneration.
Long-term value for shareholders	To drive sustainable growth and returns to shareholders, Executives are set both short-term and long-term performance targets linked to the core activities necessary to build competitive advantages for the Group's business, without creating excessive risk for the Group. Executives are not permitted to hedge any unvested equity awards and any shares acquired are subject to disposal and dealing restrictions.
Communication & engagement of stakeholders	The Board is committed to clear, transparent disclosure and explanation of the Company's remuneration structures for shareholders and other users of the Report. Where appropriate, the Board seeks and considers the views of shareholder representative bodies in designing and implementing remuneration structures, and welcomes questions from shareholders.

Overview of Executive remuneration structure

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 is determined by the Board on the recommendation of the Remuneration Committee. The mix that applied for FY2013 is set out in the table below:

Table 4 – Relative mix of remuneration components for Executives for FY2013

	% of Total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
		Maximum STI Opportunity [1]	LTI Opportunity [2]
C.P. Rex	25%	25%	50%
B.R. Soden	35%	17%	48%
D.A. Sims	34%	17%	49%
C.R. McNally	34%	17%	49%

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

REMUNERATION REPORT – Audited

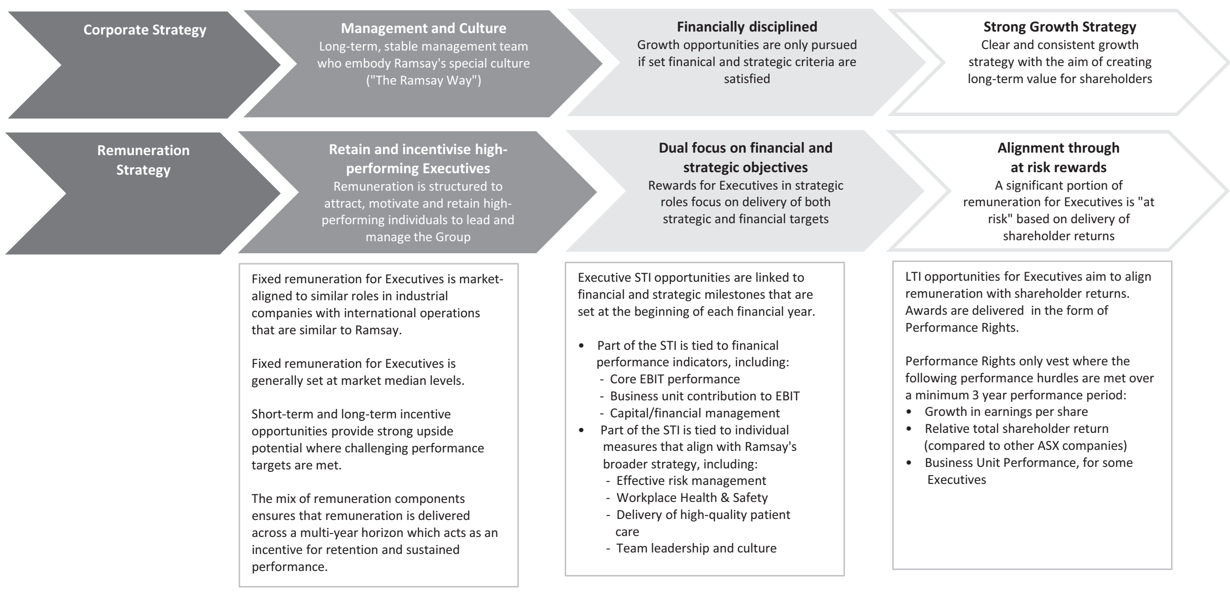
2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Supporting 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 Ramsay staff across the Group under the stewardship of the Board and leadership of the Managing Director and other 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.

Diagram 2 - Aligning Remuneration Structures to Corporate Strategy and Objectives



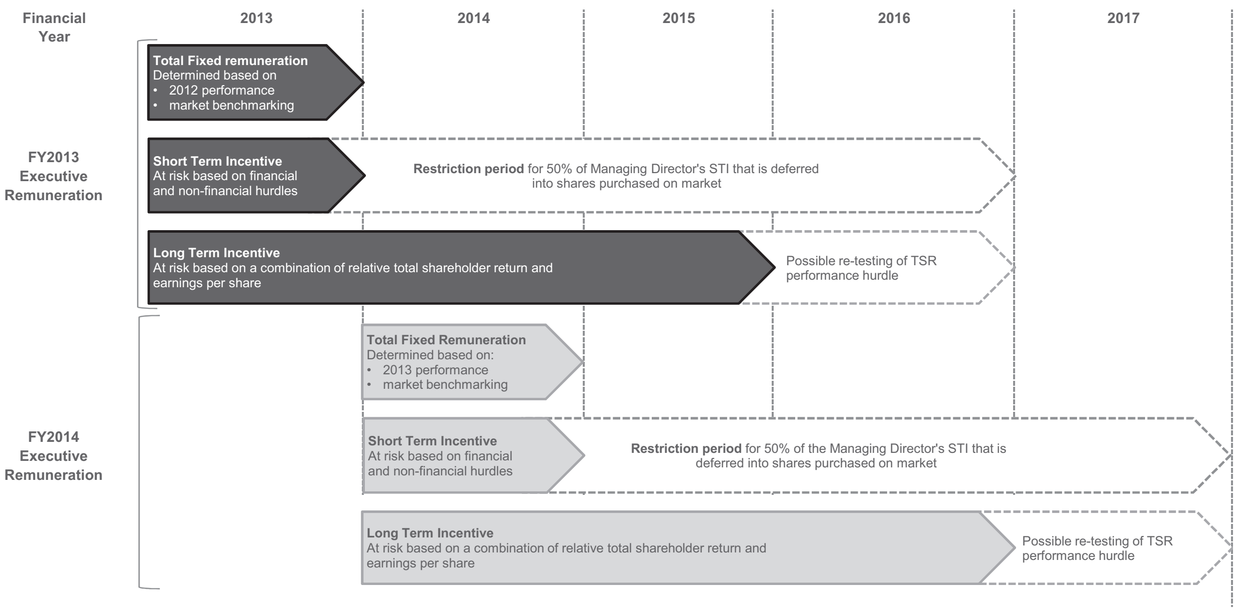
The mix of remuneration components ensures that remuneration is delivered across a multi-year horizon which acts as an incentive for retention and sustained performance and discourages excessive risk taking or short term focus.

The components of remuneration are structured to create a mix of short-term and long-term incentives that motivate Executives 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

2. EXECUTIVE REMUNERATION POLICY (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 or behaviours that involve excessive risk, but are instead focused on achieving and maintaining sustained returns. Staggering the point at which rewards deliver value also supports the retention of high-performing Executives.

Aligning outcomes for shareholders and Executives

The success of our remuneration structures in aligning shareholder and Executive rewards is demonstrated by the Company's strong performance and delivery of value to shareholders, together with the value derived by Executives from the Company's remuneration arrangements.

FY2013 remuneration outcomes

Details of the remuneration of Executives, prepared in accordance with statutory obligations and accounting standards, are set out in table 18 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.

Table 5 below summarises the actual reward outcomes for the Executives for FY2013, being the amounts the Executives became entitled to in FY2013 having satisfied any applicable performance hurdles. This includes their fixed remuneration for FY2013, the short-term incentives (**STI**s) that they earned based on FY2013 performance, the long-term incentives (**LTI**s) that vest based on multi-year performance up to and including FY2013, and any other payments received by them during the year.

The key difference between remuneration figures provided in table 5 compared to the statutory table (table 18) is that the statutory table requires the value of equity grants to be estimated and apportioned over the relevant vesting period, irrespective of whether those awards ultimately vest. By contrast, the actual reward outcomes table below only captures equity grants that vested based on performance and delivered value to the Executive in FY2013.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Table 5 – Actual remuneration of the Executives for FY2013

	Cash salary	STI [1]	LTI [2]	Superannuation	Other [3]	**Total**
C.P. Rex	$2,100,000	$1,998,697	$1,918,158 [4]	$16,470	$18,754	**$6,052,079**
B.R. Soden	$1,320,000	$656,000	$1,248,975	$16,470	$32,692	**$3,274,137**
C.R. McNally	$775,000	$385,000	$874,282	$16,470	$19,560	**$2,070,312**
D.A. Sims	$775,000	$385,000	$999,180	$16,470	-	**$2,175,650**

1. *This figure represents the actual STI earned for performance in FY2013 (to be paid in FY2014). 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. STI payments are only finalised and made after the Auditors have signed the statutory financial statements in September 2013.*

2. *This figure represents the value of the performance rights (**Performance Rights**) that vest based on multi-year performance up to and including FY2013. The value is calculated by multiplying the number of vested rights by the 5-day volume weighted average share price (**VWAP**) up to and including the date of vesting. Performance Rights, including those granted in FY2013, that remained unvested as at 30 June 2013 do not appear in this table, as no actual value was realised by Executives from these Performance Rights during FY2013.*

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 ($1,373,872). In addition, the amount includes the value of dividends paid during FY2013 in respect of the 600,000 shares underlying Mr Rex's retention rights ($544,286).*

The remuneration outcomes for the Executives continue to align with the overall performance of the Group, which has remained strong throughout FY2013. The high levels of at-risk rewards earned in FY2013 reflect the Group's continuing strong performance, both in absolute terms and relative to its peers.

5 year history – alignment of performance and remuneration outcomes

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.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Table 6 – Year-on-year performance snapshot

Financial Year	Share Performance				Earnings Performance (A$m)		Enterprise Value [3] (A$m)
	Closing share price (A$)	Dividend (cents/share)	TSR Percentile Ranking [1] (%)	Core EPS [2] (cents/share)	Core EBIT	Core NPAT	
2013	$35.81	70.5¢	96.55%	135.9¢	$485.3	$290.9	$8,485
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

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 9 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 FY2009, there have been no material divested operations for accounting purposes.*

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

STI performance outcomes

The Company's strong year-on-year performance has resulted in Executives receiving a substantial proportion of their available STI bonuses for FY2013 and the four preceding financial years. Table 7 below sets out the average proportion of the maximum bonuses that Executives received for each of the past 5 financial years.

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

Table 7 – Average proportion of STI awarded, FY2009-FY2013

Financial Year	2009	2010	2011	2012	2013
% of maximum STI awarded (average for Executives)	92%	96%	100%	93%	97%

LTI performance outcomes

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 5 years, consistent with the strong performance of the Company both on a stand-alone basis and compared to its peers.

The Company's sustained growth in EPS has resulted in full vesting of rights granted under the LTI programme that are tested against a 3-year aggregate EPS hurdle. This hurdle has been in place for grants made under the LTI programme since 2009, and has been relevant for grants that have vested in the 2011, 2012 and 2013 financial years. Table 8 provides further details.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

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 programme
2013	301.1	334.6	353.1	100%
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.

For FY2014 LTI grants, the Board and Remuneration Committee have made it even more challenging for participants to achieve the minimum, threshold level of vesting in relation to the EPS performance hurdle. See page 62 for further detail regarding this change.

Similarly, Ramsay's strong TSR performance relative to its peers has resulted in high levels of vesting for those rights granted under the LTI programme that are subject to a TSR performance condition.

Table 9 sets out the TSR results over the last three years. Further details of how TSR is calculated and the comparator groups for each of the grants are set out in table 14.

Table 9 – TSR Performance

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 programme
2013	50%	75%	96.55%	100%
2012	50%	75%	88.89%	100%
2011	50%	75%	95.83%	100%

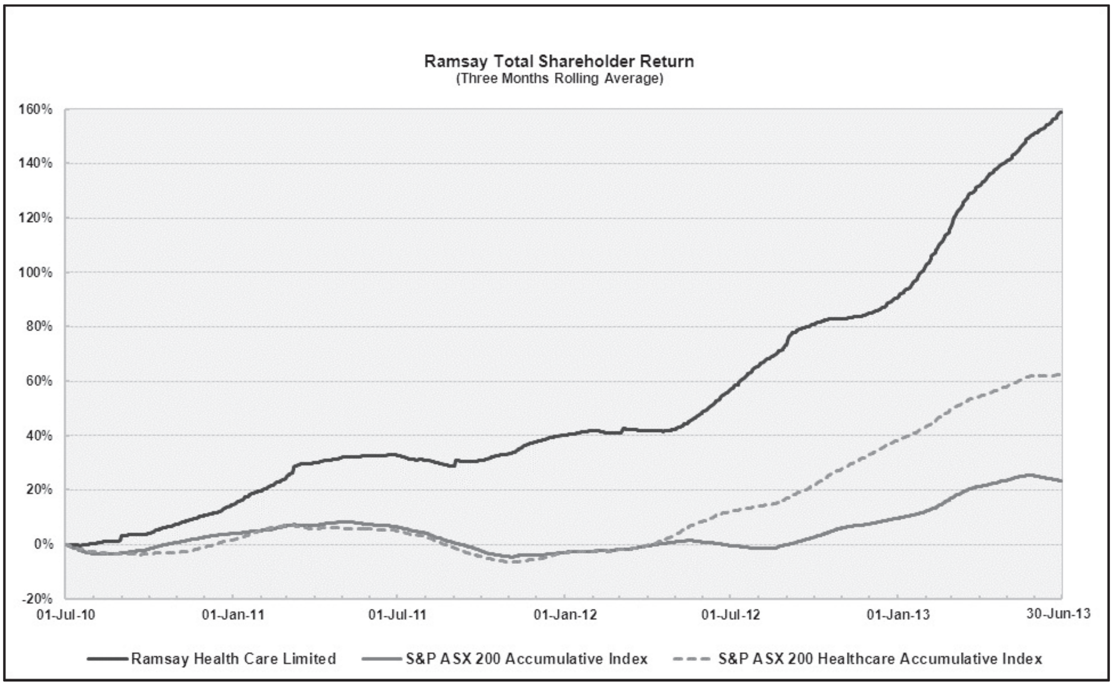
1. TSR measured over the 3-year performance period up to the close of each relevant Financial Year

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.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

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



Source: Orient Capital Pty Limited

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

Striking the balance between reward and restraint

The Executive remuneration outcomes in recent years demonstrate that there has been a strong correlation between the returns delivered by the Company to its shareholders and the rewards derived by Executives from STI and LTI grants, and that the intended alignment between shareholder and Executive interests is being achieved in practice.

While Executives have received high levels of vesting from their at-risk remuneration components, this has not been accompanied by large increases in their fixed remuneration levels. Total remuneration packages for Executives remain moderate compared to the market. Even though the Group continues outperform the market, it has demonstrated appropriate restraint in setting remuneration packages.

Ramsay's excellent record of retaining its Executives is an indication that factors beyond remuneration, in particular the strong Ramsay Way culture and the Group's investment in the development of staff through tailored training programmes, are equally important in attracting, motivating and retaining talented employees as well as supporting the internal promotion of staff to management positions.

This culture of reward and retention applies to all employees, not just those occupying the most senior positions. Consistent with its commitment to reward its loyal and hard-working employees, Ramsay has launched a general employee share programme and made the first offers under this programme in July 2013 in respect of FY2014. A $1,000 free share offer was made to Australian-resident permanent employees with 3 years of completed service, and an offer to acquire up to $5,000 of Ramsay shares under a salary sacrifice arrangement was made to employees in senior management roles (shares acquired under the salary sacrifice scheme were purchased at market value; i.e., participants did not receive any discount).

The response by our employees to the employee share programme has been extremely positive. The majority of senior managers who were eligible to participate in the salary sacrifice arrangement elected to acquire shares under the scheme, and over 14,000 employees have acquired $1,000 worth of Ramsay shares under the free share offer.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY (CONTINUED)

Management of Risk linked to Remuneration Framework

One of the key factors to the Board's approach to setting Executive remuneration is to discourage excessive risk taking or short term thinking by Executives. Ramsay's Executive remuneration framework is structured in a way that encourages strategic decision-making and behaviours that align with the Group's long-term interests. Key features of the remuneration framework which discourage excessive risk taking include the use of strategic goals as part of the STI key performance indicators, an LTI with performance hurdles that utilise a combination of internal and external measures, and a prohibition on hedging unvested equity awards. The introduction of changes to the Executive Performance Plan in FY2014 (refer page 62) further reinforces the link between the remuneration framework and management of risk. This approach to management of risk is consistent with the robust approach to risk management that Ramsay adopts across all aspects of its business (refer to the Corporate Governance Statement of this Annual Report for further details of the risk management framework).

3. EXECUTIVE REMUNERATION: IN DETAIL

Remuneration components

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 regularly 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 higher than the Group, and 10 companies having enterprise value and revenue lower than the Group's. The independent consultant engaged by the Remuneration Committee to provide the benchmarking data for purposes of the FY2013 remuneration review process was Godfrey. Godfrey has no link to the Company, its Directors, or any Executives other than as a professional service provider.

Even though the Company continues to perform strongly, the Board and Remuneration Committee's practice is to set fixed remuneration for Executives at median market levels and exercise restraint in its approach to Executive fixed salary increases. Based upon the benchmarking data provided to the Remuneration Committee, a recommendation was made (and accepted by the Board) to increase fixed remuneration for all Executives (including the Managing Director) by a modest amount of no more than 3% for FY2014. The restraint exercised in respect of fixed remuneration has meant that STI opportunity levels, which are directly connected to fixed remuneration, have only increased modestly in recent years.

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 Executives (including the Managing Director) is fair and reasonable.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Short-term Incentive (STI)

Table 10 – Summary of STI Programme

<table>
<tr><td>What is the STI programme?</td><td>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 key performance indicators (KPIs) are set at the beginning of each year for each of the Executives, including the Managing Director.</td></tr>
<tr><td>Who participates in the STI programme?</td><td>The Executives (including the Managing Director) as well as other key executives and senior managers on a discretionary basis.</td></tr>
<tr><td>Why does the Board consider the STI programme an appropriate incentive?</td><td>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 Executives' 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 Executives to achieve the operational targets at a cost to the Company that is appropriate in the circumstances.</td></tr>
<tr><td>Are both target and stretch performance conditions imposed?</td><td>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 KPIs, with:
60% of the total maximum STI opportunity available where target performance levels are achieved; and
a further 40% of the total maximum STI opportunity 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, a single set of challenging KPIs apply to the entire STI bonus (although the specific targets vary between individual Executives, as explained below).</td></tr>
<tr><td>Are both financial and non-financial performance considered?</td><td>Managing Director
As noted above, the Managing Director's 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 FY2013<table><tr><th></th><th>% Financial KPIs</th><th>% Non-financial KPIs</th></tr><tr><td>C.P. Rex</td><td>50%</td><td>50%</td></tr><tr><td>B.R. Soden</td><td>50%</td><td>50%</td></tr><tr><td>C.R. McNally</td><td>70%</td><td>30%</td></tr><tr><td>D.A. Sims</td><td>50%</td><td>50%</td></tr></table></td></tr>
</table>

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

What are the key performance indicators (KPIs)?

Managing Director

The KPIs for the Managing Director's FY2013 STI are set out in the table below.

Table 12 – FY2013 KPIs for the Managing Director

	Target KPIs (60% of total maximum STI opportunity)	***Stretch KPIs (40% of total maximum STI opportunity)***
Financial	• Financial performance to budget *(30%)	• Core NPAT above FY2013 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; • effective risk management; • stakeholder management; • promotion of the "Ramsay Way" and culture; • management of relationship with joint venture partners; and • major acquisitions.

* Further details of the financial performance measures used to assess this component of the Managing Director's STI are set out in table 13 of this Report.

** Full vesting of the financial component of the Managing Director's stretch KPIs will only occur where Core NPAT exceeds the FY2013 budget by 6% or more.

Other Executives

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

Examples of the FY2013 *financial* KPIs used for Executives other than the Managing Director include:

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

Examples of the FY2013 *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:
    - Sustainable workforce for the future;
    - Search for strategic acquisitions;
    - Management of Brownfield opportunities;
    - New Business Initiatives;
    - Investor Relations; and
    - Effective communication.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Why were the KPIs chosen?	Underpinning the KPIs are the Company's objectives of: • delivering safe, high quality clinical care for our patients; • providing a safe working environment for our people; and • generating value for shareholders. 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.
What is the methodology for evaluating performance?	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 Workplace Health and Safety KPI for the Managing Director is assessed based on the year-on-year change in the Lost Time Injury Frequency Rate. The acquisitions of Peel Health Campus, Clinique de l'Union and the Sime Darby joint venture are examples of satisfaction of the 'strategic acquisitions' KPI. Where quantitative assessment is not practicable, qualitative performance appraisals 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 STI performance?	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. Half of the Managing Director's STI award is paid in cash, with the remaining 50% (less any applicable tax) applied towards the purchase on-market (and at the prevailing market price) of ordinary shares in the Company. The shares acquired 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 the trading of these shares have been imposed to further strengthen the link between the Managing Director's remuneration and shareholder interests.
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 FY2013?	STI payments for FY2013 are set out in table 13 below.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

STI payments for FY2013

The methodology for assessing STI payments, based upon performance against KPIs is set out in the table above and explained further below.

An evaluation was undertaken by the Remuneration Committee of the Managing Director's performance against his target KPIs and his 'stretch' KPIs for FY2013. The Group's financial performance in FY2013 was outstanding, with Core EPS and Core NPAT exceeding the previous year by 17.1% and 15.1% respectively. As a result, the Managing Director's financial target KPIs 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 FY2013). 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 95.2% 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 FY2013 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 FY2013, the Remuneration Committee recommended to the Board that each of the Executives receive 100% of their STIs for FY2013. This recommendation was accepted and approved by the Board.

STI payments are only paid after the auditors have signed off on the statutory financial accounts for the full year.

Table 13 shows the actual STI bonus amounts to be paid to the Executives for their performance in FY2013.

Table 13 – STI bonuses for Executives FY2013 – to be paid in FY2014

Executive	Minimum potential STI Bonus	Maximum potential STI bonus [1]	Actual STI for FY2013, to be paid in FY2014 subject to target KPIs	Actual STI for FY2013, to be paid in FY2014 subject to 'stretch' KPIs	Actual STI awarded as % of Maximum STI
C.P. Rex [2]	Nil	$2,100,000	$1,260,000	$738,697	95.2%
B.R. Soden	Nil	$656,000	$656,000	Not applicable	100%
D.A. Sims	Nil	$385,000	$385,000	Not applicable	100%
C.R. McNally	Nil	$385,000	$385,000	Not applicable	100%

1. *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.*
2. *As Mr Rex exceeded target performance levels for FY2013 and also partially succeeded in meeting the 'stretch' targets, his total FY2013 STI award is 95.2% of the total maximum STI available for the financial year. Mr Rex's FY2013 STI award is comprised of a cash payment (50%) and a portion (50%, less taxes) used to purchase restricted shares. The maximum potential value of Mr Rex's FY2013 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.*

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Long-term Incentive (LTI)

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 senior 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. All the Executives participate in the LTI programme.
What proportion of total remuneration does the LTI programme represent for Executives?	For FY2013 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 FY2013.
How is reward delivered under the LTI programme?	LTI grants are delivered in the form of equity-based Performance Rights under the Company's Executive Performance Rights Plan (**Plan**). 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.
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. In addition, all shares allocated on vesting and exercise of Performance Rights can only be dealt with in accordance with the Company's Securities Trading Policy. Participants may elect to have the shares they received under the Plan held in trust, in which case further restrictions on dealing apply.
What are the performance hurdles?	Grants to Executives 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 Earnings Per Share growth (**EPS**) hurdle. For certain other 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 participants who have direct responsibility and control over a discrete business unit (e.g divisional and business unit heads). Grants subject to a Business Unit Performance hurdle are 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

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Long-term Incentive (LTI)

Table 14 – Summary of LTI Programme

<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. 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 FY2010 LTI grant (which vested in FY2013), the comparator group comprised the 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.
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 may be adjusted where appropriate as a result of mergers, insolvencies, takeovers or other corporate reconstructions during the performance period.
Performance Rights tested against the relative TSR hurdle vest on a sliding scale as 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 6 and 12 months following the original testing date) based on 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 after 6 and 12 months (if necessary) affords 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

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Long-term Incentive (LTI)

Table 14 – Summary of LTI Programme

<table>
<tr><td>How is the EPS hurdle measured?</td><td>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 2a of the Financial Report).
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 and motivating 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.
No re-testing of the EPS hurdle is permitted.</td></tr>
<tr><td>What are the EPS Targets and Thresholds?</td><td>The following table outlines the vesting schedule for the Performance Rights that are tested against the EPS hurdle.
Table 16 – EPS hurdle vesting schedule
<table>
<tr><th>Aggregate EPS performance</th><th>% of Performance Rights subject to the EPS hurdles that vest</th></tr>
<tr><td>Less than aggregate threshold EPS target</td><td>Nil</td></tr>
<tr><td>Equal to aggregate threshold EPS target</td><td>50%</td></tr>
<tr><td>Greater than aggregate threshold EPS target up to the aggregate maximum EPS target</td><td>Between 50% and 100% increasing on a straight line basis</td></tr>
<tr><td>Greater than aggregate maximum EPS target</td><td>100%</td></tr>
</table>
Due to their commercial sensitivity, the annual EPS hurdles and the extent to which the hurdles have been achieved are only disclosed retrospectively. The Company is able to disclose that for the year ended 30 June 2013 the maximum EPS target was set at 129.3 cents per share and the threshold EPS target was 90% of this target (116.4 cents per share).
The EPS achieved in FY2013 was 135.9 cents per share.
For the FY2014 LTI grants, the Board has decided to increase the threshold EPS target to 95% of the maximum EPS target, rather than 90% as has previously been the case.</td></tr>
</table>

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Long-term Incentive (LTI)

Table 14 – Summary of LTI Programme

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). Participants will not derive any value from their TSR Performance Rights 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 and the Company's overall strategic objectives. The Business Unit Performance measure is an additional hurdle only applied for those participants who have direct responsibility and control over the performance of discrete parts of the Group's business. The purpose of this additional hurdle is to help focus the efforts of these participants on 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 Executive ceases employment?	If an Executive ceases employment with the Company before the performance conditions are tested, then the unvested Performance Rights will generally lapse. If the Executive'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 Executive may vest at the Board's discretion, having regard to pro-rata performance and the particular circumstances. All Performance Rights will lapse immediately if an Executive ceases employment within one year after the award date. Where an Executive acts fraudulently, dishonestly or is, in the Board's opinion, in breach of their obligations to the Company, then any unvested Performance Rights will lapse.
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 to the Executives in FY2013?	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. 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 2013 AGM.

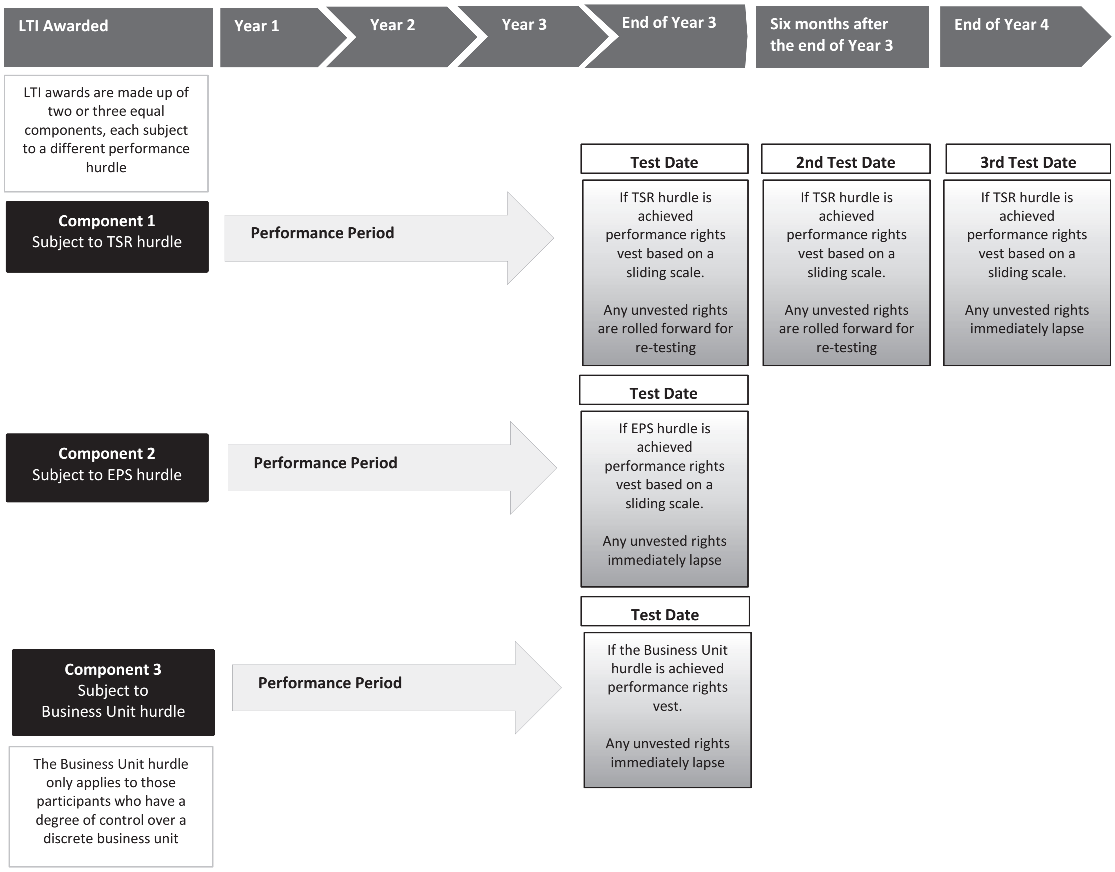
The diagram below illustrates the operation of the performance hurdles for Executives and other participants in the LTI programme.

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (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 years and 4 years.

Details of the Performance Rights granted under the LTI programme in FY2013 are set out below.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Table 17 – Performance Rights granted to Executives in FY2013

Executive	Performance Condition [1]	Number of Performance Rights Granted [2]	Fair value per Performance Right [3]	Maximum value of grant [4]
C.P. Rex	TSR	110,000	$15.80	$1,738,000
	Core EPS	110,000	$22.04	$2,424,400
		220,000		**$4,162,400**
B.R. Soden	TSR	47,500	$15.80	$750,500
	Core EPS	47,500	$22.04	$1,046,900
		95,000		**$1,797,400**
C.R. McNally	TSR	30,000	$15.80	$474,000
	Core EPS	30,000	$22.04	$661,200
		60,000		**$1,135,200**
D.A. Sims	TSR	30,000	$15.80	$474,000
	Core EPS	30,000	$22.04	$661,200
		60,000		**$1,135,200**

1. *Performance Rights are subject to performance over a 3-year period from 1 July 2013 to 30 June 2016. 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, FY2013 Performance Rights have not yet been forfeited or vested.*

2. *The grants made to Executives constituted their full LTI entitlement for FY2013 and were made on 15 November 2012 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 15 November 2012. An explanation of the pricing model used to calculate these values is set out in note 24.2 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).*

Changes to the LTI programme for FY2014

The Board, having regard to recommendations of the Remuneration Committee, has approved changes to the terms of LTI grants made from FY2014. While the main features of the LTI programme will remain the same, key changes that have been made in light of developments in market practice are to:

- Increase the threshold vesting level for Performance Rights tested against the EPS performance hurdle to 95% of the maximum EPS target, rather than 90% as has previously been the case. This will make it even more challenging for participants to achieve the minimum threshold level of vesting of their EPS Performance Rights and strikes an appropriate balance between incentivising participants and demonstrating restraint in reward levels.
- Provide that there will be no accelerated vesting of awards on cessation of employment, except in cases of death and total and permanent disablement. For executives who are deemed to be "good leavers", Performance Rights will generally remain on foot and be tested against the applicable performance conditions in the ordinary course. In other cases, including termination for serious misconduct, unvested Performance Rights will lapse upon termination. The Board believes that this approach will encourage and motivate executives who are planning to cease employment (e.g., on retirement) to continue to act in the best long-term interests of the Company and strengthen even further the alignment between executive and shareholder interests.
- Provide discretion to the Board for Performance Rights that vest to be settled in cash rather than shares. This discretion is only intended to be used in limited circumstances, for example grants under the Plan to be made in overseas jurisdictions without the need to comply with onerous securities law requirements. Adding this additional flexibility will ensure the Plan continues to provide appropriate incentives to participants, having regard to the prevailing regulatory settings at the time grants are made.

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Total remuneration

Details of each Executive's remuneration for FY2013 (calculated in accordance with applicable Accounting Standards) are set out in table 18. All values are in A$ unless otherwise stated.

Table 18 – Executive remuneration for FY2013 and FY2012

Name	Short term			Post employment		Shared based payment rights [3]			Total	Total
	Salary & fees $	Non monetary [1] $	Accrued Bonus [2] $	Superannuation $	Accrued termination benefits $	Amortised cost of incentive share based rights $	Equity based retention rights [4] $	Percentage of remuneration	$	performance related
C.P. Rex										
FY2013	2,100,000	18,754	1,998,697	16,470	-	3,109,667	1,060,800	50%	8,304,388	74%
FY2012	2,000,000	10,818	1,752,595	15,775	-	1,880,417	1,060,800	44%	6,720,405	70%
B.R. Soden										
FY2013	1,320,000	32,692	656,000	16,470	-	1,355,667	-	40%	3,380,829	60%
FY2012	1,250,000	34,773	625,000	15,775	-	900,367	-	32%	2,825,915	54%
C.R. McNally										
FY2013	775,000	19,560	385,000	16,470	-	894,850	-	43%	2,090,880	61%
FY2012	735,000	16,938	367,000	15,775	-	617,133	-	35%	1,751,846	56%
D.A. Sims										
FY2013	775,000	-	385,000	16,470	-	894,850	-	43%	2,071,320	62%
FY2012	735,000	29,276	367,000	15,775	-	631,517	-	36%	1,778,568	56%
Totals										
FY2013	**4,970,000**	**71,006**	**3,424,697**	**65,880**	-	**6,255,034**	**1,060,800**	**46%**	**15,847,417**	**68%**
FY2012	**4,720,000**	**91,805**	**3,111,595**	**63,100**	**-**	**4,029,434**	**1,060,800**	**39%**	**13,076,734**	**63%**

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. *The FY2013 amounts represent Executives' accrued STI for the year, and paid in cash the following year. 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.*
3. *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 programme and equity-based retention grants made that remained unvested as at 30 June 2013). The fair value 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 24 to the financial statements.*
4. *Upon his initial appointment on 1 July 2008 as Managing Director, Mr Rex received equity based retention rights which gave him an entitlement to receive 600,000 ordinary shares in the Company, conditional upon Mr Rex continuing his employment as Managing Director until 1 July 2013. This condition having been fully satisfied, 100% of equity based retention rights granted vested on 1 July 2013. In accordance with the Accounting Standards, the value of these rights has been apportioned over the 5-year vesting period, with one-fifth of the fair value (calculated as at the grant date) shown as remuneration for each year of the vesting period.*

REMUNERATION REPORT – Audited

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Service agreement

Mr Christopher Rex

Mr Rex's contracted term as Managing Director (which expired on 30 June 2013) has been extended by three years until 30 June 2016, after which time it will continue on a rolling basis, unless terminated by either party.

Details of the Managing Director's contract terms for the year ended 30 June 2013 are set out in the Company's 2012 Annual Report.

Details of the Managing Director's Executive Service Agreement applying from 1 July 2013 are set out in the table below.

Table 19 – Key terms of Executive Service Agreement for Mr Rex

Duration	From 1 July 2013 to 30 June 2016 (3 years) (**the Term**). If neither party terminates the Executive Service Agreement before the Term expires, Mr Rex's employment will continue on the existing terms as summarised below.
Termination by Managing Director	12 months' notice in writing is required. Company may elect to make payment in lieu of notice. Where the termination date falls part way through a performance year, Mr Rex will forfeit his entitlement to any STI in respect of that performance year. All unvested equity instruments under the Company's LTI programme will be treated in accordance with the terms of grant (see table 14 for details of the cessation treatment for the LTI grant made in FY2013).
Termination for serious misconduct	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 based on performance up to the date of termination. All unvested equity instruments under the Company's LTI programme will be treated in accordance with the terms of grant (see table 14 for details of the cessation treatment for the LTI grant made in FY2013).
Restraint	The Executive Service Agreement contains restrictions on Mr Rex's ability to compete with any member of the Ramsay Group during his employment or within 6 months after the termination of his employment.

Upon his initial appointment on 1 July 2008, the Managing Director was granted 600,000 equity based retention rights in the Company. The conditions of this grant, which were retention-driven and not subject to performance hurdles, have been fully satisfied, and 100% of the rights granted vested on 1 July 2013.

No retention rights were granted to Mr Rex under his new Executive Service Agreement applying from 1 July 2013.

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

3. EXECUTIVE REMUNERATION: IN DETAIL (CONTINUED)

Other statutory disclosures

Table 20 below shows the movements (during FY2013 and up to the date of this Report) in equity granted to Executives as part of their remuneration.

Table 20 – Movement in Executive equity grants

	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	20-Oct-09	55,000	31-Aug-12	55,000	1,373,873	-	-
	17-Nov-10	150,000	30-Aug-13	150,000	5,202,885	-	-
	17-Nov-11	210,000	29-Aug-14	-	-	-	-
	15-Nov-12	220,000	28-Aug-15	-	-	-	-
Equity Based Retention Rights	1-Jul-08	600,000	1-Jul-13	600,000	21,233,700	-	-
B.R. Soden							
Equity Settled Performance Rights	20-Oct-09	50,000	31-Aug-12	50,000	1,248,975	-	-
	17-Nov-10	75,000	30-Aug-13	75,000	2,601,443	-	-
	17-Nov-11	85,000	29-Aug-14	-	-	-	-
	15-Nov-12	95,000	28-Aug-15	-	-	-	-
C.R. McNally							
Equity Settled Performance Rights	20-Oct-09	35,000	31-Aug-12	35,000	874,283	-	-
	17-Nov-10	55,000	30-Aug-13	55,000	1,907,725	-	-
	17-Nov-11	55,000	29-Aug-14	-	-	-	-
	15-Nov-12	60,000	28-Aug-15	-	-	-	-
D.A. Sims							
Equity Settled Performance Rights	20-Oct-09	40,000	31-Aug-12	40,000	999,180	-	-
	17-Nov-10	55,000	30-Aug-13	55,000	1,907,725	-	-
	17-Nov-11	55,000	29-Aug-14	-	-	-	-
	15-Nov-12	60,000	28-Aug-15	-	-	-	-

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. Vesting will only occur after the announcement of the release of Ramsay's Full Year results for the previous financial year.*
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 table 14 of this Report).*
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:
   - *$24.9795 on 31 August 2012*
   - *$34.6859 on 30 August 2013*

   The value of each Equity Retention Right on vesting was:
   - *$35.3895 on 1 July 2013*
4. *The performance conditions applicable to Performance Rights which vested on 31 August 2012 and 30 August 2013 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.*

REMUNERATION REPORT – Audited

4. NON-EXECUTIVE DIRECTOR REMUNERATION

Guiding principles

The Company's Non-Executive Director remuneration policy is summarised below.

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. The Board will seek shareholder approval at the 2013 AGM for an increase in the aggregate fee pool for Non-Executive Directors to $2,200,000.
Fees are set by reference to key considerations	The aggregate fee pool 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, having regard to: • the responsibilities and risks of the 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 performance-based or 'at risk'. However, to create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in the Company (purchased by the Non-Executive Director on-market).
Reviews of remuneration	The Remuneration Committee and the Board annually reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of good corporate governance.

Board & committee fees

Table 22 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	Fees, per annum, for FY2013: • **Board:** - Chairman - $330,750 - Deputy Chairman - $165,375 - Members - $132,300 • **Audit Committee:** - Chairman - $38,588 - Members - $24,806 • **Risk Management Committee:** - Chairman - $33,075 - Members - $22,050 • **Remuneration Committee:** - Chairman - $19,294 - Members - $13,781 • **Nomination Committee:** - Chairman – Nil - Members – Nil
Other fees/benefits	No additional fees for special duties or exertions were paid during FY2013. 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 the FY2013 rate of 9%) which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was $16,470 per Director for FY2013. Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.

REMUNERATION REPORT – Audited

4. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

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 Executives, being similarly-sized ASX-listed companies with international operations (refer to page 21 for details). The Remuneration Committee engaged the services of an independent consultant, Godfrey to assist with its review of Director and Committee fees for FY2014.

Following the review by Godfrey, FY2014 Board and Committee fees for FY2014 were increased by 5%. Additionally, fees for membership of the Remuneration Committee were increased to $34,000 for the Chair (FY2013: $19,294) and $17,000 for members (FY2013: $13,781). The increase in fees for the Chair and members of the Remuneration Committee reflects the significantly increased workload and responsibility in recent years and brings the fees for this Committee in line with other sub-committees of the Board and to a level consistent with fees paid by Ramsay's peer companies.

The review by Godfrey highlighted that any lesser increases would put the Company behind the market in rewarding its Directors given the size and scope of Ramsay's operations and Director time commitments and responsibilities. The Board is of the view that the increases in fees for Non-Executive Directors for FY2014 are reasonable, in light of the continued expansion of the Group, its ongoing strong performance and the levels of fees paid by peer companies.

Separately, the Board has resolved to seek shareholder approval at the 2013 AGM for an increase in the aggregate Non-Executive Director fee pool to $2,200,000. This is less than the increase recommended by Godfrey. Although it is not intended that the whole fee pool will be utilised in FY2014, the increased pool will allow for some growth in Non-Executive Director remuneration in future years to ensure Ramsay remains competitive and can continue to attract and retain Directors with the appropriate skills and experience.

Preserved benefits under the (frozen) Non-Executive Directors Retirement Benefit Plan

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.

While entitlements have been frozen as at 31 December 2009, they are indexed in line with the one-year Commonwealth Government Bond Rate (adjusted twice a year). No adjustments are made based on increases in Directors' fees or years of service.

The value of the frozen benefits as at 30 June 2013, 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 2012	Total Bond Rate Adjustment	Total Provision 30 June 2013
$2,879,813	$3,211,174	$86,652 [1]	$3,297,826 [1]

1. *Cumulatively an amount of $3,297,826 (2012: $3,211,174) has been provided as at 30 June 2013 and $86,652 (2012: $129,923) expensed in the current year.*

No retirement benefits were paid out in FY2013 or FY2012.

REMUNERATION REPORT – Audited

4. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

Total remuneration

Details of Non-Executive Directors' remuneration for FY2013 and FY2012 (calculated in accordance with applicable accounting standards) are set out in table 24.

Table 24 – Non-Executive Director Remuneration for FY2013 and FY2012

Director	Short-term benefits ($)		Post-employment benefits ($)		Total Fees $
	Fees	Non-monetary Benefits	Superannuation Contributions [1]	Retirement Benefits [2]	
P.J. Ramsay AO (Chairman)					
FY2013	330,750	-	16,470	23,075	370,295
FY2012	315,000	-	15,775	34,597	365,372
M.S. Siddle (Deputy Chairman)					
FY2013	179,156	-	16,124	12,666	207,946
FY2012	170,625	-	15,356	18,991	204,972
A.J. Clark AM					
FY2013	171,246	-	- [3]	11,148	182,394
FY2012	149,625	-	13,466	16,715	179,806
P.J. Evans					
FY2013	217,744	-	16,470	16,000	250,214
FY2012	207,375	-	15,775	23,990	247,140
I.P.S. Grier AM					
FY2013	154,350	-	13,892	-	168,242
FY2012	147,000	-	13,230	-	160,230
R.H. McGeoch AO					
FY2013	151,594	-	13,643	10,810	176,047
FY2012	144,375	-	12,994	16,208	173,577
K.C.D. Roxburgh					
FY2013	179,156	-	16,124	12,953	208,233
FY2012	170,625	-	15,356	19,422	205,403
Totals					
FY2013	**1,383,996**	**-**	**92,723**	**86,652**	**1,563,371**
FY2012	**1,304,625**	**-**	**101,952**	**129,923**	**1,536,500**

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.*
3. *During FY2013 Mr Clark opted to receive cash in lieu of what he would otherwise receive from the Company for his Superannuation Contributions ($14,140).*

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 71 and forms part of this report.

INDEMNIFICATION OF AUDITOR

As part of the Company's terms of engagement with Ernst & Young, the Company has agreed to indemnify Ernst & Young against certain liabilities to third parties arising from their engagement as auditor. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

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.

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

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	$	1,194,000
Other services	$	381,000

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Deputy Chairman

C.P. REX
Managing Director

Sydney, 6 September 2013

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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 2013, 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

David Simmonds
Partner
Sydney
6 September 2013

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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 2013, 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.

Building a better working world

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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Simmonds
Partner
Sydney
6 September 2013

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 2013 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 2013.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

M.S. SIDDLE	**C.P. REX**
Deputy Chairman	**Managing Director**

Sydney, 6 September 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Revenue and other income			
Revenue from services	4	4,174,535	3,956,476
Interest income		4,257	4,625
Revenue - income from the sale of development assets		2,844	4,976
Other income - profit on sale of assets		2,346	7,406
Total revenue and other income		**4,183,982**	**3,973,483**
Employee benefits costs	5	(2,066,031)	(1,948,344)
Occupancy costs	5	(260,972)	(254,818)
Service costs		(203,110)	(211,975)
Medical consumables and supplies		(1,048,837)	(987,012)
Depreciation and amortisation	5	(147,006)	(146,894)
Cost of goods sold - book value of development assets sold		(1,677)	(4,355)
Total expenses, excluding finance costs		**(3,727,633)**	**(3,553,398)**
Profit from continuing operations before tax and finance costs		**456,349**	**420,085**
Finance costs	5	(69,695)	(83,507)
Profit before income tax from continuing operations		**386,654**	**336,578**
Income tax	6	(118,279)	(90,720)
Net profit for the year		**268,375**	**245,858**
Attributable to non-controlling interest		1,971	1,753
Attributable to owners of the parent		266,404	244,105
		268,375	**245,858**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	125.1	112.7
Profit (after CARES dividend) from continuing operations	7	125.1	112.7
Diluted earnings per share			
Profit (after CARES dividend)	7	123.9	111.8
Profit (after CARES dividend) from continuing operations	7	123.9	111.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Net profit for the year		268,375	245,858
Items that will not be reclassified to net profit			
Actuarial loss on defined benefit plans	28	(1,481)	(1,045)
Items that may be subsequently reclassified to net profit			
Cash flow hedges			
Gain/(Loss) taken to equity		1,653	(18,031)
Transferred to Income Statement		9,424	9,802
Net loss on bank loan designated as a hedge of a net investment		(15,202)	(4,439)
Foreign currency translation		35,110	(6,423)
Income tax relating to components of other comprehensive income		(3,327)	2,469
Other comprehensive income/(expense) for the year, net of tax		**26,177**	**(17,667)**
Total comprehensive income for the year		**294,552**	**228,191**
Attributable to non-controlling interests		1,971	1,753
Attributable to the owners of the parent		292,581	226,438
		294,552	228,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 $000	2012 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	272,251	173,418
Trade receivables	13	482,843	422,167
Inventories	14	112,565	105,035
Other current assets	15	39,606	47,440
		907,265	**748,060**
Assets classified as held for sale	11	73,100	1,150
Total current assets		**980,365**	**749,210**
Non-current assets			
Other financial assets		1,952	2,445
Property, plant and equipment	16	1,970,127	1,846,459
Goodwill and intangible assets	17	985,306	870,643
Deferred tax asset	6	87,495	81,089
Non-current prepayments		10,653	10,748
Derivative financial instruments	23	2,270	-
Non-current receivables	13	24,223	25,355
Total non-current assets		**3,082,026**	**2,836,739**
TOTAL ASSETS		**4,062,391**	**3,585,949**
LIABILITIES			
Current liabilities			
Trade and other payables	19	642,636	579,342
Interest-bearing loans and borrowings	21	18,693	31,483
Derivative financial instruments	23	12,869	14,521
Provisions	20	38,839	42,323
Income tax payable	6	34,835	37,512
		747,872	705,181
Liabilities directly associated with assets classified as held for sale	11	46,068	-
Total current liabilities		**793,940**	**705,181**
Non-current liabilities			
Interest-bearing loans and borrowings	21	1,242,076	1,037,575
Provisions	20	423,017	369,181
Pension liability	28	10,833	18,142
Derivative financial instruments	23	7,296	14,519
Other creditors		13,446	5,297
Deferred tax liability	6	29,968	29,853
Total non-current liabilities		**1,726,636**	**1,474,567**
TOTAL LIABILITIES		**2,520,576**	**2,179,748**
NET ASSETS		**1,541,815**	**1,406,201**
EQUITY			
Issued capital	22	713,523	713,523
Treasury shares	22	(49,684)	(23,259)
Convertible Adjustable Rate Equity Securities (CARES)	22	252,165	252,165
Cash flow hedges	23	(12,499)	(20,249)
Share based payment reserve		33,026	23,101
Vested employee equity		(12,238)	(9,384)
Other reserves		(9,851)	(29,759)
Retained earnings		629,438	507,868
Parent interests		**1,543,880**	**1,414,006**
Non-controlling interests		**(2,065)**	**(7,805)**
TOTAL EQUITY		**1,541,815**	**1,406,201**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Changes in Equity for the Year to 30 June 2013

	Balance at 1 July 2012 $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	Acquisition of Non-controlling Interest $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2013 $000
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(23,259)	-	(32,305)	5,880	-	-	-	(49,684)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	23,101	-	-	(3,026)	12,951	-	-	33,026
Cash flow hedges	(20,249)	-	-	-	-	-	7,750	(12,499)
Bank loan designated as a hedge of a net investment in a subsidiary	88,735	-	-	-	-	-	(15,202)	73,533
Foreign currency translation	(118,494)	-	-	-	-	-	35,110	(83,384)
Retained earnings	507,868	(143,353)	-	-	-	-	264,923	629,438
Vested employee equity	(9,384)	-	-	(2,854)	-	-	-	(12,238)
Owners of the parent	**1,414,006**	**(143,353)**	**(32,305)**	**-**	**12,951**	**-**	**292,581**	**1,543,880**
Non-controlling interests	**(7,805)**	**-**	**-**	**-**	**-**	**3,769**	**1,971**	**(2,065)**
Total equity	**1,406,201**	**(143,353)**	**(32,305)**	**-**	**12,951**	**3,769**	**294,552**	**1,541,815**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

		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 in a subsidiary	93,174	-	-	-	-	(4,439)	88,735
Foreign currency translation	(112,071)	-	-	-	-	(6,423)	(118,494)
Retained earnings	393,228	(128,420)	-	-	-	243,060	507,868
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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Receipts from customers		4,129,637	3,952,668
Payments to suppliers and employees		(3,487,609)	(3,323,717)
Income tax paid		(121,109)	(108,274)
Income tax refund		-	17,051
Finance costs		(70,510)	(103,835)
Net cash flows from operating activities	9	**450,409**	**433,893**
Cash flows from investing activities			
Purchase of property, plant and equipment		(265,574)	(222,213)
Proceeds from sale of property, plant and equipment		11,013	38,145
Interest received		4,257	4,625
Acquisition of business, net of cash received	10	(91,080)	-
Net cash flows used in investing activities		**(341,384)**	**(179,443)**
Cash flows from financing activities			
Dividends paid		(143,353)	(128,420)
Repayment of principal to bondholders		(3,160)	(2,916)
Repayment of finance lease - principal		(3,809)	(5,346)
Purchase of ordinary shares		(32,305)	(9,642)
Draw down of borrowings		632,897	993,608
Repayments of borrowings		(468,708)	(1,151,421)
Net cash flows used in financing activities		**(18,438)**	**(304,137)**
Net increase/(decrease) in cash and cash equivalents		90,587	(49,687)
Net foreign exchange differences on cash held		8,246	(3,440)
Cash and cash equivalents at beginning of year		173,418	226,545
Cash and cash equivalents at end of year	9	**272,251**	**173,418**

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited (**'The Company'**) for the year ended 30 June 2013 was authorised for issue on 6 September 2013 in accordance with a resolution of the Directors.

Ramsay Health Care Limited is a for profit 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, listed investments and the assets and liabilities recognised through business combinations 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 2012.

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)

	2013 $000	2012 $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	266,404	244,105
Add/(less) non-core items:		
- Non-cash rent expense relating to UK leased hospitals	21,640	23,693
- Amortisation - service concession assets	2,271	2,186
- Profit on sale of assets	-	(7,406)
- Income from the sale of development assets	(2,844)	(4,976)
- Book value of development assets sold	1,677	4,355
- Acquisition, disposal, and development costs	10,466	5,466
- (Gain)/loss on interest rate hedge	(67)	67
- Charge for expired debt facility costs due to early refinancing	-	5,924
Income tax on non-core items	(8,014)	(3,153)
Income tax refund received relating to changes to tax consolidation legislation	-	(17,051)
Non-controlling interest in non-core items net of tax	(661)	(564)
	24,468	8,541
Core profit (segment result) after tax from continuing operations	290,872	252,646
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	290,872	252,646
Less: CARES Dividend	(15,508)	(17,676)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	275,364	234,970
Weighted average number of ordinary shares adjusted for effect of dilution	202,569,630	202,443,435
Core earnings per share from continuing operations	135.9c	116.1c

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.

	2013 $000 Statutory consolidated Income Statement	2013 $000 Non-core items as listed at 2(a)(i)	2013 $000 Core (segment) consolidated Income Statement
Revenue and other income			
Revenue from services	4,174,535	-	4,174,535
Interest income	4,257	-	4,257
Revenue - income from the sale of development assets	2,844	(2,844)	-
Other income - profit on sale of assets	2,346	-	2,346
Total revenue and other income	**4,183,982**	**(2,844)**	**4,181,138**
Employee benefits costs	(2,066,031)	-	(2,066,031)
Occupancy costs	(260,972)	21,640	(239,332)
Service costs	(203,110)	10,466	(192,644)
Medical consumables and supplies	(1,048,837)	-	(1,048,837)
Depreciation and amortisation	(147,006)	2,271	(144,735)
Cost of goods sold - book value development assets sold	(1,677)	1,677	-
Total expenses, excluding finance costs	**(3,727,633)**	**36,054**	**(3,691,579)**
Profit from continuing operations before tax and finance costs	**456,349**	**33,210**	**489,559**
Finance costs	(69,695)	(67)	(69,762)
Profit before income tax from continuing operations	**386,654**	**33,143**	**419,797**
Income tax	(118,279)	(8,014)	(126,293)
Net profit for the year	**268,375**	**25,129**	**293,504**
Attributable to non-controlling interest	1,971	661	2,632
Attributable to owners of the parent	266,404	24,468	290,872
	268,375	**25,129**	**293,504**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Reconciliation of statutory Income Statement to core (segment) Income Statement (continued)

	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)
Depreciation and amortisation	(146,894)	2,186	(144,708)
Cost of goods sold - book value development assets sold	(4,355)	4,355	-
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)
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**

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) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except the following amended AASB Interpretation which the Group adopted as of 1 July 2012:

- 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)

The adoption of this new interpretation 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. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

The Group has changed the following accounting policy as of 1 July 2012:

Classification of Medical Malpractice Provision
The Group has assessed its accounting policy with regard to the classification of the medical malpractice provision. The Group previously classified the entire medical malpractice provision as a current liability. During the 2013 financial year, the Group determined that it would change its accounting policy to present the provision split between a current and non-current liability in the Statement of Financial Position. The split is based on the timing of the expected cash flows. This provides the users more relevant information around the estimated pattern of payments out of the provision.

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

- The opening 1 July 2011 balance of $124,341,000 which was classified as current as reported in the 30 June 2012 financial report has been reclassified as $23,900,000 current and $100,441,000 non-current; and
- The closing June 2012 balance of $131,439,000 which was classified as current as reported in the 30 June 2012 financial report has been reclassified as $26,600,000 current and $104,839,000 non-current.

This reclassification has had no impact to the Income Statement and therefore there is no impact on earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(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 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 2015	The adoption of this new amendment will not have any impact on the financial report.	1 July 2015
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 of voting rights may give control.	1 January 2013	The adoption of this new standard will not have any impact on the financial report.	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 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 a material impact on the financial report.	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 structured 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 adoption of this new standard will not have any impact on the financial report.	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 adoption of this new standard will not have any impact on the financial report.	1 July 2013
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 are 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 fully settled within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The adoption of this new standard will not have any impact on the financial report.	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 2012-5	Amendments to Australian Accounting Standards Arising from Annual Improvements 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. 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 adoption of this new standard will not have any impact on the financial report.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	The adoption of this amendment will not have any impact on the financial report.	1 July 2013
AASB 2012-10	Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	AASB 2012-10 amends the following standards: ► AASB 10 *Consolidation* and related standards - clarifies the transition guidance, in particular that the assessment of control is to be made at the beginning of the period AASB 10 is adopted rather that prior periods. ► AASB 10 and related standards to defer the mandatory application by not-for-profit entities to annual reporting periods beginning on or after 1 January 2014. ► Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 *Service Concession Arrangements*, to reflect changes made to the text of IFRSs by the IASB	1 January 2013	The adoption of this amendment will not have any impact on the financial report.	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 2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	The amendments deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	The adoption of this amendment will not have any impact on the financial position or performance of the Group. Disclosures on individual KMP's equity holdings will be removed.	1 July 2013

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

(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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

Losses are attributed to the non-controlling interests 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 interests.
- 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.

(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 18.

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.

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 property, 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 unit 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.

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. 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) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of AASB 139 are classified as loans and receivables or held-to-maturity investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of their EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments - initial recognition and subsequent measurement (continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 30 June 2013 and 2012.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit and loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments - initial recognition and subsequent measurement (continued)

iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, described as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group has not offset any financial assets and liabilities for the years ended 30 June 2012 and 2013.

(v) Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transaction
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

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

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

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

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

(p) 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.

(q) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each 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.

(r) 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)

(s) 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 are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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 highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; 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.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows):

- When the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

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

(i) Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement as other operating expenses.

The Group uses interest rate swap contracts as hedges of its exposure to fluctuations in interest rates.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is 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, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(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)

(t) 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.

(u) Intangible assets

Intangible assets acquired separately are measured on initial recognition 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 Concession Assets	**Development Costs**
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the lease	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)

(v) 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'.

(w) 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.

(x) 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.

(y) 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)

(z) 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

(aa) Pensions and other post employment benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined pension plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprise the present value of the defined benefit obligation (using a discount rate based on government bonds), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they paid directly to the Group. Fair value is based on market value price information and, in the case of quoted securities, it is published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

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

The Group enters into derivative transactions, principally interest rate swap 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 30.

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:

	2013 $000	2012 $000
Financial Assets		
Cash and cash equivalents	272,251	173,418
Financial Liabilities		
Bank Loans	(395,783)	(264,389)
Net exposure	(123,532)	(90,971)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in Note 23, with a net negative fair value of $17,895,000 (2012: negative: $29,040,000) 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 2013, after taking into account the effect of interest rate swaps, approximately 67% (2012: 73%) 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)	
	2013	2012	2013	2012
	$000	$000	$000	$000
AUD				
+ 120 basis points (2012: + 200 basis points)	(2,513)	(1,153)	20,183	27,960
- 120 basis points (2012: - 200 basis points)	2,512	1,150	(21,096)	(29,974)
GBP				
+ 60 basis points (2012: + 100 basis points)	(244)	(445)	2,617	3,704
- 60 basis points (2012: - 100 basis points)	244	276	(2,647)	(3,617)
IDR				
+ 100 basis points (2012: + 100 basis points)	(15)	(120)	-	-
- 100 basis points (2012: - 100 basis points)	15	123	-	-
EUR				
+ 40 basis points (2012: + 100 basis points)	(150)	(19)	228	751
- 40 basis points (2012: - 100 basis points)	150	22	(229)	(741)

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 2013, comparing to 2012 is due to the decrease in hedging from 73% in 2012 to 67% in 2013 and the decreased interest rate volatility in 2013.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (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 £94,595,000 (2012: £83,420,000) that is not designated in a net investment hedge.

The Group has a GBP borrowing of £117,000,000 (2012: £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 23.

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 +/-15% 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)**	
	2013	**2012**	**2013**	**2012**
	$000	**$000**	**$000**	**$000**
AUD/GBP +15% (2012: +10%)	(23)	(22)	(20,529)	(11,617)
AUD/GBP -15% (2012: -10%)	26	24	23,594	12,782

A sensitivity of 15% 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 €40,098,000 (2012: €39,414,000) 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)

(b) Foreign currency risk (continued)

At reporting date, had the Australian Dollar moved +/-20% 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)**	
	2013	**2012**	**2013**	**2012**
	$000	**$000**	**$000**	**$000**
AUD/EUR +20% (2012: +10%)	(12)	(70)	(9,505)	(4,362)
AUD/EUR -20% (2012: -10%)	14	77	11,406	4,801

A sensitivity of 20% 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.

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.

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 the prudential requirements of PHIAC, 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)

(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.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 30 June 2013	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Trade and other payable	-	(636,301)	-	-	-	(636,301)
Interest-bearing loans and borrowings	-	(45,694)	(34,840)	(1,313,982)	-	(1,394,516)
Sub-ordinated bonds	-	-	-	(65,726)	-	(65,726)
Financial derivatives	-	(3,161)	(10,188)	(9,001)	-	(22,350)
	-	(685,156)	(45,028)	(1,388,709)	-	(2,118,893)

Year ended 30 June 2012	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Trade and other payable	-	(575,154)	-	-	-	(575,154)
Interest-bearing loans and borrowings	-	(17,219)	(50,359)	(1,184,518)	(5,203)	(1,257,299)
Sub-ordinated bonds	-	-	-	(57,642)	-	(57,642)
Financial derivatives	-	(3,948)	(11,713)	(20,281)	-	(35,942)
	-	(596,321)	(62,072)	(1,262,441)	(5,203)	(1,926,037)

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

Year ended 30 June 2013	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	4,488	12,626	20,709	-	37,823
Outflows	-	(7,649)	(22,814)	(29,710)	-	(60,173)
Net	-	(3,161)	(10,188)	(9,001)	-	(22,350)
Discounted at the applicable interbank rates	-	(2,847)	(10,022)	(7,296)	-	(20,165)

Year ended 30 June 2012	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	5,150	13,796	36,157	-	55,103
Outflows	-	(9,098)	(25,509)	(56,438)	-	(91,045)
Net	-	(3,948)	(11,713)	(20,281)	-	(35,942)
Discounted at the applicable interbank rates	-	(3,005)	(11,516)	(14,519)	-	(29,040)

4. REVENUE

Revenue from services

	2013 $000	2012 $000
Revenue from patients	4,081,267	3,871,505
Rental income - Other persons/corporations	40,471	37,304
Income from ancillary services	52,797	47,667
Revenue from services	4,174,535	3,956,476

5. EXPENSES

Expenses from Continuing Operations

	2013 $000	2012 $000
(a) Depreciation included in Income Statement		
Depreciation - Plant and equipment	103,081	103,655
Depreciation - Buildings	37,650	31,860
Total depreciation	140,731	135,515
(b) Amortisation included in Income Statement		
Service concession assets	2,834	2,186
Development cost	3,441	9,193
Total amortisation	6,275	11,379
(c) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the Income Statement	109,082	106,693

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:

	2013 $000	2012 $000
Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and UIG 115 *Operating leases – incentives*	(21,640)	(23,693)

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 2013 was lower than the rent expensed by $21,640,000 (2012: $23,693,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2013 $000	2012 $000
(d) Employee benefits cost		
Wages and salaries	1,863,167	1,760,807
Workers' compensation	16,210	16,166
Superannuation	110,321	100,738
Termination benefits	2,700	3,526
Other employment	62,406	59,375
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	11,227	7,732
	2,066,031	1,948,344
(e) Finance costs		
Interest expense - Other persons/corporations	75,947	80,144
Finance charges - Lease liability	1,631	1,734
Finance charges - Charge for expired debt facility costs due to early refinancing	-	5,924
Finance charges - (Gain)/loss on interest rate hedge	(67)	67
	77,511	87,869
Less: Finance costs capitalised	(7,816)	(4,362)
	69,695	83,507

6. INCOME TAX

	2013 $000	2012 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	131,894	111,209
Adjustments in respect of previous years	3,205	(15,074)
Deferred income tax		
Relating to origination and reversal of temporary differences	(15,080)	(48)
Adjustments in respect of deferred income tax of previous years	(1,740)	(5,367)
Income tax expense reported in the Income Statement	118,279	90,720

(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:

	2013 $000	2012 $000
Accounting profit before tax from continuing operations	386,654	336,578
At the Parent Entity's statutory income tax rate of 30% (2012: 30%)	115,996	100,973
Expenditure not allowable for income tax purposes	3,343	5,695
Income tax refund received relating to changes to tax consolidation legislation	-	(17,051)
Foreign tax rate adjustment	(1,159)	(30)
Other	99	1,133
	118,279	90,720
Income tax expense reported in the consolidated Income Statement attributable to continuing operations	118,279	90,720

(c) Amounts charged or credited directly to equity

	2013 $000	2012 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	3,376	(2,544)
Actuarial gain/loss on defined benefit plans	(120)	(302)
Treasury shares	(1,724)	(4,454)
	1,532	(7,300)

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2013 $000 Current income tax	2013 $000 Deferred income tax	2012 $000 Current income tax	2012 $000 Deferred income tax
Opening balance	(37,512)	51,236	(31,891)	26,040
(Charged)/ credited to income	(135,099)	16,820	(96,135)	5,415
(Charged)/ credited to equity	-	(1,532)	-	7,300
Reclassification	-	-	-	11,656
Transfer to liabilities held for resale	922	2,113	-	-
Payments/(Refunds)	119,450	-	90,667	-
Exchange differences	313	(1,189)	(153)	825
Acquisition of subsidiary	17,091	(9,921)	-	-
Closing balance	(34,835)	57,527	(37,512)	51,236

Amounts recognised in the Statement of Financial Position

	2013	2012
Deferred tax asset	87,495	81,089
Deferred tax liability	(29,968)	(29,853)
Net deferred income tax	57,527	51,236

	Statement of Financial Position 2013 $000	2012 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(13,502)	(10,704)
Recognition of revenue	(11,599)	(9,662)
Depreciable assets	(57,505)	(62,428)
Other	(862)	(2,314)
Other provisions and lease liabilities	(20,051)	(18,435)
Gross deferred tax liabilities	(103,519)	(103,543)
Set-off of deferred tax assets	73,551	73,690
Net deferred tax liabilities	(29,968)	(29,853)
(ii) Deferred tax assets		
Employee provisions	80,770	70,578
Other provisions and lease liabilities	49,004	55,564
Unearned income	7,622	7,287
Other	7,767	1,358
Losses	10,487	11,248
Derivatives	5,396	8,744
Gross deferred tax assets	161,046	154,779
Set-off of deferred tax assets	(73,551)	(73,690)
Net deferred tax assets	87,495	81,089

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2013, there is $10,478,289 (2012: $10,011,179) 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 $40,843,000 (2012: increased $42,487,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 34.

(g) Tax relating to other comprehensive income

	2013 $000	2012 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	(496)	5,409
- Cashflow hedges transferred to the Income Statement	(2,831)	(2,940)
	(3,327)	2,469

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.

7. EARNINGS PER SHARE (CONTINUED)

	2013 $000	2012 $000
Net profit for the year attributable to the owners of the parent	266,404	244,105
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(15,508)	(17,676)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	250,896	226,429

	2013 Number of Shares	2012 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,538,313	200,828,094
Effect of dilution – share rights not yet vested (a)	2,031,317	1,615,341
Weighted average number of ordinary shares adjusted for the effect of dilution	202,569,630	202,443,435

(a) The share rights granted to Executives but not yet vested, have the potential to dilute basic earnings per share.

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.

	2013 Cents per Share	2012 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	125.1	112.7
- diluted (after CARES dividend) for the year	123.9	111.8
- basic (after CARES dividend) from continuing operations	125.1	112.7
- diluted (after CARES dividend) from continuing operations	123.9	111.8

8. DIVIDENDS PAID OR PROPOSED

	2013 $000	2012 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (29.0 cents per share) (2012: 25.5 cents per share)	58,604	51,531
(ii) Previous year final dividend paid		
Franked dividends – ordinary (34.5 cents per share) (2012: 29.5 cents per share)	69,718	59,614
	128,322	111,145
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (41.5 cents per share) (2012: 34.5 cents per share)	83,864	69,718
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	15,508	17,676
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	7,088	8,318

8. DIVIDENDS PAID OR PROPOSED (CONTINUED)

	Parent	
	2013 $000	2012 $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% (2012: 30%)	238,852	180,744
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	31,029	24,418
	269,881	205,162
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	(38,979)	(33,444)
	230,902	171,718

* 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% (2012: 30%). $90,952,000 (2012: $78,036,000) of the proposed dividends will be franked at the rate of 30% (2012: 30%).

9. CASH AND CASH EQUIVALENTS

	2013 $000	2012 $000
Cash at bank and on hand	272,251	173,418
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 on hand	272,251	173,418
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	268,375	245,858
Adjustments for:		
Depreciation and amortisation	147,006	146,894
Interest received	(4,257)	(4,625)
Changes in assets & liabilities		
Deferred tax	(3,320)	(10,747)
Receivables	(50,508)	5,880
Other assets	25,297	(1,280)
Creditors and accruals	39,036	10,311
Provisions	34,869	52,208
Inventory	(5,106)	(16,094)
Tax provisions	(983)	5,488
Net cash from operating activities	450,409	433,893

Disclosure of financing facilities
Refer to Note 30.

10. BUSINESS COMBINATIONS

On 7 June 2013, Ramsay Santé acquired 89% of the share capital of Clinique de l'Union and of Le Marquisat. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Clinique de l'Union and Le Marquisat as follows:

	$000
Cash overdraft	(4,770)
Accounts Receivable	14,083
Inventory	1,999
Other current assets	12,298
Property, plant and equipment	4,724
Deferred income tax asset	3,423
Creditors and accruals	(22,554)
Bank loans	(14,628)
Provisions and other liabilities non-current	(5,025)
Fair value of identifiable net liabilities	(10,450)
Non-controlling interest in identifiable acquired net liabilities	(3,769)
Goodwill arising on acquisition	43,478
	29,259
Acquisition date fair value of consideration transferred	
Cash paid	29,259
	29,259
Direct costs relating to the acquisition - included within service costs	1,293
The cash outflow on acquisition is as follows:	
Net cash overdraft acquired with the subsidiary	4,770
Cash paid	29,259
Net consolidated cash outflow	34,029

Ramsay Santé's non-controlling interest is 11%. The value of the non-controlling interest was recorded at the fair value as at the acquisition date.

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

Key factors contributing to the $43,478,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique de l'Union and Le Marquisat facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Clinique de l'Union and Le Marquisat from acquisition to 30 June 2013 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 2013, as though Clinique de l'Union and Le Marquisat were acquired on 1 July 2012, would not be significantly different to the Group results as reported.

10. BUSINESS COMBINATIONS (CONTINUED)

On 31 May 2013, Ramsay acquired the assets of Peel Health Campus. Ramsay has provisionally recognised the fair values of the identifiable assets and liabilities of Peel Health Campus as follows:

	$000
Accounts Receivable	587
Prepayments	924
Inventory	1,198
Service concession asset	42,000
Property, plant and equipment	450
Deferred income tax liability	(13,344)
Provisions	(5,205)
Fair value of identifiable net assets	26,610
Goodwill arising upon acquisition pursuant to accounting standards	21,784
	48,394
Acquisition date fair value of consideration transferred	
Cash paid/to be paid	65,051
Less: tax effect	(16,657)
	48,394
Direct costs relating to the acquisition - included with service costs	65
The cash outflow/(inflow) on acquisition is as follows:	
Cash paid	57,051
Tax receivable	(16,657)
Deferred contingent purchase consideration	8,000
Net consolidated cash outflow	48,394

The primary reason for the business combination is the acquisition of the business assets of the Peel Health Campus.

Key factors contributing to the $21,784,000 of goodwill arising upon acquisition are synergies expected to be achieved as a result of combining the Peel Health Campus with the Group.

The results of Peel Health Campus from acquisition to 30 June 2013 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 2013, as though Peel Health Campus was acquired on 1 July 2012, would not be significantly different to the Group results as reported.

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 26 March 2013, Ramsay announced that it was entering into a joint venture with Sime Darby Berhad (a Malaysian listed company) to expand operations in Southeast Asia. The transaction will combine all Sime Darby's portfolio of health care assets in Malaysia with Ramsay's three hospitals in Indonesia, under a new joint venture company. The transaction was completed on 1 July 2013. At 30 June 2013, Ramsay's Indonesian operation was classified as held for sale. The Indonesian operations are part of the "Asia Pacific" reporting segment.

The major classes of assets and liabilities of the Group classified as held for sale at 30 June are as follows:

	2013 $000	2012 $000
Assets		
Trade and other receivables	12,300	-
Inventories	2,654	-
Other assets	2,852	-
Property, plant and equipment	32,049	1,150
Goodwill and intangible assets	23,245	-
Assets classified as held for sale	73,100	1,150
Liabilities		
Trade and other payables	(10,382)	-
Interest-bearing loans and borrowings	(20,262)	-
Provisions	(12,389)	-
Income tax payable	(922)	-
Deferred tax liabilities	(2,113)	-
Liabilities directly associated with assets classified as held for sale	(46,068)	-
Net assets directly associated with held for sale operations	**27,032**	**1,150**

12. SEGMENT INFORMATION

Identification of reportable segments

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

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

	Total and continuing operations		
	Asia Pacific $000	Europe $000	Total $000
Year ended 30 June 2013			
Revenue			
Revenue from services	3,393,637	780,898	4,174,535
Total revenue before intersegment revenue	3,393,637	780,898	4,174,535
Intersegment revenue	4,175	-	4,175
Total segment revenue	3,397,812	780,898	4,178,710
Results			
Segment net profit after tax	268,219	22,653	290,872
Interest	(34,071)	(31,434)	(65,505)
Income tax expense	(115,931)	(10,362)	(126,293)
Depreciation	(104,534)	(36,197)	(140,731)
Amortisation - software	(2,875)	(566)	(3,441)
Amortisation - service concession assets	(2,834)	-	(2,834)
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
Interest	(34,277)	(38,614)	(72,891)
Income tax expense	(106,010)	(4,914)	(110,924)
Depreciation	(98,438)	(37,077)	(135,515)
Amortisation - software	(8,474)	(719)	(9,193)
Amortisation - service concession assets	(2,186)	-	(2,186)

12. SEGMENT INFORMATION (CONTINUED)

	2013 $000	2012 $000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	4,178,710	3,962,414
Inter segment sales elimination	(4,175)	(5,938)
Interest income	4,257	4,625
Revenue - income from the sale of development assets	2,844	4,976
Other income - profit on sale of assets	2,346	7,406
Total revenue and other income - Income Statement	4,183,982	3,973,483

(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.

13. RECEIVABLES

	2013 $000	2012 $000
Current		
Trade and other debtors	499,402	430,352
Allowances for impairment loss	(16,559)	(8,185)
	482,843	422,167
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	15,162	18,725
Receivable from the Government for plant and equipment	2,988	2,498
Rental property bonds receivables	5,383	3,169
Other	690	963
	24,223	25,355
Total	507,066	447,522

(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 $16,559,000 (2012: $8,185,000) 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:

	2013	2012
At 1 July	(8,185)	(8,769)
Charge for the year (included in service costs)	(9,788)	(2,245)
Acquisition of subsidiary	(435)	-
Transfer to assets held for sale	1,069	-
Foreign exchange translation	(457)	157
Amounts written off	1,237	2,672
At 30 June	(16,559)	(8,185)

13. RECEIVABLES (CONTINUED)

(ii) Ageing analysis

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

	Total $000	Neither past due nor impaired $000	0-30 Days PDNI* $000	31-60 Days PDNI* $000	61-90 Days PDNI* $000	91+ Days PDNI* $000	Considered impaired $000
2013	523,625	438,467	46,331	14,622	3,278	4,368	16,559
2012	455,707	376,736	41,117	17,857	3,877	7,935	8,185

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $68,599,000 (2012: $70,786,000). 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 31.

(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**.**

14. INVENTORIES

	2013 $000	2012 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	94,478	94,880
Development assets to be sold that are currently under construction – at cost	18,087	10,155
	112,565	105,035

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2013 totalled $1,048,837,000 (2012: $987,012,000) 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 2013 totalled $1,677,000 (2012: $4,355,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

15. OTHER CURRENT ASSETS

	2013 $000	2012 $000
Prepayments	38,713	36,027
GST receivable	-	7,829
Other current assets	893	3,584
	39,606	47,440

16. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
Cost			
At 1 July 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**
Additions	156,987	111,410	268,397
Acquisition of subsidiary	1,182	3,992	5,174
Disposals	(14,262)	(39,059)	(53,321)
Transfer to assets held for sale	(29,536)	(38,899)	(68,435)
Exchange Differences	26,172	42,653	68,825
At 30 June 2013	**1,939,217**	**1,239,466**	**3,178,683**
Depreciation and Impairment			
At 1 July 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)**
Depreciation charge for the year	(37,650)	(103,081)	(140,731)
Disposals	4,129	38,356	42,485
Transfer to assets held for sale	8,424	27,962	36,386
Exchange Differences	(7,573)	(27,539)	(35,112)
At 30 June 2013	**(333,425)**	**(875,131)**	**(1,208,556)**
Net Book Value			
At 30 June 2013	1,605,792	364,335	1,970,127
At 30 June 2012	1,497,919	348,540	1,846,459

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2013 is $42,148,000 (2012: $48,347,000).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

17. 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 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**
Additions	-	1,254	4,182	5,436
Disposals	-	(1,116)	(131)	(1,247)
Acquisition of a subsidiary	65,262	42,000	79	107,341
Transfer to assets held for resale	(17,082)	(5,640)	(523)	(23,245)
Exchange Differences	31,378	334	677	32,389
At 30 June 2013	**917,709**	**78,916**	**39,683**	**1,036,308**
Amortisation and Impairment				
At 1 July 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)**
Amortisation charge for the year	-	(2,834)	(3,441)	(6,275)
Disposals	-	705	125	830
Exchange Differences	-	2	(568)	(566)
At 30 June 2013	**-**	**(17,178)**	**(33,824)**	**(51,002)**
Net Book Value				
At 30 June 2013	917,709	61,738	5,859	985,306
At 30 June 2012	838,151	27,033	5,459	870,643

^ 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.

18. 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 2013 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2014 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 (2012: 3%).

The pre tax discount rate applied to cash flow projections is 13.7% (2012: 12.8%). The post tax discount rate is 10.2% (2012: 9.8%).

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 2013 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 10.1% (2012: 7.9%). The post tax discount rate applied to cash flow projections is 8.5% (2012: 7.2%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2012: 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 2013 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% (2012: 6.3%). The post tax discount rate applied to cash flow projections is 5.7% (2012: 5.7%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 1% (2012: 0.5%).

18. 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	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Carrying amount of goodwill	558,874	554,172	203,750	187,858	155,085	96,121	917,709	838,151

* Goodwill attributable to the Indonesian business was transferred to assets held for sale at 30 June 2013.

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2013 and 30 June 2012

- 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 or revenue growth rates 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.

19. TRADE & OTHER PAYABLES

	2013 $000	2012 $000
Trade payables	252,668	246,979
Sundry creditors and accrued expenses	214,958	181,115
Employee and Director entitlements	172,035	148,575
Other payables	2,975	2,673
	642,636	579,342

(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.

20. PROVISIONS

	2013 $000	2012 $000
Current		
Restructuring provision	6,841	6,656
Unfavourable contracts	4,876	4,965
Insurance provision	22,550	26,600
Other provisions	4,572	4,102
	38,839	42,323
Non-current		
Non-current employee and Director entitlements	121,790	106,902
Deferred lease provision	173,112	137,393
Unfavourable contracts	14,903	18,270
Insurance provision	113,212	104,839
Other provisions	-	1,777
	423,017	369,181
Total	461,856	411,504

20. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2012	137,393	6,656	131,439	23,235	5,879	304,602
Arising during the year	21,640	433	11,858	-	1,698	35,629
Acquisition of subsidiary	-	-	-	-	460	460
Utilised during the year	-	(11)	(4,396)	(4,911)	(935)	(10,253)
Exchange differences	14,079	-	357	1,455	563	16,454
Unused amounts reversed	-	(237)	(3,496)	-	(3,093)	(6,826)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2013	173,112	6,841	135,762	19,779	4,572	340,066
Current 2013	-	6,841	22,550	4,876	4,572	38,839
Non-current 2013	173,112	-	113,212	14,903	-	301,227
	173,112	6,841	135,762	19,779	4,572	340,066
Current 2012	-	6,656	26,600	4,965	4,102	42,323
Non-current 2012	137,393	-	104,839	18,270	1,777	262,279
	137,393	6,656	131,439	23,235	5,879	304,602

(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; and
- land rich duties payable.

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 four 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.

21. INTEREST BEARING LOANS AND BORROWINGS

		2013 $000	2012 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,424	3,159
- Lease liabilities	(ii)	3,691	4,163
- Bank loan	(iii)	11,578	5,041
Unsecured liabilities:			
- Bank loan	(iii)	-	19,120
		18,693	31,483
Non-current			
Secured liabilities:			
- Loans - bondholders	(i)	16,979	20,403
- Lease liabilities	(ii)	16,157	18,108
- Bank loan	(iii)	79,577	38,968
- Loan - subordinated bonds	(iv)	53,110	42,716
Unsecured liabilities:			
- Bank loan	(iii)	1,076,253	917,380
		1,242,076	1,037,575
Total		1,260,769	1,069,058

(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. Further information is set out in Note 26.
(iii) Further information on bank loans is set out in Note 30.
(iv) Loans - subordinated bonds. Further information is set out in Note 30.

(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 2.82% to 3.69% (2012: 3.54% to 3.63%) for Australia, 0.49% to 0.69% (2012: 0.67% to 1.00%) for UK, 4.29% to 4.69% (2012: 4.20% to 4.48%) for Indonesia, and 0.18% to 0.66% (2012: 0.65% to 0.79%) for France respectively.

21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Fair values (continued)

	2013		2012	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	1,167,408	1,181,440	980,509	997,388
Lease liabilities	19,848	24,383	22,271	26,570
Bondholders	20,403	22,793	23,562	26,737
Subordinated bonds	53,110	64,563	42,716	55,293
	1,260,769	1,293,179	1,069,058	1,105,988

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:

	2013 $000	2012 $000
Finance lease		
Leased assets	42,148	48,347
Fixed and floating charge		
Receivables	18,725	22,014
Bank loan	135,130	80,568
Total non-current assets pledged as security	196,003	150,929

(d) Defaults & breaches

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

22. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

22.1 Ordinary Shares

	2013 $000	2012 $000
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2012: 202,081,252 ordinary shares fully paid)	713,523	713,523

(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.

22.2 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 credit, to equity during the year to 30 June 2013 represents an increase in forecast long term interest rates.

22.3 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 24 for further details of these plans.

22.4 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.

22.5 Convertible Adjustable Rate Equity Securities (CARES)

	2013 $000	2012 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2012: 2,600,000 CARES shares fully paid)	252,165	252,165

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

22.5 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.

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

22.6 Treasury Shares

	2013 $000	2012 $000
2,246,158 ordinary shares (30 June 2012: 1,522,333)	49,684	23,259

Nature & Purpose
Treasury shares are shares in the Group held by the Employee Share Plans and are deducted from equity.

22.7 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 22.5 for further information on the existing CARES (number of securities: 2,600,000).

During 2013, dividends of $143,829,852 (2012: $128,821,000) were paid. For the year ended 30 June 2013 fully franked ordinary dividends of 70.5c (2012: 60.0c) per share were declared (Interim dividend of 29.0c, Final dividend of 41.5c). These dividends represented a payout ratio of approximately 51.9% of Core Earnings per Share of 135.9c. Management's target for dividends for 2014 - 2017, subject to ongoing cash needs of the business, are increased 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 1.6 times for the year ended 30 June 2013 (2012: 1.5 times).

The Group has committed senior debt funding until April 2015 and April 2017 (please refer to Note 30 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.*

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 $000	2012 $000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	2,270	-
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(12,869)	(14,521)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(7,296)	(14,519)

(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 2.85% (2012: 3.56%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.51% (2012: 0.89%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.22% (2012: 0.65%).

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 67% (2012: 73%) of the principal outstanding.

Fair value

The Group has available to it various methods in estimating the fair value of a derivative 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.

	2013 $000	2012 $000
Financial assets		
Derivative instruments – interest rate swaps	2,270	-
Financial liabilities		
Derivative instruments – interest rate swaps	(20,165)	(29,040)

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

Transfer between categories

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

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

	2013 $000	2012 $000
0-1 years	259,958	351,216
1-2 years	279,917	240,708
2-3 years	272,018	170,708
3-5 years	321,632	321,820
	1,133,525	1,084,452

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:

	2013 $000	2012 $000
Opening balance	(20,249)	(14,489)
Transferred to interest expense	9,424	9,802
Taken to equity	1,653	(18,031)
Related income tax	(3,327)	2,469
Closing balance	(12,499)	(20,249)
(Gain)/loss on cash flow hedge ineffectiveness recognised immediately in the Income Statement	(67)	67

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2013 is a GBP borrowing of £117,000,000 (2012: £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 in a subsidiary of $15,202,000 (2012: net loss $4,439,000) 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.

24. SHARE BASED PAYMENT PLANS

24.1 Recognised share-based payment expenses

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

	2013 $000	2012 $000
Expense arising from equity-settled share based payment transactions	11,227	7,732
Total expense arising from share-based payment transactions (Note 5 (d))	11,227	7,732

24.2 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:

	2013		2012	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,568,000	$13.19	1,232,000	$10.75
- granted	696,000	$19.34	656,000	$16.32
- vested	(347,000)	$ 8.72	(320,000)	$ 9.37
- forfeited	-	-	-	-
Balance at end of year	1,917,000		1,568,000	
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 2013:

Number of Rights	Grant Date	Vesting Date (1)	Weighted Average Fair Value (2)
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
317,834	15-Nov-12	28-Aug-15	$15.80
368,166	15-Nov-12	28-Aug-15	$22.04
3,334	25-Jun-13	28-Aug-15	$31.51
6,666	25-Jun-13	28-Aug-15	$32.96
1,917,000			

(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

24. SHARE BASED PAYMENT PLANS (CONTINUED)

24.2 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 17 November 2010, 29 June 2011, 17 November 2011, 22 May 2012, 15 November 2012 and 25 June 2013.

	Granted 25-Jun-13	Granted 15-Nov-12	Granted 22-May-12	Granted 17-Nov-11	Granted 29-Jun-11	Granted 17-Nov-10
Dividend yield	2.25%	2.82%	3.10%	3.13%	3.25%	3.10%
Expected volatility	20.0%	22.5%	23%	25%	20% - 40%	22% - 30%
Historical volatility	20.0%	22.5%	25%	25%	25%	25%
Risk-free interest rate	2.53% - 2.75%	2.5%	2.4% - 2.5%	3.3% - 3.4%	4.6% - 4.7%	5.1% - 5.2%
Effective life of incentive right	3 years	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.

24.3 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 which were subject to Mr Rex continuing in employment as Managing Director fully vested on 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.

25. 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 AO	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

	2013 $	2012 $
Non-Executive Directors		
Short term	1,383,996	1,304,625
Post employment	179,375	231,876
	1,563,371	1,536,501
Executive Directors		
Short term	6,126,143	5,673,186
Post employment	32,940	31,550
Performance/Incentive/Retention rights	5,526,134	3,841,583
	11,685,217	9,546,319
Executives		
Short term	2,339,560	2,250,214
Post employment	32,940	31,550
Performance/Incentive/Retention rights	1,789,700	1,248,650
	4,162,200	3,530,414
Total		
Short term	9,849,699	9,228,025
Post employment	245,255	294,976
Performance/Incentive/Retention rights	7,315,834	5,090,233
	17,410,788	14,613,234

25. 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 2013	Vested	Granted	Grant Date	Fair Value $ *(Note 24)*	First Test Date	Second TSR Test Date	Last TSR Test & Expiry Date
Directors							
C. Rex [(1)]	27,500	-	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
C. Rex [(2)]	27,500	-	20/10/09	$9.68	30/6/12	N/A	N/A
C. Rex [(1)]	-	110,000	15/11/12	$15.80	30/6/15	31/12/15	30/6/16
C. Rex [(2)]	-	110,000	15/11/12	$22.04	30/6/15	N/A	N/A
B. Soden [(1)]	25,000	-	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
B. Soden [(2)]	25,000	-	20/10/09	$9.68	30/6/12	N/A	N/A
B. Soden [(1)]	-	47,500	15/11/12	$15.80	30/6/15	31/12/15	30/6/16
B. Soden [(2)]	-	47,500	15/11/12	$22.04	30/6/15	N/A	N/A
Executives							
C. McNally [(1)]	17,500	-	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
C. McNally [(2)]	17,500	-	20/10/09	$9.68	30/6/12	N/A	N/A
C. McNally [(1)]	-	30,000	15/11/12	$15.80	30/6/15	31/12/15	30/6/16
C. McNally [(2)]	-	30,000	15/11/12	$22.04	30/6/15	N/A	N/A
D. Sims [(1)]	20,000	-	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
D. Sims [(2)]	20,000	-	20/10/09	$9.68	30/6/12	N/A	N/A
D. Sims [(1)]	-	30,000	15/11/12	$15.80	30/6/15	31/12/15	30/6/16
D. Sims [(2)]	-	30,000	15/11/12	$22.04	30/6/15	N/A	N/A

30 June 2012	Vested	Granted	Grant Date	Fair Value $ *(Note 24)*	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	30/6/12
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	30/6/12
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

[(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

25. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

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

30 June 2013	Performance/ Retention/ Incentive Right	Balance at beginning of period 01 Jul 12	Granted as Remuneration	Exercised	Balance at end of period 30 Jun 13	Vested at 30 Jun 13
Directors						
C. Rex	Equity Performance Rights	415,000	220,000	(55,000)	580,000	-
C. Rex	Retention Rights	600,000	-	-	600,000	-
B. Soden	Equity Performance Rights	210,000	95,000	(50,000)	255,000	-
Executives						
C. McNally	Equity Performance Rights	145,000	60,000	(35,000)	170,000	-
D. Sims	Equity Performance Rights	150,000	60,000	(40,000)	170,000	-

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	-

(e) Shareholdings of Key Management Personnel

30 June 2013	Balance 01 Jul 12		Granted as Remuneration		Exercise of Performance Rights		Net Change - Other		Balance 30 Jun 13	
	Ord.	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*	*Ord.*	*Pref.*
Directors										
C. Rex	409,516	5,334	-	-	55,000	-	19,357	-	483,873	5,334
B. Soden	145,791	2,000	-	-	50,000	-	-	-	195,791	2,000
Executives										
C. McNally	201,047	-	-	-	35,000	-	-	-	236,047	-
D. Sims	75,550	-	-	-	40,000	-	-	-	115,550	-

25. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(e) Shareholdings of Key Management Personnel (continued)

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	-

26. EXPENDITURE COMMITMENTS

	Note	2013 $000	2012 $000
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		4,508	5,146
- After one year but not more than five years		14,345	15,877
- After more than five years		5,574	6,886
Total minimum lease payments		24,427	27,909
- Less: future finance charges		(4,579)	(5,638)
- Present value of minimum lease payments		19,848	22,271
Total lease liability accrued for:			
Current			
- Finance leases	21	3,691	4,163
Non-current			
- Finance leases	21	16,157	18,108
		19,848	22,271

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 eight years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2012: 4.0% to 7.4%). The security over finance leases is disclosed in Note 21.

26. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	2013 $000	2012 $000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		114,176	97,937
- After one year but not more than five years		426,413	375,649
- After more than five years		2,173,888	2,053,793
Aggregate lease expenditure contracted for at reporting date		2,714,477	2,527,379
Amounts provided for:			
- deferred lease - non- current	20	173,112	137,393
- unfavourable contract - current	20	4,876	4,965
- non-current	20	14,903	18,270
		192,891	160,628
Amounts not provided for:			
- rental commitments		2,521,586	2,366,751
Aggregate lease expenditure contracted for at reporting date		2,714,477	2,527,379

Operating leases have lease terms of between one and twenty four 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 to 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.

27. 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.

28. DEFINED BENEFIT PENSION PLAN

The Group has defined benefit plans in France and Indonesia, as at 30 June 2013. The defined benefit plans in the UK and Australia were closed in 2012. The UK plan was paid out in the current year.

The following tables summarise the funded status and amounts recognised in the consolidated Statement of Financial Position for the plans:

	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(10,833)	(23,773)	(23,378)	(18,423)	(10,636)
Fair value of plans assets	-	5,631	4,537	4,098	3,990
Net (liability) - non-current	(10,833)	(18,142)	(18,841)	(14,325)	(6,646)

	Pension Plans	
	2013 $000	2012 $000
Net benefit expense (Note 5) (recognised in superannuation expenses)	2,503	1,032

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

	Pension Plans	
	2013 $000	2012 $000
Opening defined benefit obligation	23,773	23,378
Acquisition balances	3,368	-
Current service cost	1,674	607
Interest cost	829	1,046
Benefits paid	(9,579)	(1,498)
Actuarial losses on obligation	1,481	663
Transfer to liabilities held for sale	(12,389)	-
Exchange differences on foreign plans	1,676	(423)
Closing defined benefit obligation	10,833	23,773

28. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plans 2013 $000	Pension Plans 2012 $000
Opening fair value of plans assets	5,631	4,537
Expected return	-	236
Contributions by employer	-	1,754
Benefits paid	(5,602)	(630)
Actuarial losses	-	(382)
Exchange differences on foreign plans	(29)	116
Fair value of plans assets	-	5,631
Actuarial return on plan assets	-	(146)

The Group expects to contribute $nil to its defined benefit pension plans in 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets for the UK for the year ended 30 June 2012 are shown below. No plans were funded for the year ended 30 June 2013.

	Pension Plans 2012 (%)
Equities	-
Bonds	94
Property	-
Other	6

	Pension Plans 2013 $000	Pension Plans 2012 $000
Actuarial losses recognised in the Statement of Comprehensive Income	1,481	1,045
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	5,749	4,268

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

	Pension Plans 2013 (%)	Pension Plans 2012 (%)
Discount rate	2.9 - 6.5	2.5 - 6.6
Expected rate of return on assets	-	2.5
Future salary increases	2.5 - 10.0	2.5 - 10.0
Future pension increases	-	2.5

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.

29. AUDITORS' REMUNERATION

	2013 $	2012 $
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	1,606,000	1,490,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	1,010,000	1,179,000
Assurance related	19,000	27,000
Other	59,000	16,000
	2,694,000	2,712,000
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	820,000	664,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	184,000	251,000
Due diligence services	288,000	245,000
Other	15,000	24,000
	4,001,000	3,896,000

30. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (SFA), the first draw down was made under the SFA on 30 April 2012 and the term of the SFA commenced on 30 April 2012.

The 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.

The total amounts drawn down under the SFA as at 30 June 2013 was $845,000,000, £145,000,000 and € nil (30 June 2012 : $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 SFA is unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

(ii) Bilateral Facilities

The bilateral facilities are detailed below and the terms and conditions are consistent with the 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 capital 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 2013 the total outstanding was $10,996,149 (2012: $10,760,958) and £3,550,968 (2012: £3,550,968).

30. BORROWINGS (CONTINUED)

(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. On 8 February 2013, this credit facility was extended until 8 August 2013.

As at 30 June 2013 an amount of IDR 81,610,000,000 (2012: 81,610,000,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%. On 5 July 2013 this credit facility was fully repaid and refinanced.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with PT ANZ Panin Bank with a total facility limit of IDR 163,220,000,000. On 8 February 2013, this credit facility was extended until 8 August 2013.

As at 30 June 2013 an amount of IDR 102,020,000,000 (2012: IDR 102,020,000,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 2.5%. On 5 July 2013 this credit facility was repaid in full and refinanced.

Ramsay Health Care Limited and Affinity Health Pty Ltd provided a corporate guarantee and indemnity in respect of all amounts payable under both of the above loans. This guarantee and indemnity was released on 27 May 2013.

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility agreement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2013 was € 65,030,000 (2012: €37,000,000) and the undrawn commitment (after the mandatory repayments and cancellations totalling €14,970,000) was € 5,000,000 (2012:€44,000,000).

The 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 debt facilities are secured against certain assets of the Ramsay Santé group.

(v) Ramsay Santé Subordinated Bonds

Ramsay Santé issued to its shareholders a securitised loan in the form of bonds amounting to €11,458,036 on 15 December 2005, €11,247,717 on 14 June 2007, €13,908,483 on 23 July 2009 and €18 million on 2 October 2009.

The terms and conditions of the bonds are the same for all bond issues.

The bonds accrue interest at a rate of 8% per annum, capitalised annually. The interest is payable at the end of the term.

The bonds are due to mature between 6 to 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 2013 an amount of € 54,614,236 (2012: €54,614,236) and accrued interest of €26,654,836 (2012: €20,634,433) was outstanding in respect of these bonds. As at 30 June 2013, Predica, the non-controlling interest held €26,477,000 (2012: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €10,805,307 (2012: €8,043,545).

(vi) Other Interest Bearing Loans

At 30 June 2013 a loan to bondholders of $20,402,913 (2012: $23,562,680) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer Note 13).

31. 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 2013 was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities (CARES)				Performance Rights[(2)]	
	2013		2012		2013		2012		2013	2012
	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	481,677	2,196	407,320	2,196	-	5,334	-	5,334	580,000	415,000
B.R. Soden	191,658	4,133	141,658	4,133	-	2,000	-	2,000	255,000	210,000
A.J. Clark	82,000	-	82,000	-	-	1,700	-	1,600	-	-
P.J. Evans	7,209	-	7,209	-	-	-	-	-	-	-
I.P.S. Grier	-	-	-	-	-	-	-	-	-	-
R.H. McGeoch	-	57,331	-	74,231	-	257	-	257	-	-
K.C.D. Roxburgh	47,500	32,000	47,500	32,000	-	-	-	-	-	-

(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 24.

Mr Ramsay has a relevant interest in 73,149,269 (2012: 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 expires on 30 June 2013. In accordance with the terms of the ESA, Mr Rex received 600,000 ordinary shares pursuant to retention rights which vested on 1 July 2013.

On 26 February 2013 the Company entered into a new ESA to extend Mr Rex's appointment for a further three years commencing on 1 July 2013. No further retention rights have been awarded under the new ESA.

31. 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 (2012: 14 September 2012). These shares may not be sold or transferred before the earlier of termination or 3 years.

Movements in Directors' equity holdings

During the year:

- Mr Rex acquired 19,357 ordinary shares on market in respect of the STI bonus, and 55,000 ordinary shares through the Executive Performance Rights Plan.
- Mr Soden acquired 50,000 ordinary shares through the Executive Performance Rights Plan.
- Mr Clark indirectly acquired 100 CARES on market.
- Mr McGeoch sold 16,900 ordinary shares, indirectly 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 2013 is nil (2012: $16,694).

During the year costs of $53,633 (2012: $73,439) were charged to and an amount of $68,810 (2012: $107,450) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $47,214 (2012: $8,964) were charged by and an amount of $47,214 (2012: $8,964) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2013 costs of $19,128 (2012: nil) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited, that had not yet been invoiced.

32. SUBSEQUENT EVENTS

On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad (a Malaysian listed company), through the contribution of our Indonesian assets and cash payments to Sime Darby Berhad of approximately $120 million over 3 years. The transaction will combine Sime Darby's portfolio of health care assets in Malaysia with Ramsay's three hospitals in Indonesia.

Our Indonesian assets were classified as held for sale as at 30 June 2013, as disclosed in Note 11.

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

33. 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

33. 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

33. 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	
	2013	2012
Consolidated Income Statement	$000	$000
Profit from operations before income tax	351,925	329,312
Income tax expense	(104,871)	(89,797)
Net profit for the year	247,054	239,515
Retained earnings at the beginning of the year	486,795	375,684
Dividends provided for or paid	(143,364)	(128,404)
Retained earnings at the end of the year	590,485	486,795
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	181,254	102,959
Trade receivables	380,832	347,559
Inventories	88,235	73,107
Other current assets	12,058	22,192
	662,379	545,817
Assets classified as held for sale	10,546	1,150
Total Current Assets	672,925	546,967
Non-current Assets		
Other financial assets	411,853	422,913
Goodwill and intangibles	636,641	574,172
Deferred tax asset	66,219	58,538
Property, plant and equipment	1,632,974	1,519,694
Derivative financial instruments	2,270	-
Other non-current assets	16,183	13,360
Total Non-current Assets	2,766,140	2,588,677
TOTAL ASSETS	3,439,065	3,135,644
LIABILITIES		
Current Liabilities		
Trade and other payables	495,683	446,043
Interest-bearing loans and borrowings	-	85
Provisions	26,005	33,748
Derivative financial instruments	12,403	14,128
Income tax payable	36,367	38,091
Total Current Liabilities	570,458	532,095
Non-current Liabilities		
Interest-bearing loans and borrowings	1,037,670	876,636
Provisions	236,124	209,879
Other Creditors	8,000	-
Derivative financial instruments	6,912	13,947
Total Non-current Liabilities	1,288,706	1,100,462
TOTAL LIABILITIES	1,859,164	1,632,557
NET ASSETS	1,579,901	1,503,087

33. CLOSED GROUP (CONTINUED)

	Closed Group	
	2013 $000	2012 $000
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(49,684)	(23,259)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	590,485	486,795
Other reserves	73,412	73,863
TOTAL EQUITY	1,579,901	1,503,087

34. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	2013 $000	2012 $000
Current assets	1,132,888	1,125,364
Total assets	1,276,730	1,269,333
Current liabilities	(40,183)	(43,468)
Total liabilities	(40,183)	(43,468)
Issued capital	(713,523)	(713,523)
Other equity	(523,024)	(512,342)
Total shareholders' equity	(1,236,547)	(1,225,865)
Net profit for the year after tax	141,138	140,805

As a condition of the class order (set out in Note 33), 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 33 for further information.

Additional information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 9 September 2013

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	14,262	6,515,846	3.22
1,001 – 5,000	7,816	16,838,224	8.33
5,001 – 10,000	788	5,411,441	2.68
10,001 – 100,000	312	7,074,181	3.50
100,001 and over	53	166,241,560	82.27
Totals	**23,231**	**202,081,252**	**100%**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 417 holders, for a total of 1,035 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	26,932,996	13.33
3.	J P Morgan Nominees Australia Limited	19,911,738	9.85
4.	National Nominees Limited	14,689,096	7.27
5.	Citicorp Nominees Pty Limited	5,776,677	2.86
6.	BNP Paribas Nominees Pty Limited (DRP)	5,679,119	2.81
7.	J P Morgan Nominees Australia Limited (Cash Income A/c)	1,962,548	0.97
8.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	1,505,756	0.75
9.	Australian Foundation Investment Company Limited	1,360,000	0.67
10.	Argo Investments Limited	1,353,923	0.67
11.	UBS Nominees Pty Limited	1,274,007	0.63
12.	Mr Christopher Rex	1,231,677	0.61
13.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	1,088,351	0.54
14.	Custodial Services Limited (Beneficiaries Holdings A/c)	927,594	0.46
15.	AMP Life Limited	585,067	0.29
16.	HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/c)	525,443	0.26
17.	Equity Trustees Limited (SGH20)	430,000	0.21
18.	CS Fourth Nominees Pty Limited	429,393	0.21
19.	Questor Financial Services Limited (TPS RF A/c)	396,605	0.20
20.	Bond Street Custodians Limited (MPPMIM-V16636 A/c)	331,045	0.16
	Totals	**159,540,304**	**78.95%**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 9 September 2013:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	73,149,269	36.20%
FMR LLC & FIL Limited (Fidelity International Group)	10,127,164	5.01%

(e) Voting Rights

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

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,814	1,047,403	40.28
1,001 – 5,000	200	384,808	14.80
5,001 – 10,000	15	100,843	3.88
10,001 – 100,000	17	509,609	19.60
100,001 and over	2	557,337	21.44
Totals	**4,048**	**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	442,337	17.01
2.	Australian Foundation Investment Company Limited	115,000	4.42
3.	Sandhurst Trustees Limited (DMP Asset Management A/c)	58,995	2.27
4.	Questor Financial Services Limited (TPS RF A/c)	55,385	2.13
5.	National Nominees Limited	51,986	2.00
6.	HSBC Custody Nominees (Australia) Limited	47,060	1.81
7.	RBC Investor Services Australia Nominees Pty Limited (NMSMT A/c)	46,713	1.80
8.	Citicorp Nominees Pty Limited	41,902	1.61
9.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	40,809	1.57
10.	Navigator Australia Limited (MLC Investment Settlement A/c)	29,093	1.12
11.	Argo Investments Limited	25,000	0.96
12.	Australian Executor Trustees Limited (No 1 A/c)	18,860	0.73
13.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	18,500	0.71
14.	Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	14,871	0.57
15.	J P Morgan Nominees Australia Limited (Cash Income A/c)	14,769	0.57
16.	Edsgear Pty Limited	12,500	0.48
17.	UBS Wealth Management Australia Nominees Pty Limited	11,599	0.45
18.	Peroda Nominees Pty Limited (Berman Super Fund A/c)	11,036	0.42
19.	Australian Executor Trustees Limited	10,531	0.41
20	RBC Investor Services Australia Nominees Pty Limited (GSAM A/c)	9,475	0.36
	Totals	**1,076,421**	**41.40%**

(i) On-Market Buy-Backs

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

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