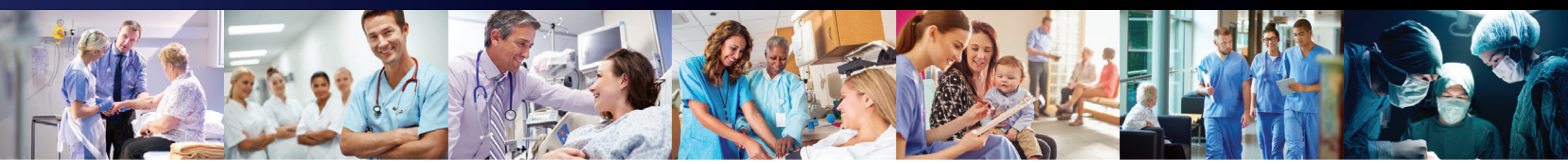
Ramsay Health Care Limited

Annual Report 2019



www.ramsayhealth.com

Annual General Meeting 2019

The 2019 Annual General Meeting of Ramsay Health Care Limited ABN57001288768 will be held at the Sheraton Grand Sydney Hyde Park, Sydney, Australia at 10.30am, Thursday, 14 November 2019.
The full venue details are:

Grand Ballroom
Sheraton Grand Sydney Hyde Park
161 Elizabeth Street
Sydney
New South Wales
Australia

Indicative Key Dates for 2020

RESULTS RELEASE DATES:
Interim Results – 27 February 2020
Preliminary Final Results – 27 August 2020

DIVIDEND PAYMENT DATES – ORDINARY SHARES
Interim Dividend 27 March 2020 (Record Date: 6 March 2020)
Final Dividend 28 September 2020 (Record Date 3 September 2020)

DIVIDEND PAYMENT DATES – CARES
20 April 2020 (Record Date: 1 April 2020)
20 October 2020 (Record Date 1 October 2020)

ANNUAL GENERAL MEETING 2020
The Annual General Meeting of Ramsay Health Care Limited is scheduled to be held on 24 November 2020 (Venue & time to be advised)

For more information

To view the interactive version of our Annual Report, visit the investor centre of Ramsay Health Care's website at: **www.ramsayhealth.com**

The Company's 2019 Corporate Governance Statement can be found at:
ramsayhealth.com/sustainability/governance/corporategovernancestatement2019

Contents

Economies of scale

Innovation

Speed to market

Best practice

Cost leadership

The Ramsay Health Care Global Network

11
Countries

8,500,000
Patient visits/admissions per annum

480
Locations

77,000
Employees

Market leading positions

Number 1 in Australia

Number 1 in Scandinavia

Number 1 in France

Differentiated portfolio

Diversified strategic portfolio

Deep & experienced leadership

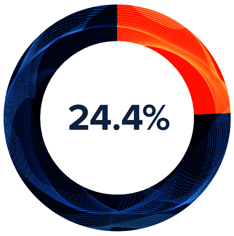
Industry leading quality

Scale

FY2019 Highlights

Revenue

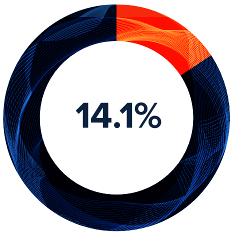
$11.4 billion*



Up 24.4% on previous year

EBITDA

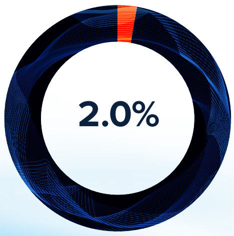
$1.6 billion



Group earnings before interest, tax, depreciation & amortisation **up** 14.1% on previous year

Core NPAT

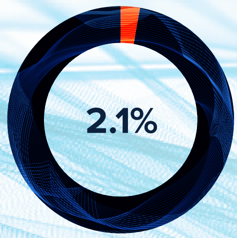
$590.9 million



Core net profit after tax **up** 2.0% on previous year. Excluding Capio acquisition, Core NPAT up 2.5% to $593.9 million

Core EPS

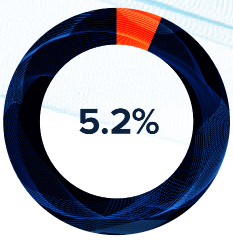
285.8 cents



Core earnings per share **up** 2.1% on previous year. Excluding Capio acquisition, Core EPS up 2.7% to 287.3 cents

Full Year Dividend, Fully Franked

151.5 cents



Full year dividend (fully franked) **up** 5.2% on previous year

*REVENUE STATED ON A LIKE-FOR-LIKE BASIS WITH PRIOR YEAR EXCLUDING AASB15 UPLIFT ADJUSTMENT OF £75.9 MILLION/$137.6 MILLION

ALL NUMBERS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED

Summary of Financial Performance for FY2019

YEAR ENDED 30 JUNE	2019[1] ($ millions)	2018 ($ millions)	Increase
Revenue	$11,415.2[2]	$9,176.2	24.4%
EBITDAR	$2,161.0	$1,839.9	17.5%
EBITDA	$1,592.1	$1,395.9	14.1%
EBIT	$1,108.0	$1,007.6	10.0%
Core NPAT attributable to members of the parent[3]	**$590.9**	**$579.3**	**2.0%**
Core EPS (cents per share)[4]	**285.8¢**	**279.8¢**	**2.1%**
Final Dividend - fully franked (cents per share)	91.5¢	86.5¢	5.8%
Full year dividend - fully franked (cents per share)	**151.5¢**	**144.0¢**	**5.2%**

ALL NUMBERS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED

1 RGDS HAS CONSOLIDATED THE EARNINGS OF CAPIO SINCE THE ACQUISITION DATE OF 7 NOVEMBER 2018

2 REVENUE STATED ON A LIKE-FOR-LIKE BASIS EXCLUDING AASB15 UPLIFT ADJUSTMENT OF £75.9 MILLION/$137.6 MILLION

3 CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT IS BEFORE NON-CORE ITEMS. THE MINORITY INTERESTS SHARE OF RAMSAY GÉNÉRALE DE SANTÉ CORE NPAT HAS BEEN REMOVED IN ARRIVING AT CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT

4 CORE EPS IS DERIVED FROM CORE NET PROFIT AFTER CARES DIVIDENDS

Chairman's Report

Michael Siddle

Dear Valued Shareholders...

On behalf of the Board, I am pleased to present this 2019 Annual Report for Ramsay Health Care. It has been a significant year in terms of growth, with the acquisition of Capio, the pan-European healthcare company. Through this acquisition, Ramsay is now one of the largest private health care operators in the world. However, being the biggest has never been our goal. Delivering high quality care to the 8.5 million patients who pass through our facilities each year, and working collaboratively with our doctors and staff to create one of the world's most reliable and respected healthcare networks is our number one aim.

In FY2019, the company delivered another year of solid results. Ramsay recorded a Core Net Profit After Tax (NPAT) of $590.9 million for the year ended 30 June 2019, which was a 2.0% increase on the previous corresponding period. The Company's statutory reported net profit attributable to members of the parent (after adjusting for net non-core items after tax) of $545.5 million, was up 40.5% on the prior year. Core NPAT delivered Core EPS of 285.8 cents for the year, an increase of 2.1% on the 279.8 cents recorded in the previous corresponding period.

Directors are pleased to announce a fully-franked final dividend of 91.5 cents, up 5.8% on the previous corresponding period, taking the full year dividend to 151.5 cents fully-franked, up 5.2% on the prior year.

In terms of growth, we made a strategic investment in expanding our network in Europe through the acquisition of Capio by Ramsay Générale de Santé (RGdS). Capio has a number of high performing businesses and is a market leader in Scandinavia, where it operates hospitals, specialist clinics and primary care units. It also has a large footprint in France and consolidates our market leading position there. The company has been a leader in driving value-based healthcare, digitalisation and has also been at the forefront in the delivery of elective care in specialised clinic settings, which is something we can leverage in our other markets.

With this acquisition, we have created a leading provider of healthcare services in Europe. The combined group will be uniquely positioned to leverage Capio's distinctive strengths and expertise in integrated healthcare models and digitalisation, together with the deep domain experience of RGdS and the global reach of Ramsay Health Care.

This acquisition also further consolidates Ramsay Health Care's position as a leading global provider of healthcare services. We have welcomed the Capio staff and doctors into our Company and have commenced sharing our respective capabilities in global quality and operational best practices.

As well as expanding through acquisition, we continue to invest in our existing hospitals, completing 16 capacity expansion projects in Australia during FY2019 and committing a further $244 million to future projects - a sign of our high degree of confidence in the strength of the portfolio and the long term industry fundamentals.

Ramsay's balance sheet and strong and reliable cash flow generation continue to provide the Company with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. At 30 June 2019, the Group Consolidated Leverage Ratio was 3.1 times. This credit metric will change as a result of the new lease accounting standard AASB16.

Ramsay has adopted this new lease accounting standard AASB16 effective 1 July 2019. Whilst the adoption of the standard will have no impact on net cash flow, debt covenants and debt facility headroom, it will have a significant non cash impact on the Consolidated Income Statement and Consolidated Statement of Financial Position for FY2020. Given the impact of the new lease accounting standard on Core NPAT, directors expect to modify the dividend payout ratio for future dividends, such that shareholders can expect at least the same cash dividends as they would have prior to the adoption of the standard.

Directors have put a great deal of time and thought into renewing and reshaping our board in recent years and FY2019 has been a significant year in terms of our board renewal plan. In late 2018, we welcomed both Alison Deans and Dr Claudia Süssmuth Dyckerhoff to the Ramsay Health Care Board and both have made excellent contributions in that time.

At the conclusion of the 2019 Annual General Meeting (AGM), we will farewell two directors who have been with Ramsay since we floated 22 years ago. Rod McGeoch and Kerry Roxburgh have been formidable directors and have served in the best interests of shareholders throughout their tenure. Rod has served on the Remuneration Committee and Kerry on the Global Risk Management and Audit Committees. Their contribution is sincerely acknowledged.

Ramsay's Group Finance Director and Chief Financial Officer Bruce Soden, who has served more than three decades with Ramsay Health Care, stepped down from the Board on 12 September 2019 and will depart Ramsay this year. The Board has expressed its appreciation to Bruce for his significant contribution and responsible leadership of the Company's finances for the past 31 years.

Bruce has dedicated his career to Ramsay Health Care and has been a key member of the Board and the management team since he commenced with the company. His financial discipline has been fundamental to the success of the company over a long period. A global search process is being conducted for a new Group Chief Financial Officer.

We welcomed a new director to the Board, James McMurdo who will stand for election at the November 2019 AGM. James has over 30 years finance and banking experience with both Deutsche Bank, where he is currently Vice Chairman of Investment Banking, and Goldman Sachs. He has a background in corporate advisory spanning across mergers and acquisitions, strategic advisory and financing, with experience across multiple industries including the healthcare sector. We are pleased to welcome James to the Ramsay Board.

In terms of our staff, who are our number one asset, I am very pleased that we have commenced this year the Global Leadership Academy. As a global organisation we now have the capacity to expand and enhance the professional and career opportunities for all our staff.

Through the work of the Academy and other initiatives, we are also focused on what has made us, *people caring for people*. Our founder's vision was to care for our staff and care for our patients and, despite the increasing complexity of our business, we remain focused on partnering with our doctors, nurses and other staff to achieve excellent outcomes for our patients.

On behalf of the Board, I would like to thank the Ramsay leadership team, our staff, the doctors who work with us, and my fellow directors, for your contribution to this company in its operations around the globe during the year. I would also like to thank you, our shareholders, for your continuing support of Ramsay Health Care.

Michael Siddle

Michael Siddle
Chairman

Managing Director's Report

Craig McNally

In FY2019, Ramsay Health Care delivered on our strategy of becoming a major global healthcare operator. Today, our operations span 11 countries, with circa 500 facilities and employing almost 80,000 people.

We now have market leading positions in Australia, France and Scandinavia, which enables us to achieve improved economies of scale, best practice, cost leadership, speed to market, and innovation. The scale, diversity and quality of our portfolio across geographies and in terms of the mix of public and private healthcare provision, as well as our deep and experienced leadership, remain unique sources of differentiation for our business.

Recognising the intrinsic value of our people, we are increasing our investment in their development. I am pleased to report that, in 2019, we launched the Ramsay Health Care Global Leadership Academy. The programmes offered through this Academy will better equip our employees across the world, with leadership skills for the future.

During the year we continued the global rollout of our Speaking Up for Patient Safety initiative. This initiative is already delivering positive results in terms of improving the culture of safety and reliability in our hospitals. We also introduced the Net Promoter Score (NPS) as a key customer metric. In our first year, I am pleased to report that Ramsay's Australian hospitals achieved an overall NPS rating of 73. We are very pleased with this result and will continue to strive to deliver above and beyond our customer expectations.

Results

The Company delivered slightly above guidance for FY2019.

A focus on growth and enhancing our operating model, saw Australia and Continental Europe achieve positive earnings growth during the year.

In the United Kingdom, while the first quarter was challenging and impacted overall earnings for the first half, there was a recovery in NHS volume growth in the second half and we expect this will continue into FY2020. We were also positively impacted by an increase in the latest tariff, which commenced on 1 April 2019.

Capio contributed to Ramsay Générale de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 51.7%) and EBITDAR (up 32.6%).

Capio has a strong portfolio of healthcare facilities in Europe and is a good strategic fit for RGdS. The combined group is now uniquely positioned in the private European healthcare sector with a geographic footprint spanning six countries. It has strong underlying growth fundamentals and will further contribute to making Ramsay a leading global provider of healthcare services.

Australia

In FY2019, Ramsay's Australian operations delivered overall EBITDA growth of 6.0% on the previous corresponding period. This was a positive result given the volatility of the period, which included a Federal election and the uncertainty created by the potential for private health insurance premium caps and a productivity commission review, as well as the implementation of the tiering of health insurance policies into gold, silver, bronze and basic categories.

Ramsay Australia's private admissions growth remains above the industry growth rate, demonstrating our market leading position with high quality, strategically located hospitals as well as the success of our investment strategy.

The Australian business experienced significant volume growth in some specialty areas like cardiac services, cancer care and mental health during the year. The expansion of some of our major mental health facilities combined with the reforms put in place by the Federal Government which enables patients with limited cover to upgrade without serving a waiting period for access to higher benefits for psychiatric care, contributed to strong growth in our mental health volumes.

In response to increased cost pressures across the industry, we commenced a programme of restructuring our operating model in the Australian business which had a positive impact on our overall performance and will position the business well for the future. This programme is focused on improving quality and efficiencies, driving standardisation, digitalising our hospitals and building our care coordination capabilities through the development of integrated models of care.

We slowed the roll-out of the Ramsay Pharmacy franchise network as we continued to focus on enhancing the capability of the network through investments in infrastructure notably IT and resources.

Continental Europe

Excluding Capio, RGdS delivered a full year result in line with expectations, with revenue up 2.6% and EBITDAR up 1.8%. In terms of activity, RGdS finished the year up on last year across all areas including medical, surgical, rehabilitation, mental health, dialysis, emergency presentations and chemotherapy.

The result was assisted by tariff increases which took effect from 1 March. This is the second year of improvement in tariff - a sign of positive sentiment for the sector in this region.

As previously foreshadowed, Capio contributed a negative Core NPAT of $3.0 million to the Ramsay Group result, after factoring in interest costs from Capio's debt and interest expense associated with the debt funding of this acquisition.

While Capio had a dilutionary impact on Core NPAT in its first eight months of ownership, we are in the advanced stages of implementing our integration plan and we are confident that identified synergies will be realised. The new executive governance structure for Capio has been established and we are in the process of harmonising operations in France, divesting non-strategic assets and securing the relevant procurement and other identified synergies.

United Kingdom

After a poor start to the year, Ramsay UK's performance has continued to strengthen with the second half of the year showing good revenue and EBIT growth, helped by a return to volume growth and improved NHS tariff pricing which came into effect from 1 April 2019.

For the full year, admissions were up, driven by growth in NHS volumes of 7.4% on the prior year.

With the return to positive volume growth in the UK, we are now focused on recruitment and reducing our utilisation of agency staff. This, combined with increasing the complexity of our casemix, is a key focus for the UK business.

Asia

Ramsay's Asian joint venture (Ramsay Sime Darby) had an excellent year recording strong operating performances in both Malaysia and Indonesia and a 10% overall growth in admissions groupwide over the previous year.

This increased demand is driving a pipeline of brownfield development opportunities across our hospitals in these regions. Ramsay Sime Darby continues its growth in Asia, opening its first day surgery in Hong Kong.

Growth

Ramsay's Australian brownfield programme remains robust with a total of 16 projects completed in Ramsay's Australian business during FY2019, totaling $242 million and consisting of 333 new beds (net 216), 15 operating theatres and 30 consulting suites. FY2020 is forecast to see completion of $170 million worth of brownfields.

During the year, the Board approved a further $244 million in brownfield developments (196 net beds, 10 theatres, 51 consulting suites), which brings our total investment over 10 years in Australia, to almost $2 billion.

Following the end of the financial year, two major projects were approved at the company's leading metropolitan hospitals - Greenslopes Private Hospital in Brisbane and Hollywood Private Hospital in Perth. A $72 million development was approved for Greenslopes in August 2019, along with a $68 million development at Hollywood, demonstrating the strength of these hospitals in their respective marketplaces and the opportunity for further growth.

The Company remains committed to expanding its global portfolio and will continue to search for opportunities in new and existing markets that are a strategic fit and meet the Company's financial hurdles.

Outlook

FY2019 consolidated Ramsay's position as a leading international healthcare service provider with a diversified and strategically located business portfolio. Our scale and size provide us the opportunity to explore greater efficiencies and to establish stronger partnerships, which will generate earnings growth along the healthcare value chain.

At the same time, we are building our capabilities in terms of ensuring we have a workforce that is adaptable and forward thinking, that we are delivering what customers want, and we are delivering quality outcomes.

Across all our markets strong industry fundamentals are continuing to drive increased demand. In FY2020, we are anticipating stronger volume growth, enhanced by our brownfield investment programme in Australia and the turnaround in NHS volumes in the United Kingdom.

The changes we are making to our operating model across the business, will also contribute positively to earnings over the coming years.

Importantly, we remain focused on ensuring that we continue to deliver the best outcomes for our patients, that we are focused on improving the customer experience, that we maintain the highest level of engagement and respect for our doctors, that we develop our workforce for the future.

I would like to thank the staff and doctors throughout the organisation for your dedication and commitment to our patients and the organisation and the Board of Directors for your support during the year.

Craig McNally
Managing Director

Board of Directors

Michael S Siddle

CHAIRMAN

Appointed 27/05/14
(Appointed as a Director 26/05/75)

Mr Michael Siddle was appointed as Chairman of the Company on 27 May 2014, having formerly been Deputy Chairman for 17 years and a founding director. He has built up significant knowledge of the business and the private hospital industry after starting with the Company in 1968. Mr Siddle has extensive experience in the management of private hospitals and has been integrally involved in Ramsay Health Care's successful expansion through construction, mergers and acquisitions. He serves as a member of the Company's People & Remuneration Committee and is Chair of the Nomination & Governance Committee.

Mr Siddle was a director of Prime Media Group Limited, one of Australia's largest regional television and radio operators, from April 1985 to November 2015.

Mr Siddle is also a director of Paul Ramsay Foundation Limited.

Peter J Evans
FCA

DEPUTY CHAIRMAN

Appointed 27/05/14
(Appointed as a Director 29/12/90)

Mr Peter Evans was appointed as Deputy Chairman of the Company on 27 May 2014, having formerly served as a Non-Executive Director since his appointment to the Board in 1990. Mr Evans began working with Ramsay Health Care in 1969. He 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 45 years. Mr Evans is Chairman of both the Company's Audit and Global Risk Management Committees and a member of the People & Remuneration Committee.

Mr Evans is also a director of Paul Ramsay Foundation Limited and has been actively involved with several other charitable organisations over many years.

Craig R McNally

CEO & MANAGING DIRECTOR

Appointed 03/07/17

Mr Craig McNally was appointed Managing Director and Chief Executive Officer of Ramsay Health Care (Ramsay) on 3 July 2017, after serving seven years with Ramsay Health Care as Chief Operating Officer and 22 years prior to this in various roles including Head of Global Strategy and European Operations.

Mr McNally is one of Ramsay's longest serving Executives having commenced with the Company in 1988. He was initially employed as a Hospital Executive in Ramsay's Sydney-based mental health facilities, before taking over divisional responsibility for acute medical and surgical hospitals in the early nineties.

In 1995, he became Ramsay's Head of Strategic Development, and for the last two decades has been responsible for the development and implementation of Ramsay's growth strategy including brownfield expansions, international market assessments, mergers and acquisitions and new business strategies. As the Company's chief negotiator and deal-maker he has been at the forefront of all the major acquisitions and deals completed by Ramsay Health Care. His unique ability to assess the opportunities and risks associated with new business ventures and to evaluate their 'strategic fit', as well as his sound judgement and insight, has ensured the Company's successful growth both domestically and internationally.

In his role as head of Ramsay's UK and European business, Mr McNally has been responsible for leading these teams through the challenging acquisition and merger phases and ensuring their successful integration with Ramsay Health Care and adoption of The Ramsay Way culture. His quiet but assured leadership style is well-respected throughout the organisation.

Prior to joining Ramsay Health Care in 1988, Mr McNally was an executive of a private hospital in Sydney following completion of a health administration degree at the University of New South Wales.

He is married with three children and an enthusiastic fan of football, baseball and rugby.

Bruce R Soden
B.Comm CA FAICD
CFO & GROUP FINANCE DIRECTOR

Appointed 02/01/97 & retired 12/09/19

Mr Bruce Soden, a chartered accountant, was Group Finance Director and Chief Financial Officer of the Company, a role he had held since early 1997. Mr Soden was responsible for all financial operations and corporate governance functions of the business including treasury, banking and finance, legal and company secretariat, institutional investor relations and group accounting and taxation. Over his extensive time with the Group, Mr Soden 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 acquisitions of Affinity Health Care in 2005, Générale de Santé in France in 2014 and its acquisition of Capio in 2018 and all debt and equity raisings.

Since listing and under Mr Soden's financial leadership, Ramsay's enterprise value grew from under $400 million in 1997 to in excess of $18 billion currently.

Mr Soden is a Director of Ramsay Générale de Santé, a publicly listed hospital operator in France in which Ramsay Health Care (UK) Limited has a controlling interest, and he is also a Director of Ramsay Sime Darby Health Care, the Company's joint venture with Sime Darby and Vice Chairman of Ascension Ramsay Global Sourcing Ltd (NuSoarce Global), the Company's joint venture with Ascension.

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.

Alison Deans
MA, MBA, GAICD
NON-EXECUTIVE DIRECTOR

Appointed 15/11/18

Ms Alison Deans has 25 years' experience building technology-enabled businesses involved in media, ecommerce, financial services and health, and across leadership roles as an Executive, as a Director and in venture capital.

Ms Deans joined the board of Ramsay Health Care in November 2018. She is also a Non-Executive Director of Westpac Banking Corporation, Cochlear Limited, SCEGGS Darlinghurst and Deputy Pty Ltd. She is also on the Investment Committee of MainSequence Ventures.

In her executive career Ms Deans was previously the CEO of eBay Australia and New Zealand, CEO of eCorp Limited, (a publicly listed portfolio of digital businesses), CEO of Hoyts Cinemas, and most recently CEO of netus Pty Ltd - a technology investment company acquired by Fairfax.

Ms Deans also spent seven years as a Consultant with McKinsey and Company and is currently a Senior Advisor with the firm. She holds a Master of Business Administration from the Stanford Graduate School of Business and a Master of Arts from Trinity College at Cambridge University

Ms Deans is a member of the People & Remuneration Committee.

In the past three years, Ms Deans has served as a Director of the following listed companies:

- Cochlear Limited (Appointed February 2015)
- Westpac Banking Corporation (Appointed April 2014)
- Insurance Australia Group Limited (Resigned October 2017)

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 48 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. Mr McGeoch is also a past Chairman of Sky City Entertainment Group Limited.

Currently Mr McGeoch is Chairman of BGP Holdings Plc Malta, Chairman of Vantage Private Equity Growth Limited, Chairman of Chubb Australia Insurance Limited, Director of Corporation America Airports S.A, Director of Southern Cone Foundation, Vaduz and is also Deputy Chairman 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, was 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 was Co-Chairman of the Australian New Zealand Leadership Forum until 2017 and is also a director of Destination NSW. In January 2013, Mr McGeoch was appointed Honorary Consul General of Luxembourg in Australia.

Mr McGeoch is Chairman of the People & Remuneration Committee and a member of the Nomination & Governance Committee.

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

- BGP Investment S.a.r.l Luxembourg (Resigned December 2016)

Kerry C D Roxburgh
BCom MBA MeSAFAA

NON-EXECUTIVE DIRECTOR

Appointed 03/07/97

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

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 Eclipx Group Limited and of Tyro Payments 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 (now HSBC Australia Ltd) 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.

Mr Roxburgh is a member of the Audit Committee, the Global Risk Management and the Nomination & Governance Committee.

- Eclipx Group Limited (Appointed March 2015) (Currently Chairman)

Claudia Süssmuth Dyckerhoff
PhD

NON-EXECUTIVE DIRECTOR

Appointed 30/10/18

Dr Claudia Süssmuth Dyckerhoff PhD joined the Ramsay Health Care Board in October 2018, bringing expertise in market growth strategies, business development, and operational performance improvement in hospitals.

Dr Süssmuth Dyckerhoff has extensive global experience in hospitals and health care across Europe, Asia, and the USA. She joined McKinsey & Company in Switzerland in 1995 and was transferred to the USA focusing on supporting healthcare companies, including pharmaceutical/ medical device companies, payor, provider and health systems in Europe and the USA.

In 2006, Dr Süssmuth Dyckerhoff transferred to China, was elected Senior Partner in 2010 and supported health care companies as well as governments across Asia. She also led McKinsey's Asia-wide Health Systems and Services Sector. Dr Süssmuth Dyckerhoff also supports three start-ups, and in September 2017 she joined the Board of med tech start-up Cyrcadia.

Dr Süssmuth Dyckerhoff studied Business Administration at the University of St Gallen, Switzerland as well as at ESADE, Barcelona where she graduated with an MBA/CEMS Master. She also holds a PhD in Business Administration from the University of St Gallen/University of Michigan Ann Arbor.

Dr Süssmuth Dyckerhoff is a member of the Global Risk Management Committee.

In the past three years, Dr Süssmuth Dyckerhoff has served as a director of the following listed companies:

- Hoffmann La Roche (Appointed March 2016)
- Clariant AG (Appointed April 2016)

David Thodey AO

NON-EXECUTIVE DIRECTOR

Appointed 28/11/17

Mr David Thodey AO is a business leader who has had a strong executive career in the technology and telecommunications industries, with more than 30 years of experience creating brand and shareholder value.

In addition to being a Non-Executive Director of Ramsay Health Care, Mr Thodey is currently Chairman of Australia's national scientific research agency, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and a director of Tyro Payments Limited (a leading alternative payments provider), Xero Limited (a small business accounting software company) and Vodafone Group Plc (a global telecommunications company).

Mr Thodey is on the Advisory Board of SquarePeg Capital and is on the Investment Committee of Evans and Partners Global Disruption Fund.

He also had a successful career as CEO of Telstra, Australia's leading telecommunications and information services company, and prior to that he was CEO of IBM.

Mr Thodey holds a Bachelor of Arts in Anthropology and English from Victoria University, Wellington, New Zealand, attended the Kellogg School of Management postgraduate General Management Program at Northwestern University in Chicago, USA, and was awarded an Honorary Doctorate in Science and Technology from Deakin University in 2016 and an Honorary Doctorate of Business from University of Technology Sydney in 2018.

Mr Thodey is also a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE) and the Australian Institute of Company Directors (AICD).

He was awarded an Order of Australia in 2017 for his service to business and the promotion of ethical leadership and workplace diversity.

Mr Thodey is a member of the Global Risk Management Committee, the Audit Committee and the Nomination and Governance Committee.

In the past three years, David Thodey has served as a director of the following listed companies:

- Xero Limited (Appointed June 2019)
- Vodafone Group plc (Appointed September 2019)

Group General Counsel & Company Secretary

Henrietta Rowe

B Econ (Soc Sci) (Hons), LLB (Hons), FGIA

GROUP GENERAL COUNSEL & COMPANY SECRETARY

Appointed 25/06/19

Ms Henrietta Rowe was appointed Group General Counsel & Company Secretary on 25 June 2019 and is responsible for the Group legal and secretariat functions.

Ms Rowe has more than 12 years' experience with leading global law firm, Herbert Smith Freehills, and in-house at the Commonwealth Bank of Australia, specialising in corporate governance, mergers and acquisitions, capital management, executive remuneration, as well as general corporate and contractual advice.

Ms Rowe holds a Bachelor of Economics (Social Sciences) (Honours) and a Bachelor of Laws (Honours) from the University of Sydney and is a Fellow of the Governance Institute of Australia.

John D C O'Grady

LLB FAICD

GROUP GENERAL COUNSEL & COMPANY SECRETARY

Appointed 23/01/07 & retired 09/08/19

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 in January 2007, he was in private practice with a strong corporate governance focus and experience in contract negotiation, finance and corporate law.

Prior to the appointment of his successor, Ms. Henrietta Rowe on 25 June 2019, Mr. O'Grady headed up the Global Legal team and had responsibility for coordinating Risk Management throughout the Group. He also provided input into all major acquisitions of the Ramsay Group globally and advised the Board and Executive on corporate governance.

Mr O'Grady also had Group responsibility for all company secretarial functions, including liaising with the ASX, ASIC and other regulatory bodies. He retired on 9 August 2019.

Retired Board Members

Patricia E Akopiantz

BA MBA

NON-EXECUTIVE DIRECTOR

Appointed 28/04/15 & retired 9/11/18

Margaret L Seale

BA FAICD

NON-EXECUTIVE DIRECTOR

Appointed 28/04/15 & retired 31/10/18

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 20 September 2019.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1-1,000	68,576	18,805,155	9.306
1,001-5,000	8,864	17,737,645	8.777
5,001-10,000	666	4,591,525	2.272
10,001-100,000	263	5,869,070	2.904
100,001 and over	49	155,077,857	76.740
Totals	**78,418**	**202,081,252**	**100.000**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 547 holders, for a total of 1,355 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

	Name	Number of fully paid Ordinary Shares	% of Issued Capital
1.	Paul Ramsay Holdings Pty Limited	42,999,269	21.28%
2.	HSBC Custody Nominees (Australia) Limited	40,174,082	19.880%
3.	J P Morgan Nominees Australia Pty Limited	25,819,123	12.777%
4.	Citicorp Nominees Pty Limited	8,573,664	4.243%
5.	National Nominees Limited	6,408,538	3.171%
6.	Woolwich Investments Pty Ltd <The Siddle Family Trust>	3,750,000	1.856%
7.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,346,821	1.656%
8.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,132,566	1.550%
9.	BNP Paribas Noms Pty Ltd <DRP>	1,929,285	0.955%
10.	Custodial Services Limited <Beneficiaries Holding A/C>	1,922,185	0.951%
11.	Argo Investments Limited	1,828,131	0.905%
12.	Australian Foundation Investment Company Limited	1,746,813	0.864%
13.	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,072,606	0.531%
14.	Sargon Ct Pty Ltd <Ramsay Unallocated Ac>	1,056,539	0.523%
15.	Netwealth Investments Limited <Wrap Services A/C>	946,269	0.468%
16.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	907,008	0.449%
17.	HSBC Custody Nominees (Australia) Limited - A/C 2	889,939	0.440%
18.	Sargon Ct Pty Ltd <Ramsay PRP Allocated Ac>	706,049	0.349%
19.	Australian Executor Trustees Limited <IPS Super A/C>	598,569	0.296%
20.	UBS Nominees Pty Ltd	586,772	0.290%
	Totals	**148,394,228**	**73.433%**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 20 September 2019:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Foundation Limited / Paul Ramsay Holdings Pty Limited	42,999,269	21.30%
UBS Group AG and its related bodies corporate	13,208,528	6.54%
JPMorgan Chase & Co. and its affiliates	11,748,697	5.81%

(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 a show of hands, and one vote for each fully paid ordinary share, on a poll.

(f) On-market purchases

During FY2019 the Company purchased 357,516 ordinary shares on-market for the purposes of its employee and Non-Executive Director share plans (including to satisfy the entitlements of holders of vested performance rights to acquire shares under the Executive Performance Rights Plan), at an average price per ordinary share of $62.86.

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1-1,000	3,711	1,078,924	41.497
1,001-5,000	215	431,110	16.581
5,001-10,000	21	147,108	5.658
10,001-100,000	10	324,348	12.475
100,001 and over	3	618,510	23.789
Totals	**3,960**	**2,600,000**	**100.000**

(h) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 1 holder, for a total of 2 CARES.

(i) 20 Largest CARES Holders

	Name	Number of fully paid CARES	% of Issued Capital
1.	J P Morgan Nominees Australia Pty Limited	373,683	14.372%
2.	Citicorp Nominees Pty Limited	140,849	5.417%
3.	National Nominees Limited	103,978	3.999%
4.	HSBC Custody Nominees (Australia) Limited	97,088	3.734%
5.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	62,277	2.395%
6.	Australian Executor Trustees Limited <IPS Super A/C>	42,116	1.620%
7.	Argo Investments Limited	25,000	0.962%
8.	Longhurst Management Services Pty Ltd	20,969	0.807%
9.	Navigator Australia Ltd <MLC Investment Sett A/C>	19,983	0.769%
10.	Citicorp Nominees Pty Limited <DPSL A/C>	17,987	0.692%
11.	NULIS Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	15,752	0.606%
12.	Australian Executor Trustees Limited <No 1 Account>	11,883	0.457%
13.	Peroda Nominees Pty Limited <Berman Super Fund A/C>	11,293	0.434%
14.	Jamplat Pty Ltd	10,000	0.385%
15.	HSBC Custody Nominees (Australia) Limited - A/C 2	8,720	0.335%
16.	Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account>	8,627	0.332%
17.	Woodduck Pty Ltd	8,000	0.308%
18.	Australian Executor Trustees Limited	7,949	0.306%
19.	Ecapital Nominees Pty Limited <Accumulation A/C>	7,795	0.300%
20.	Region Hall Pty Ltd	7,676	0.295%
	Totals	**1,001,625**	**38.524%**

(j) On-Market Buy-Backs

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

(k) Corporate Governance Statement

The Company's Corporate Governance Statement in respect of the year ended 30 June 2019 is available at: ramsayhealth.com/sustainability/governance/corporategovernancestatement2019

Corporate Directory

AS AT 20 SEPTEMBER 2019

Directors

Non Executive Directors
Michael Siddle (Chairman)
Peter Evans (Deputy Chairman)
Alison Deans
Rod McGeoch AO
James McMurdo
Kerry Roxburgh
Claudia Süssmuth Dyckerhoff
David Thodey AO

Executive Director
Craig McNally (Managing Director & CEO)

Group General Counsel & Company Secretary

Henrietta Rowe

Registered Office

Suite 18.03, Level 18
126 Phillip Street
Sydney NSW 2000
Australia

Email: enquiry@ramsayhealth.com
Website: www.ramsayhealth.com
Telephone: +61 2 9220 1000
Facsimile: +61 2 9220 1001

Share Registry

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

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: +61 2 9279 0664

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Financial Report

FOR THE YEAR ENDED
30 JUNE 2019

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
A.B.N. 57 001 288 768

Contents

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

DIRECTORS

The names of the Directors of Ramsay Health Care Limited ("Ramsay", "the Company" or "the Group") in office during the financial year and until the date of this report, unless noted otherwise, are listed below. Each Director's beneficial interest in the share capital of the Company as at the date of this report is as follows:

Director	Ramsay Health Care Limited		
	Ordinary Shares	Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
M.S. Siddle	3,905,244	-	-
P.J. Evans	9,889	-	-
C.R.McNally	342,050	-	137,292
B.R. Soden	324,070	2,000	180,577
R.H. McGeoch AO	55,511	257	-
K.C.D. Roxburgh	50,180	-	-
P.E. Akopiantz (resigned 9 November 2018)*	3,254	-	-
M.L. Seale (resigned 31 October 2018)*	5,442	-	-
D.I. Thodey AO	9,310	700	-
C. Süssmuth Dyckerhoff (appointed 30 October 2018)	530	-	-
A. Deans (appointed 15 November 2018)	4,495	1,402	-

*Retiring Director's beneficial interest in the share capital of the company is provided at the date of the Director's retirement.

Particulars of each Director's and Company Secretaries' experience and qualifications are set out in the Board of Directors section of this Annual Report.

Interests in Contracts or Proposed Contracts with the Company

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

OPERATING AND FINANCIAL REVIEW

Principal Activities

Ramsay is a global hospital group operating in approximately 500 locations across Australia, the United Kingdom, France, Sweden, Norway, Denmark, Germany, Indonesia, Malaysia, Hong Kong and Italy. 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. The Group now operates across 11 countries, treating over 8.5 million patients in approximately 500 locations and employing almost 80,000 staff. Importantly, Ramsay continues to differentiate our business in terms of leadership, focusing on quality and clinical excellence and reinvesting in our business. We maintain market leading positions in Australia, France and Scandinavia, and we are a market leader in the private provision of services to the National Health Service (NHS).

Ramsay listed on the Australian Securities Exchange in 1997 and, over the last twenty two 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 which allows each of its facility managers to develop productive working relationships with doctors. This has assisted in attracting high calibre medical practitioners to consult 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. 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.

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.

In November 2007, Ramsay Health Care acquired Capio UK and its portfolio of hospitals in England. Ramsay Health Care UK is now one of the leading providers of independent hospital services in the UK, with a network of over 30 acute hospitals and day procedure centres providing a comprehensive range of clinical specialties to private and self-insured patients as well as to patients referred by the NHS.

In March 2010, Ramsay Health Care purchased a 57% interest in Group Proclif SAS (Proclif), a private hospital operator based in France. Proclif changed its name to Ramsay Santé. This was the start of several acquisitions in France, culminating in its acquisition of a controlling interest in Générale de Santé (GdS) in October 2014. GdS was the leading operator of private hospitals in France comprising 75 facilities (including 61 hospitals) in the fields of medicine, surgery, obstetrics and rehabilitation. On 1 July 2015, Ramsay Santé and GdS merged and the merged entity is now known as the Ramsay Générale de Santé (RGdS). This merged entity acquired HPM, a group of nine hospitals in Lille in December 2015. In November 2018, Ramsay Générale de Santé acquired the share capital of Capio AB. Capio is a leading, pan-European healthcare provider offering a broad range of healthcare services in Sweden, Norway, Denmark, France and Germany.

In July 2013, Ramsay Health Care entered into a Joint Venture arrangement with Malaysian multinational conglomerate Sime Darby Berhad. The joint venture combined Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, under a jointly owned company, Ramsay Sime Darby Health Care Sdn Bhd (RSD).

Non – AASB Financial Information

The review of results of operations included in the Directors' Report below includes a number of non-AASB financial measures. These non-AASB financial measures are used internally by management to assess the performance of the business and make decisions on the allocation of resources.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Performance

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

Summary of Statutory earnings	**2019 $000**	**2018 $000**	**% Change**
Revenue from contracts with customers (excluding AASB15 adjustment)	11,415,197	9,176,235	24.4%
AASB15 Revenue from contracts with customers adjustment*	137,588	-	
Revenue from contracts with customers	11,552,785	9,176,235	25.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,502,307	1,140,091	31.8%
Earnings before interest and tax (EBIT)	1,016,034	720,785	41.0%
Statutory reported net profit attributable to owners of the parent	545,473	388,348	40.5%

*Refer to Overview section of the Consolidated Financial Statements

	2019	**2018**	**% Change**
Basic earnings per share (after CARES dividend)	264.9c	186.7c	41.9%
Diluted earnings per share (after CARES dividend)	263.3c	185.6c	41.9%

A summary of consolidated Core revenue and earnings is set out below:

Summary of Core earnings	**2019 $000**	**2018 $000**	**% Change**
Core revenue from contracts with customers (excluding AASB15 adjustment)	11,415,197	9,176,235	24.4%
AASB15 Revenue from contracts with customers adjustment*	137,588	-	
Core revenue from contracts with customers	11,552,785	9,176,235	25.9%
Core earnings before interest, tax, depreciation and amortisation (Core EBITDA)	1,592,118	1,395,925	14.1%
Core earnings before interest and tax and non-core items (Core EBIT)	1,107,964	1,007,617	10.0%
Core net profit after tax attributable to owners of the parent	590,925	579,338	2.0%

*Refer to Overview section of the Consolidated Financial Statements

	2019	**2018**	**% Change**
Basic Core earnings per share (after CARES dividend)	287.5c	281.5c	2.1%
Diluted Core earnings per share (after CARES dividend)	285.8c	279.8c	2.1%

Reconciliation of Statutory earnings to Core earnings
The reconciliation below outlines the Statutory net profit after tax, adjusted for non-core items.

	2019 $000	**2018 $000**
Statutory net profit after tax attributable to owners of the parent	545,473	388,348
Add: Net non-core items		
- Restructuring, acquisition, disposal, development costs and profit on disposal of medical suites	41,920	150,445
- Transaction cost - Capio	28,500	-
- Non-cash unfavourable lease contract expense	9,253	122,152
- Non-cash portion of rent expense relating to leased UK hospitals	12,257	14,609
- Income tax on non-core items	(28,415)	(61,959)
- Non-controlling interest in non-core items (net of tax)	(18,063)	(34,257)
Core net profit after tax attributable to owners of the parent	590,925	579,338

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Highlights

Ramsay's statutory net profit attributable to the owners of the parent for the year ended 30 June 2019 was $545,473,000, a 40.5% increase on the previous corresponding period. Diluted statutory earnings per share is 263.3 cents for the year, a 41.9% increase. Diluted core earnings per share is 285.8 cents for the year, a 2.1% increase. Net non-core items of $45.5 million (net of minorities and net of tax) were recognised in the period. The non-core items (before tax and minorities) were principally due to Ramsay General de Santé (RGdS) and Ramsay Australia recognising restructuring costs of $38.4 million and RGdS recognising acquisition costs for Capio of $28.5 million.

Ramsay delivered slightly above guidance for the year notwithstanding the slightly dilutive Core NPAT impact of the acquisition of the pan European operator Capio, which was completed during the period. The Company strengthened its position as a major global healthcare company with the acquisition of Capio and we continue to differentiate the business in terms of leadership, focusing on quality and clinical excellence and reinvesting in our business. Capio contributed to Ramsay General de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 51.7%) and EBITDAR (up 32.6%).

Operational Highlights – Australia / Asia

During the year, Ramsay's Australian operations delivered overall EBITDA growth of 6.0% on the previous corresponding period. This was a positive result given the volatility of the period, which included a Federal election and the uncertainty created by the potential for private health insurance (PHI) premium caps and a productivity commission review, as well as the implementation of the tiering of PHI policies (gold, silver, bronze, basic).

Our Australian hospitals' private admissions growth remains above the industry growth rate, demonstrating our market leading position with high quality, strategically located hospitals as well as the success of our investment strategy.

In response to increased cost pressures across the industry, a programme of restructuring of our operating model in the Australian business was commenced which had a positive impact on our overall performance and will position the business well for the future. This programme is focused on improving efficiencies, driving standardisation, digitalising our hospitals and building our care coordination capabilities through the development of integrated models of care.

Our equity accounted share of the Asian joint venture with Sime Darby had an excellent year recording strong operating performances in both Malaysia and Indonesia and a 10% overall growth in admissions groupwide over the previous year.
This increased demand is driving a pipeline of brownfield development opportunities across our hospitals in these regions. Ramsay Sime Darby continues its growth in Asia, opening its first day surgery in Hong Kong.

Operational Highlights – UK

After a poor start to the year, Ramsay UK's performance has continued to strengthen with the second half of the year showing good revenue and EBIT growth, helped by a return to volume growth and improved NHS tariff pricing which came into effect from 1 April 2019. For the full year, admissions were up, driven by growth in NHS volumes of 7.4% on the prior year. With the return to positive volume growth in the UK, the UK business will now focus on recruitment and reducing utilisation of agency staff. This, combined with increasing the complexity of the casemix, is a key focus for the UK business.

Operational Highlights – Continental Europe

Excluding Capio, RGdS delivered a full year result in line with expectations, with revenue up 2.6% and EBITDAR up 1.8%. In terms of activity, RGdS finished the year up on last year across all areas including medical, surgical, rehabilitation, mental health, dialysis, emergency presentations and chemotherapy. The result was assisted by tariff increases which took effect from 1 March 2019. This is the second year of improvement in tariff - a sign of positive sentiment for the sector in this region. The large scale restructuring programme to centralise non-core hospital functions in RGdS is on track.

As previously foreshadowed, Capio contributed a negative Core NPAT of $3.0 million to the Ramsay Group result, after factoring in interest costs from Capio's debt and interest expense associated with the debt funding of this acquisition.

The integration plan is in the advanced stages of being implemented and it is expected that identified synergies will be realised. The new executive governance structure for Capio has been established and the process of harmonising operations in France, divesting non-strategic assets and securing the relevant procurement and other identified synergies has commenced.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Position

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

	2019 $000	2018 $000	% Change
Total assets	12,532,641	9,312,869	34.6%
Total liabilities	(9,509,571)	(6,865,460)	38.5%
Net assets	3,023,070	2,447,409	23.5%

Ramsay's total assets increased by 34.6% due mainly to an increase in trade receivables, property, plant and equipment and goodwill. This is in line with expectations, with the acquisition of Capio during the year.

Total liabilities increased by 38.5% due mainly to an increase in interest bearing loans and borrowings, trade payables and provisions, due primarily to the acquisition of Capio.

The Group is in a net current asset position at 30 June 2019 (2018: net current asset position).

Ramsay's net asset position increased by 23.5% which is largely attributable to the current year's profit after tax of $572 million less dividends paid to Ramsay shareholders of $309 million, together with shares in RGdS issued to our non-controlling interest to partly fund the acquisition of Capio.

Balance Sheet, Cash Flow and New Lease Standard

Ramsay's balance sheet and strong and reliable cash flow generation continues to provide the Company with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. At 30 June 2019, the Group Consolidated Leverage Ratio was 3.1 times. The size of this credit metric will change as a result of the new lease accounting standard AASB16.

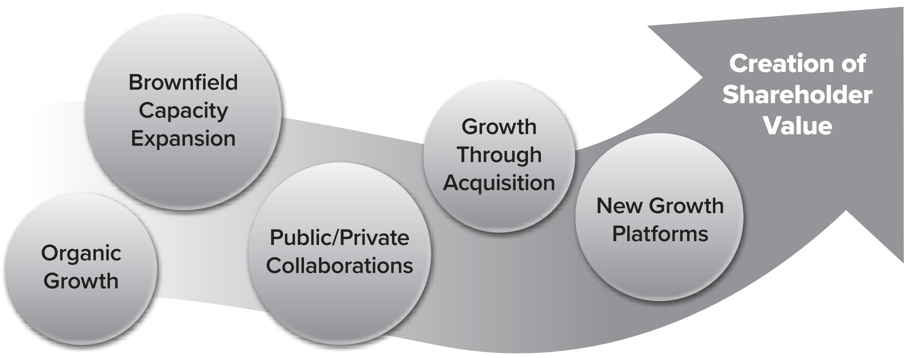
Ramsay adopted this new lease accounting standard AASB16 effective 1 July 2019. Whilst the adoption of the standard will have no impact on net cash flow, debt covenants and debt facility headroom, it will have a significant non cash impact on the Consolidated Income Statement and Consolidated Statement of Financial Position for FY20. The level of net debt as a result of the capitalisation of lease liabilities will increase by an estimated $4.5 to $5 billion on transition and Core NPAT is expected to decrease by $40 to $50 million. Further detail is provided in the Overview note.

Given the impact of the new lease accounting standard on Core NPAT, Ramsay expects to modify the dividend payout ratio for future dividends, such that shareholders can expect at least the same cash dividends as they would have prior to the adoption of the standard.

Business Strategies and Prospects for Future Financial Years

Ramsay's scale and size provides the opportunity to explore greater efficiencies and to establish stronger partnerships, which will generate earnings growth along the healthcare value chain. At the same time, we are building our capabilities in terms of ensuring we have a workforce that is adaptable and forward thinking that we are delivering what customers want, and we are delivering quality outcomes.

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 five key components which are discussed below.



OPERATING AND FINANCIAL REVIEW (CONTINUED)

Business Strategies and Prospects for Future Financial Years (continued)

Organic Growth

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

Brownfield Capacity Expansion

During the year the Board approved $244 million in new brownfield projects which underscores the Company's confidence in the long term industry dynamics. This brings the total investment in these projects over 10 years in Australia, to almost $2 billion.

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".

Growth through Acquisition

The company remains committed to expanding its global portfolio and will continue to search for opportunities in new and existing markets that are a strategic fit and meet the Company's rigorous financial hurdles.

New Growth Platforms

We are looking at areas of growth in adjacent businesses like pharmacy (in Australia) and patient transport (in France) that will supplement our core strategy and assist in delivering improved and integrated services to patients across an increasingly disperse health ecosystem.

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, together with relevant mitigation strategies. It is not possible to identify every risk that could affect Ramsay's business and the actions taken to mitigate these risks cannot provide absolute assurance that a risk will not materialise.

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.

Ramsay monitors legislative and regulatory developments and engages appropriately with the relevant bodies where required.

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 may 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.

Ramsay undertakes comprehensive due diligence when entering into foreign markets to ensure that any risk of entering a foreign market is minimised to the extent possible, both in regards to government policy and regulation and cultural differences. Ramsay monitors legislative and regulatory developments and engages appropriately with the relevant bodies where required.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

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 unforeseen operating difficulties and may require significant financial resources.

Ramsay undertakes comprehensive due diligence when entering into foreign markets to ensure that any risk of entering a foreign market is minimised to the extent possible and takes a disciplined approach to investment of capital.

Cyber Security / Information Technology
Sensitive clinical, financial and other information is stored electronically by Ramsay and has the potential to be affected by a cyber-attack. The strength and effectiveness of the Group's Cyber security framework is subject to regular review and proactively managed. The Board, through the Risk Management Committee, has ultimate responsibility for and ownership of the Cybersecurity Framework and receives quarterly reports on (among other things) how cyber risk is being proactively managed. The Board, through the Audit Committee receives independent reports on the effectiveness of controls in relation to cyber security.

Health insurance 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 Australian Prudential Regulatory Authority (APRA). 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).

Ramsay maintains a regular dialogue with each of the private health funds and continues to work with them to deliver mutually beneficial outcomes as part of normal contract negotiations.

Revenue from government sources
The majority of Ramsay's revenue in the UK, France and Scandinavia is derived from government sources. Accordingly, Ramsay has prima facie, significant risk exposure to adverse pricing changes as set by the respective governments. Failure to reach a satisfactory outcome with governments 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).

Ramsay engages with the relevant government bodies where required and continues to work with them to deliver mutually beneficial outcomes.

Relationships with Doctors
As the majority of doctors operating or consulting at Ramsay's hospitals are not employees, doctors have no obligation to use any of Ramsay's facilities. 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.

Ramsay regularly engages with its doctors to maintain a strong relationship.

Reliance on Nursing
Ramsay's most significant cost is nursing labour. Whilst currently there is an adequate supply of nursing labour, it is projected that the supply could 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.

Ramsay undertakes a worldwide recruitment program for nurses to help mitigate any risks of issues with supply of nursing labour.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

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.

Ramsay has an experienced team which works closely with its insurers and manages both Ramsay's on-going insurance needs and any claims that may arise from time to time.

Financial
Ramsay's reported revenue and earnings will fluctuate with changes in the currency exchange rates between the Australian dollar (Ramsay's reporting currency) and the currencies of Ramsay's offshore operations. Ramsay hedges a proportion of the expected net profit from foreign operations to somewhat mitigate this foreign exchange risk.

Ramsay uses debt to reduce its cost of capital and to increase earnings per share. It is therefore subject to the risk of rising interest rates (either on floating rate debt or when existing facilities expire), the future availability of funding, and potential breach of a term or condition of its debt facilities. Ramsay has a sophisticated Treasury Policy in place to manage liquidity, interest rate, foreign exchange and counterparty credit risk. This policy is audited independently.

Strategic
Ramsay needs to ensure that it is aware of the potential disruption and need for innovation. The rate of technology and process change remains a key area of both risk and opportunity. Ramsay seeks to invest in technology and processes while also identifying and capitalising on innovation opportunities.

Clinical
Ramsay is committed to ongoing improvement of patient care in all areas. The delivery of high quality clinical care is fundamental to the Company's success. Ramsay facilities operate within a strict quality and clinical framework to ensure a high quality of clinical outcomes.

Licences
Hospitals are required to be licensed under various legislations. 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.

Ramsay has robust compliance policies and procedures that are designed to manage each facility's licensing and accreditation obligations.

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. Ramsay concentrates on providing high quality health care in each of its locations and maintaining a high standard at all facilities to mitigate competition risk.

DIVIDENDS

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

Final dividend recommended @ 91.5 cents per share (2018: 86.5 cents)	$184,904,000 (2018: $174,800,000)
Interim dividend paid during the year @ 60.0 cents per share (2018: 57.5 cents)	$121,249,000 (2018: $116,198,000)

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

Final dividend recommended @ $2.29 per security (2018: $2.49)	$5,962,000 (2018: $6,466,000)
Interim dividend paid during the year @ $2.44 per security (2018: $2.35)	$6,333,000 (2018: $6,117,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2018: 30%).

CORPORATE INFORMATION

This financial report covers the Ramsay Health Care Limited consolidated Group which comprises the Company and its subsidiaries (**'the Group'**). The Group's functional and presentational currency is AUD ($).

The Company 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 Suite 18.03, Level 18, 126 Phillip Street, Sydney NSW 2000.

The financial report of the Company for the year ended 30 June 2019 was authorised for issue on 10 September 2019 in accordance with a resolution of the Directors.

SIGNIFICANT CHANGES IN THE 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 1,085,023 (2018: 1,266,258) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to Note 16 of the financial statements for further details of any rights outstanding as at 30 June 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Directors and management of the consolidated entity will continue to seek growth in its existing business and to ensure the operation of high quality, cost effective facilities, in order to optimise returns to shareholders. At the same time, directors and management are continuing to pursue opportunities, including expansion of existing facilities, further hospital acquisitions as well as other opportunities closely aligned to the 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No application has been made under section 237 of the Corporations Act 2001 (Cth) in respect of the Company, and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

REMUNERATION REPORT

Dear Shareholders

On behalf of the Board, I am pleased to present you with Ramsay's 2019 Remuneration Report.

A refreshed approach to remuneration

In response to the concerns raised in relation to the FY18 Remuneration Report, over the year we met with a number of shareholders and proxy advisors to better understand your views. Your feedback is welcomed and in 2019 we have undertaken a comprehensive review of our remuneration strategy and framework.

Overall, stakeholders support our traditional short and long term incentive framework and accordingly we have continued to utilise a framework that comprises these elements. Changes are focused on improving transparency, ensuring hurdles appropriately align with the strategy and stakeholder expectations, and elevating our governance practices.

To more strongly align the Executive remuneration framework with our strategic imperatives, the Ramsay Way and the expectations of our stakeholders, we have made a number of changes for FY20. These changes, which take effect from 1 July 2019, are set out in section 3 of this Remuneration Report and include:

- introducing an individual performance modifier on short term incentive (**STI**) awards which is based on the Ramsay Way (between 0-100%);
- simplifying STI scorecards to reflect performance across 5 key areas, being financial performance, global strategy execution, people, consumer and quality;
- removing any 'double up' of the financial measure with the long term incentive (**LTI**);
- introducing a threshold / target / stretch vesting schedule for financial STI measures to better align remuneration outcomes and company performance;
- extending STI deferral in equity for all Executives with 50% of the award deferred for 2 years and 25% released in years 1 and 2 respectively;
- introducing a minimum shareholding requirement for Non-Executive Directors and Executives; and
- introducing a formal clawback policy.

While the new framework will apply from FY20, this year we have refreshed our 2019 Remuneration Report to more clearly link Ramsay's strategy, performance and remuneration outcomes. We have also explained why the Board has adopted a position when its discretion was applied. We have worked to ensure that the information is as clear, concise and transparent as possible.

Ramsay's performance in 2019

Today, Ramsay Health Care operates across 11 countries, treating 8.5 million patients in circa 500 locations and employing almost 80,000 staff. Importantly, we continue to differentiate our business in terms of leadership, focusing on quality and clinical excellence and reinvesting in our business.

We maintain market leading positions in Australia, France and Scandinavia, which enables us to achieve improved economies of scale, best practice, cost leadership and innovation.

For the FY19 period Ramsay Health Care delivered a 2.1% increase in Core EPS and a 2% increase in Core Net Profit After Tax meaning that the Company delivered slightly above guidance. All regions remained focused on achieving market share growth and enhancing their operating model which contributes to earnings growth in both Australia and Continental Europe. Importantly, with the acquisition of Capio, we have strengthened our position as a major global healthcare company.

REMUNERATION REPORT (CONTINUED)

FY19 remuneration outcomes

To ensure that remuneration remained competitive with our peers and in line with our remuneration objectives and guiding principles as outlined in section 2, in FY19 fixed remuneration for our Executives was increased in line with CPI and our MD & CEO's maximum STI opportunity was increased from 100% of fixed remuneration to 125% of fixed remuneration, in recognition of his time and performance in role since appointment in 2017. No other changes were made to Executive remuneration levels.

STIs reward Executives for financial and strategic achievements throughout the year. They reflect not only what Ramsay has achieved, but how those outcomes were achieved against people, customer and quality measures. For FY19, Executives achieved STI at levels between 75 and 90 percent of maximum reflective of our solid performance and demonstrated progress against Ramsay's strategy.

The performance conditions for the FY17 LTI were tested as at 30 June 2019. The relative total shareholder return (TSR) measure was not met. The core earnings per share (EPS) hurdle was partially met with a final result of 75%. Therefore, the CEO had only 37% vesting of his FY17 LTI grant. Further, FY17 performance rights subject to the business unit performance hurdle did not vest.

As noted in Ramsay's FY18 Remuneration Report, the unvested portion of Ramsay's FY16 LTI grant that was subject to the relative TSR performance was subject to retesting at 31 December 2018 and 30 June 2019 against the extended performance period. None of these FY16 performance rights vested following retesting and all these unvested rights have now lapsed. There is no re-testing on LTI grants made from 1 July 2018.

Non-Executive Director fees were held flat for FY19 and the Board again resolved not to increase fees for FY20.

The Board is committed to being robust and transparent in its application of the Executive remuneration framework and will continue to proactively engage with stakeholders to ensure any concerns can be addressed at the earliest opportunity. Your directors welcome your feedback on our remuneration practices and disclosures and look forward to your support at our 2019 AGM.

Yours sincerely

Rod McGeoch AO
Chairman
People & Remuneration Committee

10 September 2019

REMUNERATION REPORT- CONTENTS

REMUNERATION REPORT - AUDITED

1. KEY MANAGEMENT PERSONNEL

We are pleased to present the Remuneration Report for the year ended 30 June 2019.

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Act) and the Accounting Standards. The Report outlines Ramsay's overall remuneration strategy for the year ended 30 June 2019 and provides detailed information on the remuneration arrangements for Key Management Personnel (KMP), being those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly.

The tables below shows all the KMP covered by the FY19 Remuneration Report:

Name	Position	Term
Executives		
Mr Craig McNally	Managing Director & CEO	Full year
Mr Bruce Soden	Group Finance Director & CFO	Full year
Mr Daniel Sims	CEO Ramsay Australia	Full year
Mr Olivier Chretien[1]	Group Chief Strategy Officer	Full year
Non-Executive Directors		
Current		
Mr Michael Siddle	Chairman	Full year
Mr Peter Evans	Deputy Chairman	Full year
Ms Alison Deans	Non-Executive Director	From 15 November 2018
Mr Rod McGeoch AO	Non-Executive Director	Full year
Mr Kerry Roxburgh	Non-Executive Director	Full year
Dr Claudia Süssmuth Dyckerhoff	Non-Executive Director	From 30 October 2018
Mr David Thodey AO	Non-Executive Director	Full year
Former		
Ms Patricia Akopiantz	Non-Executive Director	Retired on 9 November 2018
Ms Margaret Seale	Non-Executive Director	Retired on 31 October 2018

1 *The Board have considered Mr Chretien's role as Group Chief Strategy Officer and is of the view that the role should now be considered KMP. Given his commencement date of 28 May 2018 he was not considered KMP during FY18.*

REMUNERATION REPORT - AUDITED

2. REMUNERATION REPORT SNAPSHOT

OBJECTIVES AND GUIDING PRINCIPLES					
Ramsay's executive remuneration strategy aims to pay fairly for delivery on our strategy and long term shareholder value creation					
Attract and retain	**Shareholder alignment**	**Strategy**	**Fair**	**Simple and transparent**	**The Ramsay Way**
Enabling Ramsay to attract and retain the best talent globally	*Drives long term value for shareholders*	*Drives performance against strategy*	*Is fair over the cycle for all stakeholders*	*Can be easily explained and understood by stakeholders*	*Encourages the right behaviours to avoid excessive risk taking*

FY19 REMUNERATION FRAMEWORK					
The level and mix of fixed and 'at risk' remuneration is designed to reward the achievement of both short and longer term objectives, in turn, aligning executive and shareholder experiences through share ownership and value					
Remuneration component	**Fixed annual remuneration (FAR)[1]**	**'At risk' remuneration**			
		Short term incentive (STI)		**Long term incentive (LTI)**	
Purpose	Provide competitive base pay to attract and retain the capability required to manage a global business	Rewards performance that is consistent with execution of Ramsay's strategic priorities during the financial year		Drive long term value creation for shareholders and encourages an owner's mindset and long term decision making	
Delivery	Cash	**MD & CEO:** 50% cash, 50% shares restricted for 3 years	**Other Executives:** Annual cash payment	Performance rights Face value allocation methodology	
Opportunity For long serving Executives with legacy LTI arrangements, the Board has undertaken to reduce their LTI opportunities by 10% each year to bring them in line with market	In setting FAR levels the skills, experience, responsibilities and complexity of the role are considered Opportunity levels are set at market median levels	**MD & CEO:** 125% of FAR	Executive KMP other than the MD & CEO: 50% of FAR	**MD & CEO:** 175% of FAR	**Finance Director**: 254% of FAR **CEO Australia:** 270% of FAR **Group Chief Strategy Officer:** 75% of FAR
FY19 Approach	Roles are benchmarked against role specific benchmarks and ASX-listed companies with similar market capitalisation, revenue and international operations	STI Performance Measures (CEO) • Performance • People • Consumer • Quality • Integration • Innovation • Scale		LTI Performance Measures • 50%: relative total shareholder return (**TSR**) • 50% earnings per share (**EPS**) **Measured over 3 years with *no re-testing***	

[1] *FAR comprises base salary only. Superannuation, up to the statutory cap, is paid in addition to FAR. Incentive opportunities are calculated with reference to FAR (as opposed to FAR plus superannuation).*

REMUNERATION REPORT - AUDITED

The relative mix of the three remuneration components is determined by the Board on the recommendation of the People and Remuneration Committee and is set out below:

	% of Total Remuneration (Annualised)		
	Fixed Remuneration	Performance Based 'At-Risk' Remuneration	
		Maximum STI Opportunity	Maximum LTI Opportunity
C.R. McNally	25%	31%	44%
B.R. Soden	25%	12%	63%
D.A. Sims	24%	12%	64%
O. Chretien	45%	22%	33%

Note 1: The LTI component has been valued using the fair value of the LTI Performance Rights awarded in FY19 – see note 16 of Ramsay's FY19 audited financial statements for further details.

<table>
<tr><th colspan="7">WHAT WERE THE FY19 KEY STRATEGIC AREAS?</th></tr>
<tr><th>People</th><th>Consumers</th><th>Integration</th><th>Quality</th><th>Innovation</th><th>Scale</th><th>Performance</th></tr>
<tr><td>Attract, engage, develop and retain the best people</td><td>Focus on a superior patient experience</td><td>Develop and deliver integrated care to patients</td><td>Deliver highest quality outcomes for patients</td><td>Create incremental and transformative innovations</td><td>Remain vigilant on opportunities for growth</td><td>Maintain core operational efficiency and financial sustainability</td></tr>
<tr><th colspan="7">HOW DID WE GET THERE?</th></tr>
<tr><td colspan="7">via
'The Ramsay Way'
Our culture recognises that people – staff and doctors – are Ramsay Health Care's most important asset and this is key to the organisation's ongoing success</td></tr>
<tr><th colspan="7">WHAT DID WE ACHIEVE IN FY19?</th></tr>
<tr><th colspan="3">Financial highlights</th><th colspan="4">Non-financial highlights</th></tr>
<tr><td colspan="3">• Core EPS up 2.1% to 285.8 cents from prior year
• Full year dividend of 151.5 cents up 5.2% on the prior year
• Revenue up 24.4% to $11.4 billion
• EBITDA up 14.1% to $1.6 billion</td><td colspan="4">• Enhancing our operating model across all regions
• Completed Employee Engagement Survey across the Group in 11 languages
• Net Promoter Score (NPS) now implemented across all markets
• Capio acquisition completed</td></tr>
<tr><td colspan="7">See section 4 for further detail.</td></tr>
</table>

REMUNERATION REPORT - AUDITED

WHAT DID THIS DELIVER TO EXECUTIVES?		
Fixed remuneration	**STI**	**LTI**
To remain market competitive, fixed remuneration is reviewed annually against appropriate market benchmarks considering individual performance for the year. See section 5.1 for further detail.	FY19 STI awards delivered: **MD & CEO:** 90% of maximum Executive KMP other than MD & CEO: 75% - 90% of maximum See section 5.2 for further detail.	The FY17 grant vested in FY19 for MD & CEO and Finance Director: TSR – 50% of grant • Ranked at the 20.4 percentile ranking and 0% of the award vested EPS – 50% of grant • Performance at middle of market guidance and 75% of the award vested For the **CEO Australia**, TSR and EPS each account for 33% of his FY17 LTI and the remaining 33% of his FY17 LTI is based on business unit performance. 0% of the award related to business unit performance vested as the 3 year EBIT budget was not met. The unvested performance rights under the TSR portion of the **FY16 grant** were re-tested (noting that re-testing is not a feature of the FY19 LTI grant) and performance hurdles were not met therefore all awards lapsed. See section 5.3 for further detail.

REMUNERATION REPORT - AUDITED

3. CHANGES TO REMUNERATION FOR FY20

In response to the concerns raised in relation to the FY18 Remuneration Report, over FY19 we engaged with a broad range of stakeholders to understand key concerns more fully and address issues appropriately.

Since gathering that feedback, we have undertaken a comprehensive review of our remuneration strategy and framework and have made changes to support our business strategy and ensure shareholder alignment.

These changes are set out below and take effect from 1 July 2019 (i.e. for FY20). Overall, stakeholders generally supported our traditional STI / LTI framework and we have continued to incorporate these elements. The Board is committed to providing transparency with respect to each remuneration element and intends to be robust in its application and oversight of incentive frameworks going forward.

Ramsay will continue to proactively engage with stakeholders to ensure any concerns can be addressed at the earliest opportunity.

Remuneration element	Changes for FY20	Why?
STI	• Introduce a **modifier** on STI awards (0 – 100%) for each individual, reflecting their demonstration of 'The Ramsay Way' values. • Simpler STI **scorecards** linked to strategy across 5 key areas (being financial performance, global strategy execution, people, consumer and quality) with no less than 10% weighting for each. • Financial STI **measures** will comprise underlying Group NPAT, revenue and EBIT (divisional where relevant) to avoid 'double up' with EPS in the LTI. • Introduce a **threshold / target / stretch** vesting schedule for financial STI measures. In particular: - Target awards will be made for meeting a robust plan. - There will be upside available for outperformance above plan at stretch. - There will be downside below target for meeting threshold levels of performance. • Extend **STI deferral** in equity for all Executives with 50% of the award deferred for 2 years with 25% released in years 1 and 2 respectively. No change is proposed to the approach for the CEO's STI (i.e. 50% will continue to be deferred in equity for 3 years).	• Provide strong alignment between company performance and remuneration outcomes. • Improve transparency internally and externally on performance measures and outcomes. • Remove duplication of EPS measure across STI and LTI. • Encourage strong Executive and shareholder alignment via introduction of STI deferral below MD & CEO.
LTI	• In determining '**core EPS**' results for LTI purposes, the Board will make adjustments for significant items on a case-by-case basis to ensure management are not unfairly advantaged or disadvantaged. The Board will communicate to stakeholders a clear rationale for its approach each year. • In response to stakeholder feedback, the Board is exploring the inclusion of a return based metric in the LTI to measure the efficient use of capital. We will continue to consider an appropriate approach and provide further details in the FY20 Remuneration Report.	• Improve transparency with shareholders.
Governance	• Introduce a **minimum shareholding requirement** (to be acquired over 5 years) for the: - MD & CEO: 2 x FAR - Executives: 1 x FAR - Non-Executive Directors: 1 x base fee • Introduce a formal **clawback policy**, providing the ability for the Board to apply malus and claw back remuneration, among other things, in circumstances of fraud, misconduct, financial misstatement and material reputational damage.	• Elevate governance practices. • Provide strong Executive and shareholder alignment. • Provide ability to manage risk via ability to claw back in unforeseen circumstances.

REMUNERATION REPORT - AUDITED

4. BUSINESS PERFORMANCE

Performance at the Group level is a key determinant of the variable reward components and is a critical indicator of shareholder value creation. Key achievements for the year are set out below.

FY19 Group financial performance

Core EPS	Revenue	Core NPAT	EBITDA
285.8¢	$11.4 b	$590.9 m	$1.6 b
Up 2.1% on FY18	Up 24.4% on FY18	Up 2.0% on FY18	Up 14.1% on FY18

FY19 divisional performance

In FY19, and despite challenging industry conditions and a low growth environment, Australia and Ramsay Générale de Santé (excluding Capio) delivered earnings growth.

Both regions remain focused on achieving marketshare growth and enhancing their operating model. To this end, Australia completed 16 brownfield projects during the period and announced a further $244 million in projects, a sign of confidence in the long term industry fundamentals.

In the UK, while early in the year was challenging and impacted overall earnings for the first half, there was a recovery in NHS volume growth in the later part of this year. The UK was also positively impacted by an increase in revenue tariff, announced on 1 April 2019.

The acquisition of Capio was completed on 7 November 2018 and contributed to Ramsay Générale de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 51.7%) and EBITDAR (up 32.6%) performance. Capio has a strong portfolio of healthcare facilities in Europe and is a good strategic fit for RGdS. The integration of Capio is on track.

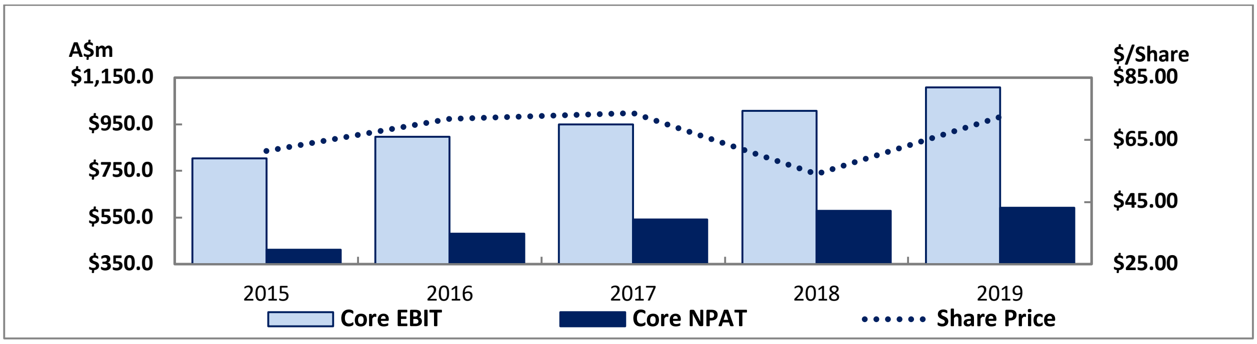
5 year Group performance

The table and graph below summarises the Group's performance for FY19 and the previous 4 years in respect of the key financial indicators identified by the Board to assess Ramsay's performance.

	Financial Year				
	2019	2018	2017	2016	2015
Closing Share Price (A$)	$72.24	$53.98	$73.60	$71.76	$61.47
Dividend (cents/share)	151.5¢	144.0¢	134.5¢	119.0¢	101.0¢
3 Year TSR Percentile Ranking (%)[1]	20.41%	21.43%	72.17%	90.82%	97.83%
Core EPS (cents/share)[2]	285.8¢	279.8¢	261.4¢	231.4¢	196.6¢

1 *TSR percentile ranking against the relevant comparator group over the 3 year performance period up to the close of each financial year for FY15 to FY17 was calculated by reference to the S&P/ASX200 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors). For FY18 and FY19, the TSR percentile ranking was calculated against the S&P/ASX100 index (with the same exclusions)*

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 (a) of the Overview of the Financial Report)*



REMUNERATION REPORT – AUDITED

5. PERFORMANCE AND REMUNERATION OUTCOMES

5.1 FAR ADJUSTMENTS

Reflecting the reward principles and the Board's desire to ensure pay levels reflect competitive benchmarking, and capability and experience of individuals in roles, some Executive KMP received an increase to FAR in line with CPI of 2% in FY19.

5.2 STI OUTCOMES

MD & CEO

The STI plan is designed such that a proportion of Executives' remuneration is at risk, to be delivered based on the achievement of performance measures linked to annual business objectives. For FY19 the Board resolved to increase the MD & CEO's maximum STI opportunity to 125% of FAR in recognition of his performance in role since 2017 and to ensure his overall remuneration package remains market competitive.

The STI scorecard for the MD & CEO for FY19 is shown below. The scorecard outlines results of each of the STI performance measures that were set by the Board at the beginning of the financial year. Performance for each measure is assessed on a range from not achieved, partially achieved to fully achieved, being the level at which strong performance justifies the maximum STI to be paid. It is important to note that under the FY19 STI framework no target level is set for the CEO's STI. This will change for FY20 as discussed in section 3.

Scorecard category	Measures	Result	Commentary
Financial	EPS	Fully achieved	• Core EPS up 2.1% is above guidance
Strategic	Growth	Fully achieved	• Brownfield projects • Capio acquisition
	Innovation	Fully achieved	• Process and cost optimisation • Investment in new models of care
People	Employee Engagement	Fully achieved	• Global employee engagement survey completed
	Leadership Development and Succession Planning	Fully achieved	• Ramsay Leadership Academy launched including inaugural executive leadership program • Global ExCo detailed succession plan completed
Customer	NPS	Partially achieved	• NPS implemented across the Group • NPS below target
	Digital Offering	Fully achieved	• Digital offering greatly improved
Quality	Readmissions within 28 days	Fully achieved	• Positive against external benchmark where available • Quality criteria in all regions exceed comparable industry standards
	Unplanned Return to Theatre	Fully achieved	
	Infection Rates	Fully achieved	
FY19 scorecard outcome		90%	Financial measures were fully achieved for the year whereas customer measures were partially achieved. Strategic, People and Quality measures were also fully achieved for FY19

REMUNERATION REPORT – AUDITED

Other Executives

Other Executives, including the Finance Director, CEO Australia and Group Chief Strategy Officer have a mix of Group financial, divisional financial and challenging individual KPIs that apply to their respective STI awards.

Their KPIs and associated weightings vary depending on their role and responsibilities. Other Executives' *financial* KPIs include:

- EPS
- Divisional EBIT

The *non-financial* KPIs are tailored for the individual, but broadly include:

- People
- Strategy
- Quality
- Consumer

In determining individual performance against these KPIs for FY19, Executive KMP received 75-90% of their STI awards.

In FY19, Ramsay's Australian operations delivered 6.0% overall EBITDA growth on the previous corresponding period. This was a positive result given the volatility of the period, which included a Federal election and the uncertainty created by the potential for private health insurance (PHI) premium caps and a productivity commission review, as well as the implementation of the tiering of PHI policies (gold, silver, bronze, basic). Our private admissions growth in Australia remains above the industry rate but below our long term average as the industry continues to be impacted by affordability and a negative focus on private health insurance.

During this period, focus was maintained on enhancing our operating model in the Australian business, which delivered positively to our overall performance. There was also increased our focus on driving standardisation, invested in digitalising our hospitals and building our care coordination capabilities through developing integrated models of care.

FY19 STI outcomes

The table below shows the actual STI amounts to be paid to the Managing Director and other Executive KMP for their performance in FY19.

Executive	Minimum potential STI	Maximum potential STI	Actual STI for FY19, to be paid in FY20	Actual STI awarded as % of maximum STI
C.R. McNally	Nil	$2,550,000	$2,295,000	90
B.R. Soden	Nil	$790,000	$711,000	90
D.A. Sims	Nil	$470,000	$376,000	80
O. Chretien	Nil	$500,000	$375,000	75

REMUNERATION REPORT – AUDITED

5.3 LTI OUTCOMES

The objective to the LTI is to reward Executives for delivering long term performance, to encourage shareholding and deliver long term value creation for shareholders.

FY17 grant

The FY17 LTI grant was issued as performance rights with a three year performance period subject to core EPS, relative TSR and, for divisional heads, business unit performance hurdles.

Plan	Performance measure	Result	Proportion of award vested	Comment
FY17	**Core EPS**	827.0 cps	75%	Ramsay's sustained growth in EPS over the 3-year performance period has resulted in 75% vesting of performance rights granted in FY17. Further details are set out below. The unvested FY17 performance rights that were subject to the EPS hurdle have lapsed.
	Relative TSR	20.41%	Nil	Ramsay's relative TSR percentage ranking at the 30 June 2019 testing date was such that nil performance rights granted in FY17 that are subject to this hurdle vested. Those performance rights that did not vest under the TSR hurdle will be subject to re-testing on 31 December 2019 and 30 June 2020 in accordance with the terms of issue. The retesting will be undertaken on the basis of Ramsay's performance over the extended period – i.e. from 1 July 2016.
	Business unit performance	Actual EBIT less than budget	Nil	The CEO Australia is the only KMP with FY17 performance rights that are subject to a business unit performance hurdle. The business unit performance hurdle required the Australian Operations to perform to EBIT budget over the three year performance period. Actual EBIT performance of the Australian Operations over the performance period was less than EBIT budget, with the result that no performance rights subject to this hurdle vested.

Core EPS performance – FY17 grant

The FY17 performance rights that were subject to the EPS performance hurdle were measured by reference to Ramsay's market guidance for core EPS each year. These performance rights were subject to the vesting scale on a 'step' basis as follows:

- 0% vest where the EPS performance falls well short of Ramsay's market guidance;
- 25% vest where EPS performance is just below the lower end of Ramsay's market guidance;
- 50% vest where the lower end of Ramsay's market guidance is achieved;
- 75% vest where the mid-point of Ramsay's market guidance is achieved;
- 90% vest where the upper end of Ramsay's market guidance is achieved; and
- 100% only vest where EPS performance is well above the upper end of Ramsay's market guidance, in line with the 'stretch' incentive intended.

REMUNERATION REPORT – AUDITED

As set out below with reference to the core EPS performance hurdle criteria, 75% of the FY17 performance rights subject to this hurdle vested. The unvested FY17 Performance Rights that were subject to the Core EPS performance hurdle have lapsed.

	FY17 10%-12% (cps)	FY18 8%-10% (cps)	FY19 0%-2% (cps)	Aggregate EPS (cps)	% of Performance Rights to Vest
<1% below guidance	252.2	279.7	277.0	808.9	25%
Lower end of guidance	254.5	282.3	279.8	816.6	50%
Middle of guidance	256.9	284.9	282.6	824.4	75%
Upper end of guidance	259.2	287.5	285.4	832.1	90%
>1% above guidance	261.5	290.2	288.2	839.9	100%
Actual EPS Achieved & Vesting Outcome	**261.4**	**279.8**	**285.8**	**827.0**	**75%**

Relative TSR performance – FY16 and FY17 grant

As noted in Ramsay's FY18 Remuneration Report, the portion of Ramsay's FY16 LTI grant that was subject to the relative TSR performance hurdle did not vest and was subject to retesting. Retesting of these performance rights was performed at 31 December 2018 and 30 June 2019. No unvested FY16 performance rights vested following retesting and the remaining unvested rights have all now lapsed.

The below table sets out the outcomes achieved for previous LTI grants tested against a TSR hurdle in each of the past three years. However, it should be noted that the FY16 and FY17 LTI were tested against the S&P/ASX100 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors). The FY15 LTI awards were tested against the S&P/ASX200 index (with the same exclusions).

There will be a re-testing of the FY17 Rights subject to the TSR performance condition at 31 December 2019 and if some or all FY17 Rights do not vest then, a third and final re-testing of the unvested FY17 Rights will take place at 30 June 2020. If there are any unvested FY17 Rights remaining at 30 June 2020 they will automatically lapse.

Year of grant	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
FY17	2019	50%	75%	20.41%	0%
FY16	2018	50%	75%	21.83%	0%
FY15	2017	50%	78%	72.17%	94.34%

REMUNERATION REPORT – AUDITED

5.4 ACTUAL REMUNERATION OUTCOMES FOR FY19

Details of the remuneration of Executive KMP, prepared in accordance with statutory obligations and accounting standards, are set out in section 9 of this Remuneration Report. However, the Board recognises that the statutory tables do not provide a clear indication of the actual value of remuneration earned by the Executive KMP during the year.

The table on this page has been prepared to provide shareholders with a greater understanding of actual remuneration received by Executive KMP in FY19.

The key difference between remuneration figures provided in the below table compared to the statutory table is that under the applicable accounting standards 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 KMP in FY19. Mr McNally's total remuneration at vesting date, in the table below, represents 75% of his maximum remuneration available for vesting as 90% of his STI and 45% of his LTI vesting during FY19.

Executive	Position held	Cash salary	STI[1]	LTI (at grant date)[2]	Superannuation	Other[3]	Total Remuneration – Grant Date[4]	LTI decline in value[5]	Total Remuneration – Vesting Date[6]
C.R. McNally	Managing Director & CEO	2,040,000	2,295,000	1,496,261	20,531	30,533	5,882,325	(183,459)	5,698,866
B.R. Soden	Group Finance Director & CFO	1,559,469	711,000	2,369,117	20,531	20,538	4,680,655	(290,481)	4,390,174
D.A. Sims	CEO - Ramsay Health Care Australia	919,469	376,000	997,550	20,531	-	2,313,550	(122,311)	2,191,239
O. Chretien	Group Chief Strategy Officer	979,951	375,000	-	20,531	-	1,375,482	-	1,375,482

1. *This figure represents the actual STI earned for performance in FY19 (to be paid in FY20). The Managing Director is obliged to accept 50% of his STI in cash (paid at the same time as for other Executives) and the remaining 50% of his STI is delivered in shares purchased on-market, which are subject to disposal restrictions for 3 years. STI payments are only finalised and made after the Auditor has signed the statutory financial statements in September 2019.*
2. *This figure represents the market value of the Performance Rights that vested during FY19 based on multi-year performance between 1 July 2015 and 30 June 2018. The value is calculated by multiplying the number of vested rights by the 5-day volume weighted average price of Ramsay shares up to and including the date of grant on 13 November 2015 (being $63.8146). Performance Rights, including those granted in FY19, which remained unvested as at 30 June 2019, do not appear in this table as no actual value was realised by Executives from these Performance Rights during FY19.*
   Note that the LTI grants made to Mr McNally that vested during FY19 were made whilst he held the position of Group Chief Operating Officer.
3. *This figure represents non-monetary benefits such as private health insurance cover and motor vehicle running costs that do not form part of the Executive's cash salary.*
4. *This figure shows the total actual remuneration using the value of Performance Rights as at the date of grant on 13 November 2015.*
5. *This figure shows the decrease in market value of the Performance Rights due to the decline in share price between the grant date and the vesting date. The decrease in value of the Performance Rights is calculated by multiplying the number of vested rights by the difference between the 5-day volume weighted average price of Ramsay shares up to and including the date of grant on 13 November 2015 ($63.8146) and the date of vesting on 31 August 2018 ($55.9902).*
6. *This figure shows the total actual remuneration using the value of Performance Rights as at the date of vesting on 31 August 2018.*

REMUNERATION REPORT – AUDITED

6. EXECUTIVE REMUNERATION

The terms applicable to the 'at risk' components of Executive remuneration for FY19 are outlined below.

6.1 STI

Feature	Description
Delivery	**Managing Director**: 50% cash and 50% (less any applicable tax) shares with a 3 year restriction period following on market purchase. **Other Executives**: cash (noting that STI deferral will be implemented in FY20).
Summary of performance conditions	Executives will only receive their STI award where they meet challenging KPIs. The KPIs include both financial and non-financial targets for each Executive, although the KPIs vary between Executives depending on the Executive's role and responsibilities.
Rationale for performance conditions	A combination of financial and non-financial KPIs are 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 are chosen to provide measurable financial performance criteria strongly linked to year-on-year shareholder returns. Non-financial KPIs are chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives including the delivery of high quality patient care, safe working environment, strategic growth, the retention of a professional workforce and the development of new business initiatives consistent with The Ramsay Way.
Performance period	1 year.
Vesting - assessment of performance conditions	Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual Executives. Both financial and non-financial KPIs are assessed quantitatively against predetermined benchmarks where appropriate. Where quantitative assessment is not practicable, qualitative performance appraisals are undertaken by the People & Remuneration Committee and the Board. Where available, the People & Remuneration Committee and the Board draw on multiple sources of feedback in making these assessments. These methods of assessing performance were chosen because they are, as far as practicable, objective and capable of being independently audited.
What if an Executive ceases employment?	While the Board retains overarching discretion, if an Executive ceases employment with Ramsay before KPI targets are achieved, then they will generally not be entitled to receive any STI. However, if cessation of employment is due to retirement, illness, disability or death or is a Company-initiated termination other than for cause, the Executive may receive a pro-rata STI payment for the portion of the performance period they were employed.

REMUNERATION REPORT – AUDITED

6.2 LTI

Feature	Description
Delivery	Performance rights are granted for no consideration as they form part of the remuneration for Executives. Each performance right is an entitlement to receive a fully-paid ordinary share in Ramsay at no cost (or an equivalent cash payment). Performance rights are granted at face value by dividing the individual's LTI opportunity (as a percentage of fixed pay) by the five day volume weighted average price (VWAP) up to and including the first trading day of the performance period.
Summary of performance conditions	• Relative TSR hurdle (50%) • Core EPS hurdle (50%)
Rationale for performance conditions	**Relative TSR** The relative TSR hurdle has been chosen because it provides a direct link between Executive reward and shareholder return, relative to Ramsay's ASX peers. **Core EPS** The EPS hurdle has been chosen as it provides evidence of Ramsay's growth in profitability and is linked to shareholder returns.
Performance period	3 years
Vesting - assessment of performance conditions	**TSR hurdle** The relative TSR hurdle is determined by measuring and ranking Ramsay's TSR relative to the TSRs of a comparator group of companies. The comparator group is comprised of the S&P/ASX100 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors). For grants made from 1 July 2018 onwards, performance rights subject to the relative TSR performance hurdle will not be subject to any re-testing if the hurdle is not met. For the FY16, FY17 and FY18 LTI grants, 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. If the TSR hurdle is not satisfied on the second and final re-test, unvested performance rights under these grants will lapse. **TSR vesting schedule** **Company's TSR ranking against the comparator group** — **% of performance rights that vest** Below 50th percentile: — Nil At 50th percentile: — 50% Between 50th and 75th percentile: — Between 50% and 100% increasing or on a straight line basis Equal or above 75th percentile: — 100% **Core EPS hurdle** The EPS hurdle is measured by comparing Ramsay's aggregate EPS over 3 years against an aggregate EPS target calculated based on Ramsay's market guidance for EPS disclosed at the start of each financial year. The annual EPS 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. **EPS vesting schedule** **Aggregate EPS performance over the 3 year performance period** — **% of performance rights that vest** EPS is more than 1% less than lower end of the market guidance: — 0% EPS is 1% below the lower end of market guidance: — 25% Lower end of market guidance is achieved: — 50% Mid-point of market guidance is achieved: — 75% Upper end of market guidance is achieved: — 90% 1% above the upper end of market guidance achieved: — 100% No additional rights will vest for EPS performance that is between the above specified points.
What if an Executive ceases employment?	If cessation of employment is due to retirement, illness, disability or death or is a Company-initiated termination other than for cause, the Performance Rights may remain on foot with hurdles tested at the same time as other participants in the plan.
What happens on a change of control?	If there is a change in control of the Company, the Board, in its discretion, may vary the applicable performance periods that apply to the Rights (including Test Dates for Rights subject to the TSR performance condition).

REMUNERATION REPORT – AUDITED

6.3 EXECUTIVE SERVICE AGREEMENTS

Key terms of the Executive Service Agreement for the MD & CEO

Duration	Ongoing.
Termination by MD & CEO	6 months' notice. Company may elect to make payment in lieu of notice. Mr McNally may terminate the employment agreement without notice if a fundamental change occurs in his role or responsibilities.
Termination by Company	12 months' notice or payment in lieu of notice. Ramsay may summarily terminate Mr McNally's employment without notice in certain circumstances.
Restraint	12 month restraint provision applies.

Service agreements for other Executives

The Managing Director and Group Chief Strategy Officer have written service contracts. The Group Finance Director & CFO and the CEO – Ramsay Health Care Australia do not have written service agreements and therefore their employment continues until termination by either the Executive or Ramsay. On termination, reasonable notice will apply and the Executive will be entitled to any benefits that they have earned prior to termination (including statutory entitlements) and any applicable payments under Ramsay's policies. The Group Finance Director & CFO has announced that he intends to retire with effect from the end of 2019.

The Group Chief Strategy Officer's Executive Service Agreement provides that 6 months' notice must be provided for termination by either party and a 6 month restraint provision applies.

7. NON-EXECUTIVE DIRECTOR REMUNERATION

Policy and approach

Non-Executive Director fees are reviewed annually and are set at a level that is sufficient to attract and retain high calibre directors with skills and experience required to oversee a business of Ramsay's size and complexity.

Shareholders approve the pool of fees available for distribution to Non-Executive Directors, which allows them to ensure that aggregate fees remain within appropriate levels. The current aggregate fee pool for Non-Executive Directors of $3,500,000 (including statutory superannuation contributions) was approved by shareholders at the 2015 AGM. No increase to this amount is proposed to be put to shareholders for approval at the 2019 AGM.

In reviewing Non-Executive Director fees, the People & Remuneration Committee makes recommendations to the Board, having regard to the responsibilities and risk of the role, time commitment required of directors, market benchmarks and independent external advice.

To create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are subject to the Minimum Shareholding Requirement described earlier in this report.

Under the Non-Executive Director Share Rights Plan re-approved by shareholders at the 2018 AGM, Non-Executive Directors receive a portion of their remuneration in the form of share rights which, on exercise, convert into shares in Ramsay. These shares are initially subject to a holding lock.

The Board considers structuring Non-Executive Director remuneration in this way enhances alignment of interests between Non-Executive Directors and shareholders. Importantly, no portion of the Non-Executive Directors' remuneration is at risk and the share rights are not subject to any performance conditions in order to preserve the Non-Executive Directors' impartiality.

REMUNERATION REPORT – AUDITED

Board & Committee fees

For FY19, Non-Executive Director fees and Committee fees did not increase from FY18 levels.

In respect of FY20, the Board has again resolved not to increase Non-Executive Director fees and Committee fees.

Component	Explanation
Board fees / Committee fees	Fees, per annum, for FY19 were • **Board**: - Chairman - $725,249 - Deputy Chairman - $339,593 - Members - $284,499 • **Audit Committee**: - Chairman - $56,065 - Members - $28,033 • **Risk Management Committee**: - Chairman - $49,838 - Members - $24,919 • **Remuneration Committee**: - Chairman - $41,000 - Members - $20,500 • **Nomination Committee**: - Chairman – Nil - Members – Nil The above Chairman, Deputy Chairman and base Board fees also include amounts referrable to compulsory superannuation contributions made on behalf of each Non-Executive Director. The above Board fees are also inclusive of share rights granted to each Non-Executive Director in FY19 under the Non-Executive Director Share Rights Plan. In FY19, Non-Executive Directors (other than Dr Süssmuth Dyckerhoff and Ms Deans) were each granted 793 share rights. Dr Süssmuth Dyckerhoff and Ms Deans were granted 530 share rights and 495 share rights respectively, which was a pro rata grant reflecting their dates of appointment. These share rights converted to ordinary shares in Ramsay in March 2019.
Other fees	Other than as set out below, no additional fees for special duties were paid during FY19.
Post-employment benefits	Superannuation contributions are made on behalf of the Non-Executive Directors (at the FY19 rate of 9.5%). This is capped at the statutory limit ($20,531 per Director for FY19). Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.

Non-Executive Director share rights plan

Fees paid by Ramsay to Non-Executive Directors for their services are delivered partially in cash and partially in the form of rights to Ramsay shares. Structuring Non-Executive Director remuneration in this way supports Non-Executive Directors in building their shareholdings in Ramsay and enhances the alignment of interests between Non-Executive Directors and shareholders.

The share rights were not subject to any performance conditions or potential forfeiture at the time of grant in November 2018 and were automatically exercised at no cost and converted into shares in Ramsay in March 2019. A holding lock is in place on these shares until the earlier of:

- the Non-Executive Director ceasing to be a Director of Ramsay; or
- 3 years from the date of grant or such longer period nominated by the Non-Executive Director at the time of the offer (up to a maximum of 15 years from the date of grant).

REMUNERATION REPORT – AUDITED

Preserved benefits

Non-Executive Directors appointed prior to October 2003 (being, Michael S Siddle, Peter J Evans, Rod H McGeoch AO and Kerry C D Roxburgh) remain entitled to retirement benefits under the (now frozen) Directors' Retirement Benefits 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.

Entitlements 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. As the indexation of retirement benefits occurs simply to preserve the real value of existing entitlements and not to enhance any Director's remuneration, they are not counted towards the aggregate fee pool.

The value of the frozen benefits as at 30 June 2019, to which participating Non-Executive Directors are entitled upon retirement are set out below:

Total Frozen Benefit 31 December 2009	Total Provision 30 June 2018	Benefits Paid in FY19	Total Bond Rate Adjustment	Total Provision 30 June 2019
$2,879,813	$2,210,244[1]	-	$42,730[1]	$2,252,974

1. *Cumulatively an amount of $2,252,974 (2018: $2,210,244) has been provided as at 30 June 2019 and $42,730 (2018: $38,187) expensed in the current year.*

REMUNERATION REPORT – AUDITED

8. REMUNERATION GOVERNANCE

How we make decisions

The Board oversees the Ramsay people strategy, both directly and through the People & Remuneration Committee of the Board.

The People & Remuneration Committee seeks input from the MD & CEO and the Group Chief People Officer, who attend Committee meetings, except where matters relating to their own remuneration are considered.

<table>
<tr><td>
Board
Maintains overall responsibility and accountability for oversight of the Company's remuneration policy and the principles and process which give effect to that policy. Approves, having regard to recommendations from the People and Remuneration Committee:

the Company's Executive remuneration policy;
the remuneration packages for the MD & CEO and all his direct reports;
the 'at risk' components of the Executive remuneration packages, including the structure and operation of equity based plans; and
the remuneration of the Non-Executive Directors (within the aggregate fee pool limit approved by shareholders).

</td><td>
Consultation with shareholders and other stakeholders
</td></tr>
<tr><td>
People & Remuneration Committee
Primarily responsible for:

reviewing and making recommendations to the Board regarding the Group's remuneration and diversity policies;
considering and making recommendations to the Board on the specific remuneration for the MD & CEO and his direct reports;
reviewing and making recommendations to the Board regarding the design of all Executive incentive plans;
reviewing and recommending to the Board the level of form of remuneration for Non-Executive Directors;
monitoring, setting of individual performance scorecards and KPIs annually; and
talent and succession planning.

</td><td rowspan="2">
Remuneration consultants and other external advisors
Support the People & Remuneration Committee by providing independent advice on matters including:

objective benchmarking data;
market practices of other listed companies;
legal, tax and accounting advice; and
alternatives for incentive plans.

</td></tr>
<tr><td>
Management
Provides information relevant to the remuneration decisions and makes recommendations to the People & Remuneration Committee.
The MD & CEO recommends the remuneration arrangements and performance assessment of his direct reports.
</td></tr>
</table>

Management of risk and remuneration

One of the key factors of 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 in the long term interest of shareholders and behaviours that align with the Group's long term interests.

Key features of the remuneration framework which discourage excessive risk taking include the weighting of Executive remuneration packages to the longer term, a mix of financial and non-financial KPIs in the STI, an LTI with performance hurdles with a combination of internal and external measures and a prohibition on hedging unvested equity awards. For FY20, the introduction of STI deferral for all Executives, the Ramsay Way modifier within the STI and clawback policy will also operate to discourage excessive risk taking and provide the Board with ability to forfeit awards.

This approach to management of risk is consistent with the robust approach to risk management that Ramsay adopts across all aspects of its business.

REMUNERATION REPORT – AUDITED

Engagement of remuneration consultants and other external advisors

During FY19, *KPMG 3dc* supported the People & Remuneration Committee in their review of the Executive remuneration framework, providing alternatives for consideration, market trends analysis, stakeholder engagement and corporate governance support.

The Board has developed protocols regarding the engagement of remuneration consultants and the parameters around the interaction between management and remuneration consultants (**Protocols**). Under the Protocols, which were last reviewed and updated in FY18, the People & Remuneration Committee has formal selection criteria and is responsible for oversight of any direct interaction between a remuneration consultant and a member of Ramsay's KMP and other executives.

Ramsay did not receive any 'remuneration recommendations' as defined under the *Corporations Act 2001* (Cth) in FY19.

Board discretion

The Company has a structured and objective approach to remuneration. However, the People & Remuneration Committee and the Board are able to exercise judgement and discretion as is required to provide remuneration outcomes with respect to fixed remuneration positioning, STI outcomes and LTI vesting events for executives that appropriately reflect the performance of the Company and individuals, and align with the experience of Ramsay's shareholders.

Securities trading policy

All Ramsay Directors and employees are subject to the Securities Trading Policy (a copy of which is available on our website at: https://www.ramsayhealth.com/-/media/Documents/RHC/About-Us/Securities-Trading-Policy2018.pdf?la=en). This policy prohibits:

- the dealing (or procurement of another person to deal) with Ramsay's securities or the securities of another company where they are in possession of inside information;
- dealing with Ramsay securities during blackout periods;
- short term dealing (eg buying and selling securities within a 12 month period or entering into forward contracts); and
- hedging Ramsay securities.

9. STATUTORY DISCLOSURES

9.1. STATUTORY REMUNERATION FOR FY19

Details of each of the KMP's remuneration for FY19 (calculated in accordance with applicable Accounting Standards) are set out below. All values are in A$ unless otherwise stated.

Name[1]	Short term			Post-employment			Share based payment rights	Total $	Total performance related
	Salary & fees[2] $	Non monetary[3] $	Accrued bonus[4] $	Long service leave entitlements $	Superannuation $	Accrued termination benefits/Retirement benefits[5] $	Amortised cost of incentive share based rights[6] $		
Executives									
C.R. McNally Managing Director & CEO									
FY19	2,040,000	30,533	2,295,000	55,039	20,531	-	2,256,553	6,697,656	68%
FY18	2,000,000	33,344	1,400,000	604,959	20,049	-	2,115,679	6,174,031	57%
B.R. Soden Group Finance Director & CFO									
FY19	1,559,469	20,538	711,000	40,961	20,531		3,539,450	5,891,949	72%
FY18	1,530,151	41,524	531,795	43,941	20,049	-	3,236,317	5,403,777	70%
D.A. Sims Chief Executive Officer – Ramsay Health Care Australia									
FY19	919,469	-	376,000	20,047	20,531		1,745,443	3,081,490	69%
FY18	900,603	14,934	273,812	20,144	20,049	-	1,318,465	2,548,007	62%
O. Chretien[7] Group Chief Strategy Officer									
FY19	979,951	-	375,000	17,795	20,531		167,895	1,561,172	35%
FY18	-	-	-	-	-	-	-	-	-
Non-Executive Directors									
M.S. Siddle Chairman									
FY19	705,164	-	-	-	20,531	10,323	-	736,018	-
FY18	705,200	-	-	-	20,049	9,225	-	734,474	-
P.J. Evans Deputy Chairman									
FY19	445,911	-	-	-	20,531	13,040	-	479,482	-
FY18	445,947	-	-	-	20,049	11,654	-	477,650	-
R.H. McGeoch AO Non-Executive Director									
FY19	305,414	-	-	-	20,531	8,810	-	334,755	-
FY18	305,450	-	-	-	20,049	7,873	-	333,372	-
K.C.D. Roxburgh Non-Executive Director									
FY19	317,366	-	-	-	20,531	10,557	-	348,454	-
FY18	317,402	-	-	-	20,049	9,435	-	346,886	-

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT – AUDITED

Name[1]	Short term			Post-employment			Share based payment rights	Total $	Total performance related
	Salary & fees[2] $	Non monetary[3] $	Accrued bonus[4] $	Long service leave entitlements $	Superannuation $	Accrued termination benefits/Retirement benefits[5] $	Amortised cost of incentive share based rights[6] $		
P.E. Akopiantz[1] Non-Executive Director									
FY19	108,403	-	-	-	7,388	-	-	115,791	-
FY18	301,024	-	-	-	20,049	-	-	321,073	-
M.L. Seale[1] Non-Executive Director									
FY19	96,617	-	-	-	6,918	-	-	103,535	-
FY18	289,369	-	-	-	20,049	-	-	309,418	-
D.I. Thodey AO Non-Executive Director									
FY19	300,435	-	-		20,531	-	-	320,966	-
FY18	161,376	-	-	-	11,923	-	-	173,299	-
C.R. Süssmuth Dyckerhoff[1] Non-Executive Director									
FY19	192,955	-	-	-	12,165	-	-	205,120	-
FY18	-	-	-	-	-	-	-	-	-
C.A. Deans[1] Non-Executive Director									
FY19	178,406	-	-	-	12,910	-	-	191,316	-
FY18	-	-	-	-	-	-	-	-	-
Total - FY19	8,149,560	51,071	3,757,000	133,842	224,160	42,730	7,709,341	20,067,704	55%
Total - FY18	6,956,522	89,802	2,205,607	669,044	192,364	38,187	6,670,461	16,821,987	53%

1. *Except for the following KMP, each of the KMP listed in the table above held their named position for the whole of FY19:*
   - *Ms M.L. Seale retired as a Non-Executive Director with effect from 31 October 2018.*
   - *Ms P.E. Akopiantz retired as a Non-Executive Director with effect from 9 November 2018.*
   - *Dr C.R. Süssmuth Dyckerhoff was appointed as a Non-Executive Director with effect from 30 October 2018.*
   - *Ms C.A. Deans was appointed as a Non-Executive Director with effect from 15 November 2018.*
2. *With respect to Non-Executive Directors, this amount includes fees received in the form of Share Rights under the Non-Executive Directors Share Rights Plan.*
3. *This figure represents non-monetary benefits such as health insurance cover and motor vehicle running costs that do not form part of the KMP's cash salary.*
4. *The FY18 and FY19 amounts represent the Executive's accrued STI for the year (FY18 STI amounts were paid in FY19 and FY19 STI amounts are to be paid in FY20). Accrued STIs payable to Mr McNally for FY19 are delivered 50% in cash and the other 50% is withheld (less applicable tax) to purchase on-market ordinary shares in Ramsay at the market price.*
5. *With respect to Non-Executive Directors, this constitutes amounts provided for by Ramsay 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 section 6 above.*
6. *In accordance with the requirements of the Accounting Standards, the remuneration includes a proportion of the fair value of the Performance Rights awarded under the LTI programme granted or outstanding during the year. 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 16 to the financial statements.*
7. *Remuneration details omitted as Olivier Chretien was not a KMP during FY18 (his commencement date was 28 May 2018).*

9.2. EQUITY AWARDS

Equity movements

The below table shows the movements (during FY19 and up to the date of this Report) in equity settled performance rights granted as remuneration to Executives.

Name[1]	Date of grant	Number of rights granted [1]	Vesting date [2]	Number of rights vested / Exercised [3]	Value of rights vested / exercised [4] $	Number of rights subject to TSR retesting [5]	Number of rights forfeited / lapsed [6, 7]	Value of rights forfeited / lapsed [8] $
C.R. McNally								
Equity Settled Performance Rights	13-Nov-15	52,107	31-Aug-18	23,447	1,312,802		2,606	145,910
	13-Nov-15	-	30-Aug-19	-	-	26,054	26,054	1,458,769
	10-Nov-16	48,578	30-Aug-19	18,216	1,221,906	24,289	6,073	407,369
	17-Nov-17	47,958	31-Aug-20	-	-	-	-	-
	15-Nov-18	65,045	31-Aug-21	-	-	-	-	-
B.R. Soden								
Equity Settled Performance Rights	13-Nov-15	82,503	31-Aug-18	37,125	2,078,636		4,126	231,016
	13-Nov-15		30-Aug-19	-	-	41,252	41,252	2,309,708
	10-Nov-16	76,916	30-Aug-19	28,843	1,934,751	38,458	9,615	644,962
	17-Nov-17	67,406	31-Aug-20	-	-	-	-	-
	15-Nov-18	74,713	31-Aug-21		-	-	-	-
D.A. Sims								
Equity Settled Performance Rights	13-Nov-15	52,107	31-Aug-18	15,632	875,239		19,106	1,069,749
	13-Nov-15		30-Aug-19	-	-	17,369	17,369	972,494
	10-Nov-16	48,578	30-Aug-19	12,144	814,604	16,193	20,241	1,357,740
	17-Nov-17	42,571	31-Aug-20	-	-	-	-	-
	15-Nov-18	47,186	31-Aug-21		-	-	-	-
O. Chretien								
Equity Settled Performance Rights	15-Nov-18	13,938	31-Aug-21	-	-	-	-	-

1. *The implied maximum possible total value of the equity awards allocated during FY2019 and yet to vest can be determined by multiplying the number of Performance Rights granted by the current share price of Ramsay shares. The minimum possible total value of LTI awards is nil. The fair value per FY2019 Performance Right at the grant date is set out in note 16 of Ramsay's FY2019 audited financial statements.*
2. *This vesting date is an indicative date only. Vesting of Performance Rights 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.*
3. *On vesting of each Performance Right, the holder received one fully-paid ordinary share in Ramsay, subject to disposal and other dealing restrictions, if held in the trust.*
4. *The amount is based on Ramsay's 5-day VWAP on the date of vesting (as there is no exercise price payable in respect of Performance Rights). The market value of each Performance Right on vesting was $55.9902 on 31 August 2018 and $67.0787 on 30 August 2019.*
5. *All of the FY17 LTIs subject to the TSR performance condition did not vest and will be retested on 31 December 2019 and, if necessary, 30 June 2020. If the relevant threshold for vesting of these retested performance rights is not achieved, the rights will lapse.*
6. *The FY16 LTIs subject to the TSR performance condition did not vest and were retested on 31 December 2018 and 30 June 2019. The relevant threshold for vesting of these retested rights was not achieved and the rights therefore lapsed.*
7. *75% of the FY17 LTI Performance Rights subject to the EPS performance condition vested. Therefore, 25% of the FY17 LTI Performance Rights subject to the EPS performance condition did not vest and therefore lapsed.*
8. *The value of unvested Performance Rights is calculated using the relevant Ramsay 5-day VWAP as per item 4 above.*

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – AUDITED

The below table shows the movements (during FY19 and up to the date of this Report) in share rights granted as a part of Non-Executive Director remuneration.

	Date of grant	Number of rights granted [1]	Vesting date [2]	Number of rights vested / exercised [3]	Value of rights vested / exercised [4] $	Number of rights forfeited / lapsed [5]	Value of rights forfeited / lapsed $
M.S. Siddle							
Share Rights	15-Nov-18	793	01-Mar-19	793	$44,039	-	-
P.J. Evans							
Share Rights	15-Nov-18	793	01-Mar-19	793	$44,039	-	-
P.E. Akopiantz							
Share Rights	-	-	-	-	-	-	-
R.H. McGeoch AO							
Share Rights	15-Nov-18	793	01-Mar-19	793	$44,039	-	-
K.C.D. Roxburgh							
Share Rights	15-Nov-18	793	01-Mar-19	793	$44,039	-	-
M.L. Seale							
Share Rights	-	-	-	-	-	-	-
D.I. Thodey AO							
Share Rights	15-Nov-18	793	01-Mar-19	793	$44,039	-	-
C.R. Süssmuth Dyckerhoff [6]							
Share Rights	15-Nov-18	530	01-Mar-19	530	$29,433	-	-
C.A. Deans [7]							
Share Rights	15-Nov-18	495	01-Mar-19	495	$27,490	-	-

1. *Share rights are granted to Non-Executive Directors at no cost as a part of their fees for services to the Company. The number of shares rights granted is determined by dividing 20% of the Non-Executive Director base fee by the 5 trading day VWAP commencing on the day after the Company announced its FY18 preliminary results ($55.5344). Ms Seale and Ms Akopiantz retired from the Board on 31 October 2018 and 9 November 2018, they therefore did not receive a grant of share rights in FY19. In lieu of shares Ms Seale and Ms Akopiantz received cash payments of $14,853 and $15,939, prorated to the date of their retirement from the Board.*
2. *Share rights were fully vested at the time of granting and automatically exercised after the announcement of the release of the Company's half yearly results. There is no exercise price payable in respect of share rights.*
3. *On the exercise of each share right, the holder received one fully-paid ordinary share in Ramsay, subject to a holding lock as noted in sections 5 and 6 of this Remuneration Report.*
4. *The value of each share right was $55.5344 calculated by reference to the 5 trading day period commencing on the day after the Company announced its FY18 preliminary results.*
5. *As they are not subject to performance conditions, no share rights lapsed during the respective period.*
6. *Ms Süssmuth Dyckerhoff was appointed to the Board with effect from 30 October 2018 and therefore received a pro-rata grant of share rights in respect of her FY19 remuneration.*
7. *Ms Deans was appointed to the Board with effect from 15 November 2018 and therefore received a pro-rata grant of share rights in respect of her FY19 remuneration.*

REMUNERATION REPORT – AUDITED

The movement during FY19 in the number of rights over ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties is as follows.

	FY19						
	Equity Settled Performance Rights/ Share Rights	**Rights Held at 1 July 2018**	**Number of rights granted**	**Number of rights vested / exercised**	**Number of rights forfeited / lapsed**	**Rights Held at 30 June 2019**	**Number of rights vested / exercised post 30 June 2019**
Non-Executive Directors							
M.S. Siddle	Share Rights	-	793	793	-	-	-
P.J. Evans	Share Rights	-	793	793	-	-	-
P.E. Akopiantz	Share Rights	-	-	-	-	-	-
R.H. McGeoch AO	Share Rights	-	793	793	-	-	-
K.C.D. Roxburgh	Share Rights	-	793	793	-	-	-
M.L. Seale	Share Rights	-	-	-	-	-	-
D. I. Thodey AO	Share Rights	-	793	793	-	-	-
C.R. Süssmuth Dyckerhoff	Share Rights	-	530	530	-	-	-
C.A. Deans	Share Rights	-	495	495	-	-	-
Executive Directors							
C.R. McNally	Performance Rights	148,643	65,045	23,447	2,606	187,635	18,216
B.R. Soden	Performance Rights	226,825	74,713	37,125	4,126	260,287	28,843
Other KMP Executives							
D.A. Sims	Performance Rights	143,256	47,186	15,632	19,106	155,704	12,144
O. Chretien	Performance Rights	-	13,938	-	-	13,938	-

REMUNERATION REPORT – AUDITED

9.3. KMP SHAREHOLDINGS

The below tables outlines the holdings and movement during FY19 in the equity of Ramsay held, directly, indirectly or beneficially, by each KMP, including their related parties. No shares were held nominally by any KMP or their related parties.

	Held at 1 July 2018		Received on vesting of LTI		Received as other remuneration[1]		Other net change purchase/sale		Held at 30 June 2019	
	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES
Non-Executive Directors										
M.S. Siddle	3,904,451	-	-	-	793	-	-	-	3,905,244	-
P. J. Evans	9,096	-	-	-	793	-	-	-	9,889	-
R.H. McGeoch AO	54,718	257	-	-	793	-	-	-	55,511	257
K.C.D. Roxburgh	49,387	-	-	-	793	-	-	-	50,180	-
P.E. Akopiantz [2]	3,254	-	-	-	-	-	-	-	3,254	-
M.L. Seale [3]	5,442	-	-	-	-	-	-	-	5,442	-
D. I. Thodey AO	8,517	700	-	-	793	-	-	-	9,310	700
C.R. Süssmuth Dyckerhoff [4]	-	-	-	-	530	-	-	-	530	-
C.A. Deans [5]	4,000	1,402	-	-	495	-	-	-	4,495	1,402
Executive Directors[4]										
C. R. McNally	338,351	-	23,447	-	7,036	-	(45,000)	-	323,834	-
B. R. Soden	308,102	2,000	37,125	-	-	-	(50,000)	-	295,227	2,000
Executives										
D. A. Sims	117,481	-	15,632	-	-	-	(30,000)	-	103,113	-
O. Chretien	-	-	-	-	-	-	-	-	-	-

1. *Includes ordinary shares allocated to Non-Executive Directors upon exercise of share rights granted in accordance with the terms of the Non-Executive Directors Share Rights Plan. The shares for Mr McNally relate to the equity component of his FY18 STI payment.*
2. *Ms Akopiantz retired from the Board on 9 November 2018. Ms Akopiantz's shareholding details are provided in the above table at the date of her retirement.*
3. *Ms Seale retired from the Board on 31 October 2018. Ms Seale's shareholding details are provided in the above table at the date of her retirement.*
4. *Dr Süssmuth Dyckerhoff was appointed to the Board on 30 October 2018. Dr Süssmuth Dyckerhoff's shareholding details are provided in the above table at her appointment date.*
5. *Ms Deans was appointed to the Board on 15 November 2018. Ms Deans' shareholding details are provided in the above table at her appointment date.*

9.4. TRANSACTIONS WITH KMP

Loans to KMP and their related parties

There were no loans outstanding to KMP and/or their related parties, at any time in FY19.

Other disclosable transactions

During the year costs of $Nil (2018: $10,398) were charged to and an amount of $Nil (2018: $10,398) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $Nil (2018: $9,986) were charged by and an amount of $Nil (2018: $9,986) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2019 costs of $16,320 (2018: $5,693) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

DIRECTORS' MEETINGS

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

	Board Meetings	Committee Meetings			
	Scheduled	Audit	Risk Management	People and Remuneration	Nomination and Governance
Number of Meetings held:	11	6	4	6	5
	Number of meetings attended / (eligible to attend)				
M.S. Siddle	11(11)			6(6)	5(5)
P.J. Evans	11(11)	6(6)	4(4)	6(6)	
C.R McNally (1)	11(11)		1(1)		
B.R. Soden (1)	11(11)		1(1)		
P.E. Akopiantz (2)	7(7)	3(3)		2(2)	2(2)
R.H. McGeoch AO	11(11)			6(6)	5(5)
K.C.D. Roxburgh	11(11)	6(6)	4(4)		5(5)
M.L. Seale (3)	6(7)		1(1)		
D.I. Thodey AO (4)	11(11)	3(3)	4(4)		4(4)
C. Süssmuth Dyckerhoff (5)	4(4)		2(2)		
A. Deans (6)	4(4)			4(4)	

(1) Mr McNally and Mr Soden retired from the Risk Management Committee on 27 August 2018
(2) Ms Akopiantz resigned on 9 November 2018
(3) Ms Seale resigned on 31 October 2018
(4) Mr Thodey was appointed as a member of the Audit Committee in November 2018 and as a member of the Nomination and Governance Committee in August 2018
(5) Dr Süssmuth Dyckerhoff was appointed as a Director on 30 October 2018 and as a member of the Risk Management Committee on 26 November 2018
(6) Ms Deans was appointed as Director on 15 November 2018 and as a member of the People & Remuneration Committee on 26 November 2018

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 and Thodey
Risk Management Committee	Messrs Evans (c), Roxburgh,Thodey and Dr Süssmuth Dyckerhoff
People and Remuneration Committee	Messrs McGeoch (c), Evans, Siddle, and Ms Deans
Nomination and Governance Committee	Messrs Siddle (c), McGeoch, Roxburgh, and Thodey

(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 57 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 Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument 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	$ 1,452,874
Other services	$ 475,665

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Chairman

C.R. McNALLY
Managing Director

Sydney, 10 September 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ramsay Health Care Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
10 September 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959

Independent Auditor's Report to the Members of Ramsay Health Care Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ramsay Health Care Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant	How our Audit Addressed the Matter
1. Carrying value of goodwill As disclosed in Note 12 of the financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual impairment review of the Australian, UK and French cash generating units ("CGUs") to determine whether the recoverable value of these assets exceeds their carrying amount at 30 June 2019. A value in use model was used to calculate the recoverable amount of each cash generating unit ("CGU"). As disclosed in Note 12 of the financial report, the Group holds a significant balance of goodwill which remains unallocated at 30 June 2019. In accordance with the requirements of AASB 136 Impairment of Assets, the Group reviewed the unallocated goodwill for indicators of impairment. This matter was considered a Key Audit Matter due to the extent of audit effort and judgement required to assess the reasonableness of the forecast cash flows, growth rates, discount rates and terminal growth rates used by the Group in undertaking the impairment review.	Our audit procedures included the following: ▶ We assessed whether the methodology used by the Group met the requirements of Australian Accounting Standards. ▶ For the Group's value in use models, we: ▶ tested the mathematical accuracy of the cash flow models; ▶ assessed the basis of preparing cash flow forecasts, considering the accuracy of previous forecasts and budgets and current trading performance; ▶ assessed the appropriateness of other key assumptions such as the discount rates and growth rates with reference to publicly available information on comparable companies in the industry and markets in which the Group operates; ▶ performed sensitivity analyses and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of the cash generating unit to exceed its recoverable amount. We involved valuation specialists in performing these procedures over the value in use models. ▶ For the balance of unallocated goodwill, we assessed unallocated goodwill for indicators of impairment, including assessing actual performance against budget. ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates, and those relating to the unallocated goodwill.
2. Provision for insurance As disclosed in Note 14(b) of the financial report, the insurance provision covers deductibles arising under the insurance policy, including potential uninsured claims. Significant judgement is required in its determination due to the uncertainty in predicting future claims arising from past events. The Group engages a third-party actuary to assess the carrying value at each reporting date. This assessment involves evaluating assumptions in relation to ultimate outcomes on individual claims, claims handling costs and discount rates. This matter was considered a Key Audit Matter due to the level of judgement required to estimate the value of the liability.	Our audit procedures included the following: ▶ We assessed the key assumptions adopted by the actuary the Group used to determine the value of the provision. Specifically, we have reviewed the assumptions compared to industry practice, potential known claims and actual historical claims, with involvement from our valuation specialists. ▶ We have assessed the competence, qualifications and objectivity of the independent actuary the Group used. ▶ As the completeness of these provisions relies on specific claims information, we have reviewed and tested the Group's processes for capturing and recording the data. ▶ We evaluated the adequacy of the disclosures relating to the provision in the financial report, including those made with respect to judgements and estimates. Given the specialist nature of the calculation performed to value the provision, our actuarial specialists were involved in the assessment of the valuation model and key assumptions.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 54 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Ramsay Health Care Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
10 September 2019

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 consolidated 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 the consolidated entity's financial position as at 30 June 2019 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in the Overview note.

(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 2019.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 21 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
Chairman

C.R. McNALLY
Managing Director

Sydney, 10 September 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $000	2018 $000
Revenue from contracts with customers	Overview,2	11,552,785	9,176,235
Interest income		6,686	4,621
Other income – income from the sale of development assets		29,883	-
Other income - net profit on disposal of non-current assets		6,635	515
Total revenue and other income		**11,595,989**	**9,181,371**
Employee benefit and contractor costs	Overview,3	(6,228,341)	(4,791,900)
Occupancy costs		(942,895)	(868,325)
Service costs		(323,390)	(260,628)
Medical consumables and supplies		(2,592,137)	(2,132,595)
Depreciation, amortisation and impairment	3	(486,273)	(419,306)
Cost of development assets sold		(19,366)	-
Total expenses, excluding finance costs		**(10,592,402)**	**(8,472,754)**
Share of profit of joint venture	14a	19,133	16,789
Profit before tax and finance costs		**1,022,720**	**725,406**
Finance costs	3	(175,890)	(117,478)
Profit before income tax		**846,830**	**607,928**
Income tax	13	(274,439)	(196,714)
Net profit for the year		**572,391**	**411,214**
Attributable to non-controlling interests		26,918	22,866
Attributable to owners of the parent		**545,473**	**388,348**
		572,391	**411,214**
Earnings per share (cents per share)			
Basic earnings per share (after CARES dividend)	5	264.9	186.7
Diluted earnings per share (after CARES dividend)	5	263.3	185.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2019

	2019 $000	2018 $000
Net profit for the year	572,391	411,214
Items that will not be reclassified to net profit		
Actuarial (loss)/gain on defined employee benefit obligation	(88,815)	623
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
(Loss) taken to equity	(34,723)	(123)
Transferred to Income Statement	(2,673)	6,261
Net change in cost of hedging	(4,413)	-
Net (loss) on bank loan designated as a hedge of a net Investment	(28,032)	(23,789)
Foreign currency translation	59,689	40,217
Income tax relating to components of other comprehensive income/(expense)	29,282	(1,426)
Other comprehensive income for the year, net of tax	**(69,685)**	**21,763**
Total comprehensive income for the year	**502,706**	**432,977**
Attributable to non-controlling interests	(755)	20,285
Attributable to the owners of the parent	**503,461**	**412,692**
	502,706	**432,977**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $000	2018 $000
ASSETS			
Current assets			
Cash and cash equivalents	7a	745,450	770,566
Trade and other receivables	8a	1,588,392	1,153,653
Inventories	8b	344,796	276,112
Derivative financial instruments	7c	-	87
Income tax receivable	13	19,114	15,512
Prepayments		177,028	113,294
Other current assets		26,722	18,300
		2,901,502	2,347,524
Assets classified as held for sale		16,583	26,682
Total current assets		**2,918,085**	**2,374,206**
Non-current assets			
Other financial assets		62,682	41,528
Investments in joint venture	14a	270,299	241,446
Property, plant and equipment	10	4,643,823	4,113,162
Intangible assets	11	4,174,090	2,262,500
Deferred tax asset	13	372,697	199,528
Prepayments		11,273	11,566
Derivative financial instruments	7c	-	244
Receivables	8a	79,692	68,689
Total non-current assets		**9,614,556**	**6,938,663**
TOTAL ASSETS		**12,532,641**	**9,312,869**
LIABILITIES			
Current liabilities			
Trade and other payables	8c	2,369,490	1,771,569
Interest-bearing loans and borrowings	7b	107,108	100,078
Derivative financial instruments	7c	18,570	11,371
Provisions	14b	101,107	76,641
Income tax payable	13	60,112	39,507
Total current liabilities		**2,656,387**	**1,999,166**
Non-current liabilities			
Interest-bearing loans and borrowings	7b	5,487,543	3,852,032
Provisions	14b	754,541	679,642
Defined employee benefit obligation	14d	215,284	80,463
Derivative financial instruments	7c	43,827	11,682
Other creditors		16,512	8,328
Deferred tax liability	13	335,477	234,147
Total non-current liabilities		**6,853,184**	**4,866,294**
TOTAL LIABILITIES		**9,509,571**	**6,865,460**
NET ASSETS		**3,023,070**	**2,447,409**
EQUITY			
Issued capital	6	713,523	713,523
Treasury shares	6	(82,022)	(76,753)
Convertible Adjustable Rate Equity Securities (CARES)	6	252,165	252,165
Other reserves		(33,248)	(26,260)
Retained earnings		1,693,219	1,494,285
Parent interests		**2,543,637**	**2,356,960**
Non-controlling interests		**479,433**	**90,449**
TOTAL EQUITY		**3,023,070**	**2,447,409**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Issued Capital (Note 6.1) $000	Treasury Shares (Note 6.2) $000	CARES (Note 6.3) $000	Other Reserves $000	Retained Earnings $000	Non-controlling interests $000	Total $000
As at 1 July 2017		**713,523**	**(70,608)**	**252,165**	**(17,556)**	**1,398,664**	**82,498**	**2,358,686**
Total Comprehensive Income		-	-	-	23,851	388,841	20,285	**432,977**
Dividends paid		-	-	-	-	(293,220)	(12,446)	**(305,666)**
Shares purchased for executive performance share plan		-	(52,319)	-	-	-	-	**(52,319)**
Treasury shares vesting to employees		-	46,174	-	(46,174)	-	-	**-**
Share based payment expense for employees		-	-	-	13,731	-	-	**13,731**
Acquisition of subsidiary/non-controlling interest		-	-	-	(112)	-	112	**-**
As at 30 June 2018		**713,523**	**(76,753)**	**252,165**	**(26,260)**	**1,494,285**	**90,449**	**2,447,409**
As at 1 July 2018		**713,523**	**(76,753)**	**252,165**	**(26,260)**	**1,494,285**	**90,449**	**2,447,409**
AASB 9 Financial Instruments adjustment	Overview	-	-	-	-	(1,083)	-	(1,083)
As at 1 July 2018 - Restated		**713,523**	**(76,753)**	**252,165**	**(26,260)**	**1,493,202**	**90,449**	**2,446,326**
Total Comprehensive Income		-	-	-	(5,404)	508,865	(755)	**502,706**
Dividends paid		-	-	-	-	(308,848)	(12,502)	**(321,350)**
Shares purchased for executive performance share plan		-	(21,850)	-	-	-	-	**(21,850)**
Treasury shares vesting to employees		-	16,581	-	(16,581)	-	-	**-**
Share based payment expense for employees		-	-	-	14,997	-	-	**14,997**
Issue of share capital in subsidiaries to Non-Controlling Interest		-	-	-	-	-	402,241	**402,241**
As at 30 June 2019		**713,523**	**(82,022)**	**252,165**	**(33,248)**	**1,693,219**	**479,433**	**3,023,070**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		11,253,209	9,238,549
Payments to suppliers and employees		(9,938,118)	(7,891,430)
Income tax paid		(252,954)	(238,245)
Finance costs		(158,844)	(114,187)
Net cash flows from operating activities	7a	**903,293**	**994,687**
Cash flows from investing activities			
Purchase of property, plant and equipment		(593,793)	(473,841)
Proceeds from sale of businesses and non – current assets		140,017	13,239
Interest and dividends received		9,064	4,621
Business combinations, net of cash received	9	(1,307,582)	(170,647)
Deferred payment on investment		-	(5,250)
Net cash flows used in investing activities		**(1,752,294)**	**(631,878)**
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(308,848)	(293,220)
Dividends paid to non-controlling interests		(12,502)	(12,446)
Repayment of principal to bondholders		-	(5,003)
Repayment of finance lease - principal		(80,173)	(67,657)
Purchase of ordinary shares		(21,850)	(52,319)
Proceeds from borrowings		2,758,633	1,230,641
Repayment of borrowings		(1,895,007)	(803,550)
Proceeds from non-controlling interests for share issue		396,906	-
Costs of refinancing		(25,116)	(11,380)
Net cash flows from / (used in) financing activities		**812,043**	**(14,934)**
Net (decrease) / increase in cash and cash equivalents		(36,958)	347,875
Net foreign exchange differences on cash held		11,842	3,172
Cash and cash equivalents at beginning of year		770,566	419,519
Cash and cash equivalents at end of year	7a	**745,450**	**770,566**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

OVERVIEW

The consolidated financial report of Ramsay Health Care Limited ('the Group') for the year ended 30 June 2019 was authorised for issue on 10 September 2019 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 the operations and principal activities of the Group are described in the Director's Report.

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments and the assets and liabilities recognised through business combinations which have been measured at fair value;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- where necessary, and as a result of a change in the classification of certain revenues and expenses during the current year, comparative amounts in the consolidated income statement, and associated notes have been reclassified for consistency with presentation in the current period;
- presents all values as rounded to the nearest thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

(b) New and amended accounting standards and interpretations, effective 1 July 2018

The Group applied, for the first time, AASB 15: Revenue from Contracts with Customers and AASB 9: Financial Instruments. The nature and effect of these changes are disclosed below.

AASB 15: Revenue from Contracts with Customers

The Group is applying AASB 15: Revenue from Contracts with Customers using the modified retrospective approach which requires all cumulative effects to be recognised at the date of initial application date being 1 July 2018 for the Group.

AASB 15 superseded AASB 118 Revenue and AASB 111 Construction Contracts. Although AASB 15 is principles based, it is a significant change from the previous revenue requirements and involves new judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risks and rewards.

The adoption of AASB 15 on 1 July 2018 resulted in a change in presentation of Revenue from contracts with customers for certain contracts between the Group and the National Health Service ('NHS') in the UK. The changes result in an increase in revenue and a corresponding increase in health professional consultant fees as the Group is viewed as the principal in the transaction with NHS rather than an agent. The assessment of the Group as principal is based on the control guidance that is clarified in AASB 15. Key factors considered include: The Group contracts directly with the NHS and has the ultimate responsibility for the provision of services to patients and the Group has certain pricing discretion.

There has been no change to Profit before income tax arising from the change in presentation. The impact of the adoption on the Consolidated Income Statement for the year ended 30 June 2019 is detailed below;

	AASB 118 $000	Impact of adoption of AASB 15 $000	AASB 15 $000
Revenue from contracts with customers	11,415,197	137,588	11,552,785
Employee benefit and contractor costs	(6,090,753)	(137,588)	(6,228,341)
Profit before income tax	846,830	-	846,830

There is no impact on the Statement of Financial Position at 30 June 2019, nor on the opening retained earnings of the Group at 1 July 2018. The Consolidated Income Statement for 30 June 2018 was not restated in accordance with the modified retrospective transition approach.

Other than as detailed above, there were no impacts on the Group upon adoption of AASB 15 on 1 July 2018. Under AASB 15, there was no change in the Group's recognition of revenue from patients, as revenue is recognised on satisfaction of the performance obligations of the entity, being the provision of medical services to patients. Similarly, there was no change in the Group's recognition of income from ancillary services, as revenue is recognised on the satisfaction of the Group's performance obligation to the customer, being the date on which services are provided.

The Group's revenue recognition of interest income, investment gains/(losses) and foreign exchange gains/ (losses) was unaffected as these items are excluded from the scope of AASB 15.

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2018 (continued)

AASB 9: Financial Instruments

AASB 9 contains new requirements for the classification, measurement and derecognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: Financial Instrument: Recognition and Measurement ("AASB 139"). Under the new requirements the four previous categories of financial assets have been replaced with two measurement categories: Fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. Equity securities are measured at fair value through profit or loss unless an election is made at initial recognition, to present fair value changes in other comprehensive income. The option is irrevocable and applied only to equity instruments which are not held for trading. AASB 9 also included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

The Group adopted AASB 9 on 1 July 2018. At this time, the Group performed an assessment of the expected-loss associated with financial assets, namely trade and loans receivable, to determine the expected loss arising on the outstanding balances at 1 July 2018. As a consequence of the assessment performed, the Group's retained earnings decreased by $1,083,000, with a corresponding increase in the allowance for impairment loss of trade receivables.

The Group accounts for financial instruments in accordance with the accounting policy described below.

Accounting Policies applicable for the year ended 30 June 2019

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement
Financial assets within the scope of AASB 9 are classified as loans and receivables, assets held at fair value through profit or loss, held at fair value through other comprehensive income, or derivatives through profit and loss (where derivatives do not meet the hedge accounting criteria). The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial 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 Consolidated Income Statement in finance costs for loans and in Service Costs for receivables.

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.

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2018 (continued)

AASB 9: Financial Instruments (continued)

(ii) Impairment of financial assets

The Group assesses, at each reporting date, an expected credit loss allowance on all financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets original effective interest rate. The Group has established a provision matrix for trade receivables that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of AASB 9 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
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. 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 Consolidated 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 Consolidated Income Statement.

The Group considers a modification substantial based on qualitative and quantitative factors. Quantitative factors include where the modification results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. In such cases, based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

(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 year ended 30 June 2019.

Accounting Policies applicable for the year ended 30 June 2018

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, held to maturity, available for sale or derivatives through profit and loss. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial 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

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2018 (continued)

AASB 9: Financial Instruments (continued)

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 Service Costs for receivables.

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.

(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.

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 year ended 30 June 2018.

OVERVIEW (CONTINUED)

(c) Non-AASB financial information

The Directors believe that the core profit (segment result) after tax, (Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items) and the core earnings per share measures, provides additional useful information which is used for internal segment reporting and therefore would be useful for shareholders, as these measures are used to ascertain the ongoing profitability of the underlying business.

	2019 $000	2018 $000
(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit after tax attributable to owners of the parent	545,473	388,348
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals *	12,257	14,609
- Non-cash unfavourable lease contracts expense	9,253	122,152
- Amortisation - service concession assets	1,524	3,178
- Net (profit)/loss on disposal of non-current assets	(6,635)	9,593
- Income from the sale of development assets	(29,883)	-
- Book value of development assets sold	19,366	-
- Acquisition, disposal, and development costs	44,381	16,708
- Impairment of non-current assets	595	27,304
- Restructuring – provision for personnel costs	16,470	74,808
- Restructuring – provision for service costs	21,905	18,480
- FD’s unvested performance rights – accounting expense	2,697	-
- Borrowing costs associated with refinancing	-	374
Income tax on non-core items	(28,415)	(61,959)
Non-controlling interest in non-core items net of tax	(18,063)	(34,257)
	45,452	190,990
Core profit (segment result) after tax attributable to owners of the parent* *	**590,925**	**579,338**
Core earnings per share		
Core profit (segment result) after tax (above)	590,925	579,338
Less: CARES dividend	(12,799)	(12,326)
Core profit after tax used to calculate core earnings per share	578,126	567,012
Weighted average number of ordinary shares adjusted for effect of dilution	202,306,914	202,642,992
Diluted core earnings per share (after CARES dividend)	285.8c	279.8c
Weighted average number of ordinary shares	201,082,770	201,400,006
Basic core earnings per share (after CARES dividend)	287.5c	281.5c

* Accounted for in accordance with *AASB 117 Leases* and *AASB Interpretation 115 Operating Leases – Incentives*
* * Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

OVERVIEW (CONTINUED)

(c) Non-AASB financial information (continued)

(ii) Reconciliation of statutory Income Statement to core (segment) Income Statement
The following table reconciles the statutory consolidated Income Statement to the core (segment) consolidated Income Statement. The non-core items listed at (c)(i) above are excluded from the relevant line items in the consolidated statutory Income Statement to ascertain the core (segment) consolidated Income Statement.

	Statutory Consolidated Income Statement $000	Non-core items as listed at (c)(i) $000	Core (segment) Consolidated Income Statement $000
For the year ended 30 June 2019			
Revenue from contracts with customers	11,552,785	-	11,552,785
Interest income	6,686	-	6,686
Other income – income from the sale of development assets	29,883	(29,883)	-
Other income - net profit on disposal of non-current assets	6,635	(6,635)	-
Total revenue and other income	**11,595,989**	**(36,518)**	**11,559,471**
Employee benefit and contractor costs	(6,228,341)	19,167	(6,209,174)
Occupancy costs	(942,895)	21,510	(921,385)
Service costs	(323,390)	66,286	(257,104)
Medical consumables and supplies	(2,592,137)	-	(2,592,137)
Depreciation, amortisation and impairment	(486,273)	2,119	(484,154)
Cost of development assets sold	(19,366)	19,366	-
Total expenses, excluding finance costs	**(10,592,402)**	**128,448**	**(10,463,954)**
Share of profit of joint venture	19,133	-	19,133
Profit before tax and finance costs	**1,022,720**	**91,930**	**1,114,650**
Finance costs	(175,890)	-	(175,890)
Profit before income tax	**846,830**	**91,930**	**938,760**
Income tax	(274,439)	(28,415)	(302,854)
Net profit for the year	**572,391**	**63,515**	**635,906**
Attributable to non-controlling interests	26,918	18,063	44,981
Attributable to owners of the parent	**545,473**	**45,452**	**590,925**
	572,391	**63,515**	**635,906**
For the year ended 30 June 2018			
Revenue from contracts with customers	9,176,235	-	9,176,235
Interest income	4,621	-	4,621
Other income - net profit on disposal of non-current assets	515	-	515
Total revenue and other income	**9,181,371**	**-**	**9,181,371**
Employee benefit and contractor costs	(4,791,900)	74,808	(4,717,092)
Occupancy costs	(868,325)	136,761	(731,564)
Service costs	(260,628)	44,780	(215,848)
Medical consumables and supplies	(2,132,595)	-	(2,132,595)
Depreciation, amortisation and impairment	(419,306)	30,483	(388,823)
Total expenses, excluding finance costs	**(8,472,754)**	**286,832**	**(8,185,922)**
Share of profit of joint venture	16,789	-	16,789
Profit before tax and finance costs	**725,406**	**286,832**	**1,012,238**
Finance costs	(117,478)	374	(117,104)
Profit before income tax	**607,928**	**287,206**	**895,134**
Income tax	(196,714)	(61,959)	(258,673)
Net profit for the year	**411,214**	**225,247**	**636,461**
Attributable to non-controlling interests	22,866	34,257	57,123
Attributable to owners of the parent	**388,348**	**190,990**	**579,338**
	411,214	**225,247**	**636,461**

OVERVIEW (CONTINUED)

(d) New Accounting Standards and Interpretations

Accounting Standards and Interpretations issued but not yet effective

Estimated impact of initial adoption of AASB 16 Leases in FY20

AASB 16 Leases (‘AASB’ 16) will replace existing accounting requirements for leases under AASB 117 Leases (‘AASB 117’). Under existing requirements, leases are classified based on their nature as either finance leases, which are recognised in the Consolidated Statement of Financial Position, or operating leases, which are not recognised in the Consolidated Statement of Financial Position.

Under AASB 16, where the Group is a lessee, there is no distinction between operating leases and finance leases. The Group is required to recognise leases in the Consolidated Statement of Financial Position as right-of-use and associated lease liabilities with the exception of short-term and low value leases for which the Group can elect to continue to account for the lease payments as an expense over the lease term. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the right-of-use assets. The Group will assess right-of-use assets for impairment under AASB 136 *Impairment of Assets*.

In addition, the Group will no longer recognise provisions for unfavourable lease contracts or deferred lease provisions.

Where the Group acts as a lessor, the accounting for leases remains largely unchanged under AASB 16 and the Group will therefore continue to classify leases as either finance or operating leases.

AASB 16 is applicable to the Group from 1 July 2019. Whilst the Group has substantially completed its implementation assessment of the new standard, certain technical and judgmental aspects of the revised accounting policy remain open, including the determination of lease terms for leases with options which could have an impact on the estimates disclosed below once finalised. Subject to any adjustments that may arise from these outstanding matters the key effects of the Group’s adoption of the new standard are expected to be as follows:

Transition
The Group has elected to adopt the ‘modified retrospective’ option of applying the new standard, which does not require comparative financial information for the year ended 30 June 2019 to be adjusted in the primary financial statements. However, the Group expects to be able to provide supplementary information as a note in the financial statements during the transition period to bridge the impact on the financial statements between the two standards.

Under modified retrospective* approach, there is an option on a lease-by-lease basis to calculate the right-of-use asset as either:

i. its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application; or

ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Under both of these options, the lease liability is calculated at the net present value of the future payments discounted using the lessees incremental borrowing rate at the date of initial application.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sublease.

Impact of the adoption of AASB 16
Leasehold properties occupied by the Group primarily include hospitals, medical suites and offices. For these properties, the balance sheet will be adjusted to recognise a depreciating right-of-use asset and an associated lease liability. The lease liability will be measured at the net present value of future payables under the lease, including optional renewal periods, where the Group assesses that the probability of exercising the renewal is reasonably certain. As a result of the adoption of AASB 16, the Group expects an additional lease liability of between $4.5 billion and $5.0 billion and an additional right-of-use asset value of between $3.75 billion and $4.25 billion to be recognised upon transition, subject to concluding on the items noted above. On transition, the existing unfavourable lease contracts will be reclassified against the right-of-use asset recognised. The difference between the lease liability and the net right-of-use assets, including the amount of deferred lease provision derecognised, will be taken to retained earnings on transition, net of tax.

In the income statement, the rental expense from these leases will be replaced by an interest expense and a straight-lined depreciation expense. This is expected to significantly rebase the Group’s core and statutory earnings before interest and tax, both of which are key financial measures used by the business. After an estimated impact of increased depreciation, an increased interest cost and decreased operating lease expense, the Groups statutory and core net profit after tax are expected to reduce by approximately $30 million to $40 million and $40 million to $50 million respectively in FY20.

Operating cash flows will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flows. The net increase/decrease in cash and cash equivalents will remain the same as the cash lease payments are not changing.

These estimates may be materially different to the actual impact on the results for the year ending 30 June 2020 due to changes in the composition of the Group’s lease portfolio and changes to material judgement areas during the year.

OVERVIEW (CONTINUED)

(d) New Accounting Standards and Interpretations (continued)

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

Estimated impact of initial adoption of AASB 16 Leases in FY20 (continued)

*: Note when applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. In calculating the transition balances, the Group has applied the following practical expedients including;

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- utilising previous assessments of onerous leases in assessing the right-of-use for impairment at transition;
- the use of hindsight in determining the lease term; and
- continue to apply operating lease accounting for leases with less than 12 months remaining from the transition date.

Another practical expedient available to the Group, is to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. We have elected to not combine lease and non-lease components for our property leases. As such, the calculated lease liability excludes the stand-alone price of the non-lease component.

AASB Interpretation 23 Uncertainty over Income Tax Treatments ('IFRIC 23')

The Group will apply IFRIC 23 with effective from 1 July 2019.

The Standard clarifies the application of the recognition and measurement criteria when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group is currently evaluating the impact of the new accounting standard.

AASB2018-1 Borrowing Costs ('AASB2018-1')

The Group will apply AASB2018-1 with effective from 1 July 2019.

Under AASB2018-1, the Standard clarifies that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

This Standard is not expected to significantly impact the Group's financial statements.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ramsay Health Care Limited and its subsidiaries ('**the Group**') as at and for the period ended 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

OVERVIEW (CONTINUED)

(f) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, management has made a number of judgements, estimates and assumptions concerning the future. The key judgements, estimates and assumptions that are material to the financial statements relate to the following areas:

- Recognition of land and buildings at fair value in a business combination, refer note 9;
- Estimation of useful lives of property, plant and equipment and intangible assets, refer note 10 and note 11;
- Impairment testing of goodwill, refer note 12;
- Impairment of property, plant and equipment, refer note 10;
- Income tax losses and deferred tax, refer note 13;
- Insurance provision, refer note 14b;
- Defined employee benefit obligations, refer note 14d; and
- Share based payment transactions, refer note 16.

(g) Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period
- Held primarily for trading, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period
- Held primarily for trading, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(h) 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.

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: British pounds for Ramsay Health Care (UK) Limited; Euro for Ramsay Générale de Santé SA and Swedish Krona for Capio AB. 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.

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.

I. RESULTS FOR THE YEAR

1. 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 four reportable operating segments being Asia Pacific, UK, France and Nordics.

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 arm's 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 throughout the accounts and in prior periods.

	Asia Pacific $000	UK $000	France $000	Nordics $000	Total $000
Year ended 30 June 2019					
Revenue					
Revenue from contracts with customers (excluding AASB15 adjustment)	5,182,497	805,213	4,280,974	1,146,513	11,415,197
AASB15 adjustment [1]	-	137,588	-	-	137,588
Total revenue before intersegment revenue (including AASB15 adjustment)	5,182,497	942,801	4,280,974	1,146,513	11,552,785
Intersegment revenue	3,679	-	-	-	3,679
Total segment revenue	5,186,176	942,801	4,280,974	1,146,513	11,556,464
Earnings before interest, tax, depreciation and amortisation (EBITDA)[2]	**969,895**	**89,690**	**476,472**	**56,061**	**1,592,118**
Depreciation and amortisation	(171,522)	(42,210)	(231,860)	(38,562)	(484,154)
Earnings before interest and tax (EBIT)[3]	**798,373**	**47,480**	**244,612**	**17,499**	**1,107,964**
Interest					(169,204)
Income tax expense					(302,854)
Segment (core) net profit after tax [4]					**635,906**
Attributable to non-controlling interest					(44,981)
Segment (core) net profit after tax, attributable to owners of the parent [5]					**590,925**
Non-core items net of tax after non-controlling interest					(45,452)
Net profit attributable to owners of the parent					**545,473**

[1] Refer to Overview section. Implementation of the standard during the year resulted in a change in presentation of items in the Consolidated Income Statement. There was no impact on net profit.
[2] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
[3] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
[4] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
[5] "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	Asia Pacific $000	UK $000	France $000	Total $000
Year ended 30 June 2018				
Revenue				
Revenue from contracts with customers	4,980,666	737,991	3,457,578	9,176,235
Total revenue before intersegment revenue	4,980,666	737,991	3,457,578	9,176,235
Intersegment revenue	5,349	-	-	5,349
Total segment revenue	4,986,015	737,991	3,457,578	9,181,584
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**912,825**	**84,022**	**399,078**	**1,395,925**
Depreciation and amortisation	(156,671)	(39,977)	(192,175)	(388,823)
Profit on disposal of non-current assets	515	-	-	515
Earnings before interest and tax (EBIT) [2]	**756,669**	**44,045**	**206,903**	**1,007,617**
Interest				(112,483)
Income tax expense				(258,673)
Segment (core) net profit after tax [3]				**636,461**
Attributable to non-controlling interest				(57,123)
Segment (core) net profit after tax, attributable to owners of the parent [4]				**579,338**
Non-core items net of tax after non-controlling interest				(190,990)
Net profit attributable to owners of the parent				**388,348**

[1] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
[2] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
[3] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
[4] "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

	Asia Pacific $000	UK $000	France $000	Nordics $000	Adjustments & Eliminations* $000	Total $000
As at 30 June 2019						
Assets & liabilities						
Segment assets	5,562,886	2,033,549	5,840,162	903,986	(1,807,942)	12,532,641
Segment liabilities	(2,581,148)	(1,395,683)	(4,566,044)	(966,696)	-	(9,509,571)
As at 30 June 2018						
Assets & liabilities						
Segment assets	5,346,997	1,635,468	3,638,963	-	(1,308,559)	9,312,869
Segment liabilities	(2,556,903)	(1,000,173)	(3,308,384)	-	-	(6,865,460)

*Adjustments and eliminations consist of unallocated goodwill, investments in subsidiaries, intercompany and receivables/payables, most of which are eliminated on consolidation.

	2019 $000	2018 $000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	11,556,464	9,181,584
Inter segment sales elimination	(3,679)	(5,349)
Interest income	6,686	4,621
Other income – net profit on disposal of non-current assets	6,635	515
Other income – income from the sale of development assets	29,883	-
Total revenue and other income	11,595,989	9,181,371

(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 Earnings before interest and tax (EBIT). A segment's core net profit after tax excludes income and expenses from non-core items. Refer to the Overview note for the reconciliation of net profit attributable to owners of the parent to core profit (segment result) after tax.

I. RESULTS FOR THE YEAR (CONTINUED)

2. REVENUE

	2019 $000	2018 $000
Revenue from patients	11,327,002	8,969,439
Rental income	40,015	39,609
Income from ancillary services	185,768	167,187
Revenue from contracts with customers	**11,552,785**	**9,176,235**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that the performance obligations under contracts have been satisfied 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 (EIR), 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.

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 control of the development asset is transferred to the customer.

3. EXPENSES

	2019 $000	2018 $000
(a) Depreciation		
Depreciation - Plant and equipment	315,443	251,872
Depreciation - Buildings	143,334	120,919
Total depreciation	458,777	372,791
(b) Amortisation		
Service concession assets	16,926	6,701
Development cost	9,975	12,510
Total amortisation	26,901	19,211
(c) Impairment		
Impairment - Plant and equipment	266	7,457
Impairment – Land and buildings	329	18,073
Impairment – Intangible Assets	-	1,774
Total impairment	595	27,304
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses	590,356	580,224

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

Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and AASB Interpretation 115 *Operating Leases – Incentives*	(12,257)	(14,609)

I. RESULTS FOR THE YEAR (CONTINUED)

3. EXPENSES (CONTINUED)

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 2019 was lower than the rent expensed by $12,257,000 (2018: $14,609,000).

	2019 $000	2018 $000
(e) Employee benefit and contractor costs		
Wages and salaries	5,076,924	3,898,725
Workers' compensation	20,204	15,367
Superannuation	196,973	176,002
Termination benefits	28,021	67,550
Social charges and contributions on wages and salaries	718,836	477,390
Other employment	176,494	140,645
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)	10,889	16,221
	6,228,341	4,791,900
(f) Finance costs		
Interest expense	170,036	114,601
Finance charges – Lease liability	7,589	7,212
Borrowing costs associated with refinancing	-	374
	177,625	122,187
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	535	553
Finance costs capitalised	(2,270)	(5,262)
	175,890	117,478

(g) Finance Costs - Recognition and Measurement

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.

4. DIVIDENDS

	Parent	
	2019 $000	2018 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (60.0 cents per share) (2018: 57.5 cents per share)	121,249	116,198
(ii) Previous year final dividend paid		
Franked dividends – ordinary (86.5 cents per share) (2018: 81.5 cents per share)	174,800	164,696
	296,049	280,894
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (91.5 cents per share) (2018: 86.5 cents per share)	184,904	174,800
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	12,799	12,326
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	5,962	6,466

I. RESULTS FOR THE YEAR (CONTINUED)

4. DIVIDENDS (CONTINUED)

	Parent 2019 $000	Parent 2018 $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% (2018: 30%)	646,203	573,108
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	17,014	15,458
	663,217	588,566
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	(81,803)	(77,686)
	581,414	510,880

* 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% (2018: 30%). $190,866,000 (2018: $181,267,000) of the proposed dividends will be franked at the rate of 30% (2018: 30%).

5. 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.

	2019 $000	2018 $000
Net profit for the year attributable to the owners of the parent	545,473	388,348
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(12,799)	(12,326)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	532,674	376,022

	2019 Number of Shares	2018 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,082,770	201,400,006
Effect of dilution – share rights not yet vested (a)	1,224,144	1,242,986
Weighted average number of ordinary shares adjusted for the effect of dilution	202,306,914	202,642,992

(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.

	2019 Cents per Share	2018 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	264.9	186.7
- diluted (after CARES dividend) for the year	263.3	185.6

II. CAPITAL – FINANCING

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING

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

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

The Group's capital is comprised of equity plus net debt. Net debt is calculated as interest bearing liabilities plus derivatives relating to debt, less cash assets.

During 2019, dividends of $308,848,000 (2018: $293,220,000) were paid. For the year ended 30 June 2019 fully franked ordinary dividends of 151.5c (2018: 144.0c) per share were declared (Interim dividend of 60c, Final dividend of 91.5c). These dividends represented a payout ratio of approximately 53.0% of Core Earnings per Share of 285.8c. Ramsay will adopt the new lease accounting standard AASB 16 Leases effective 1 July 2019, which will have a significant non cash impact on the Consolidated Income Statement for future periods. Given the impact of the new lease accounting standard, Ramsay expects to modify the dividend payout ratio such that shareholders can expect at least the same cash dividends as they would have prior to the adoption of the standard, subject to ongoing cash needs of the business.

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 3.1 times for the year ended 30 June 2019 (2018: 2.3 times).

The Group has committed senior debt funding to 2023 (please refer to Note 7d 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 (subject to covenant compliance) 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.*

Details of Capital – Financing are as follows:

	Note	2019 $000	2018 $000
Equity	6	3,023,070	2,447,409
Net Debt	7	4,911,598	3,204,266
		7,934,668	5,651,675

6. EQUITY

	Note	2019 $000	2018 $000
Issued capital	6.1	713,523	713,523
Treasury shares	6.2	(82,022)	(76,753)
Convertible Adjustable Rate Equity Securities (CARES)	6.3	252,165	252,165
Other reserves		(33,248)	(26,260)
Retained earnings		1,693,219	1,494,285
Non-controlling interests		479,433	90,449
		3,023,070	2,447,409

6.1 Ordinary Shares

(a) Issued and paid up capital

	2019 $000	2018 $000
202,081,252 ordinary shares fully paid (30 June 2018: 202,081,252 ordinary shares fully paid)	713,523	713,523

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.1 Ordinary Shares (continued)

(b) Terms and conditions of issued capital

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

(c) Recognition and Measurement

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.

6.2 Treasury Shares

	2019 $000	2018 $000
1,253,154 ordinary shares (30 June 2018: 1,154,671)	82,022	76,753

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

6.3 Convertible Adjustable Rate Equity Securities (CARES)

	2019 $000	2018 $000
(a) Issued and paid up capital		
2,600,000 CARES shares fully paid (30 June 2018: 2,600,000 CARES shares fully paid)	252,165	252,165

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.3 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: $$\text{Dividend Entitlement} = \frac{\text{Dividend Rate x Face Value x N}}{365}$$ 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.

7. NET DEBT

	Note	2019 $000	2018 $000
Cash assets	7a	745,450	770,566
Interest bearing liabilities - current	7b	(107,108)	(100,078)
Interest bearing liabilities - non-current	7b	(5,487,543)	(3,852,032)
Derivative net assets / (liabilities) - debt related	7c	(62,397)	(22,722)
		(4,911,598)	(3,204,266)

II. CAPITAL – FINANCING (CONTINUED)

7a. CASH AND CASH EQUIVALENTS

	2019 $000	2018 $000
Cash at bank and on hand	745,450	770,566

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(i) Recognition and Measurement
Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and on 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.

(ii) 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

	2019 $000	2018 $000
Cash at bank and on hand	745,450	770,566

(iii) Reconciliation of net profit after tax to net cash flows from operations

	2019 $000	2018 $000
Net profit after tax for the year	572,391	411,214
Adjustments for:		
Share of profit of joint venture	(19,133)	(16,789)
Depreciation, amortisation and impairment	486,273	419,306
Interest received	(6,686)	(4,621)
Share based payments expense	10,889	16,221
Net (profit) / loss on disposal of non-current assets	(6,635)	9,078
Changes in assets & liabilities		
Deferred tax	(14,549)	(39,795)
Receivables	(299,575)	62,314
Other assets	115,926	(9,656)
Creditors and accruals	178,818	6,576
Provisions	(130,888)	172,708
Inventory	(19,572)	(30,133)
Tax provisions	36,034	(1,736)
Net cash from operating activities	903,293	994,687

(iv) Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2018 $000	Cash Flows $000	Foreign Exchange movement $000	New Leases $000	Business Combinations $000	Sale of Facilities $000	Other $000	Balance as at 30 June 2019 $000
Loans- Current	31,961	(211,836)	(8,005)	-	221,886	-	-	34,006
Loans- Non Current	3,622,268	1,075,462	88,379	-	423,327	-	-	5,209,436
Lease Liabilities	297,881	(80,173)	11,027	52,261	89,915	(19,702)	-	351,209
Total liabilities from financing activities	3,952,110	783,453	91,401	52,261	735,128	(19,702)	-	5,594,651

	Balance at 1 July 2017 $000	Cash Flows $000	Foreign Exchange movement $000	New Leases $000	Business Combinations $000	Sale of Facilities $000	Other $000	Balance as at 30 June 2018 $000
Loans- Current	18,515	13,642	(196)	-	-	-	-	31,961
Loans- Non Current	3,078,435	413,449	121,877	-	-	-	8,507	3,622,268
Lease Liabilities	245,512	(67,657)	16,699	105,747	-	(2,420)	-	297,881
Bondholder loans	4,897	(5,003)	-	-	-	-	106	-
Total liabilities from financing activities	3,347,359	354,431	138,380	105,747	-	(2,420)	8,613	3,952,110

(v) Disclosure of financing facilities
Refer to Note 7d

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS

		2019 $000	2018 $000
Current			
Secured liabilities:			
- Lease liabilities	(i)	73,102	68,117
- Bank loan		34,006	31,961
		107,108	100,078
Non-current			
Secured liabilities:			
- Lease liabilities	(i)	278,107	229,764
- Bank loan	(ii)	2,882,979	1,655,753
Unsecured liabilities:			
- Bank loan	(ii)	2,326,457	1,966,515
		5,487,543	3,852,032
Total		5,594,651	3,952,110

(i) Lease liabilities are effectively secured by the leased asset. Further information is set out in Note 17.
(ii) Further information on bank loans is set out in Note 7d.

Fair values

The fair values of the Group's interest bearing loans and borrowings are determined by using the discounted cash flow method with discount rates that reflect market interest rates, specific country risk factors, individual creditworthiness of the counterparties and the other risk characteristics associated with the underlying debts. Ramsay's own non-performance risk as at 30 June 2019 was assessed as insignificant.

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 1.205% to 1.220% (2018: 2.015% to 2.111%) for Australia, 0.7218% to 0.7738% (2018: 0.5008% to 0.6741%) for UK and -0.388% to -0.345% (2018: -0.370% to -0.321%) for France respectively.

The fair value of the interest bearing loans and borrowings was estimated using the level 2 method valuation technique in which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable. Set out in the table below is a comparison by carrying amounts and fair value of the Group's Interest bearing loans and borrowings.

	2019		2018	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	5,243,442	5,365,352	3,654,229	3,741,734
Lease liabilities	351,209	399,576	297,881	307,363
	5,594,651	5,764,928	3,952,110	4,049,097

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

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 15.

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:

	2019 $000	2018 $000
Finance lease		
Leased assets	412,597	446,597
Fixed and floating charge		
Fixed assets	85,048	84,781
Investment holdings in subsidiaries	2,010,687	1,917,658
Total non-current assets pledged as security	2,508,332	2,449,036

Defaults & breaches

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

Subsequent Measurement

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. 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.

7c. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 $000	2018 $000
Current Assets		
Interest rate derivative contracts – cash flow hedges	-	87
Non - current assets		
Interest rate derivative contracts – cash flow hedges	-	244
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(18,570)	(11,371)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(43,827)	(11,682)

(i) 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 and forward foreign exchange contracts – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 1.357% (2018: 2.064%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.7738% (2018: 0.6281%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of –0.291% (2018:- 0.325%).

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 60% (2018: 61%) of the principal outstanding.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Instruments used by the Group (continued)

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

(ii) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 15.

(iii) 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 ratings in order to manage this credit risk.

(iv) Recognition and Measurement

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, and later classified to profit and loss when the hedge item affects profit or loss.

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.

Before 1 July 2018, 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.

The Group has applied prospectively the new hedge accounting requirements under AASB 9, with the initial application date of 1 July 2018.

Beginning 1 July 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Recognition and Measurement (continued)

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 predominantly interest rate swap contracts as hedges of its exposure to fluctuations in interest rates. There is an economic relationship between the hedged item and the hedging instrument as the term of the interest rate swap matches the terms of the variable rate loan (that is, notional amount, maturity, base rate, payment and reset dates).

Before 1 July 2018, the Group had no interest rate option contracts as hedging instruments.

After 1 July 2018, the Group only designates the intrinsic value of the interest rate option contracts as hedging instruments. The time value of the interest rate option contracts are recognised in Other Comprehensive Income and accumulated in a separate component of equity under the cost of Hedging Reserve. These deferred costs of hedging are recognised in the profit or loss on a systematic basis over the tenor of the interest rate option contracts.

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 Other Comprehensive Income 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.

The ineffectiveness recognised in the profit or loss was immaterial.

(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 Other Comprehensive Income, 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 Other Comprehensive Income is transferred to the Income Statement.

Subsequent Measurement

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; or
- A discounted cash flow analysis or other valuation models.

(v) Fair Value of Derivative Financial Instruments

The fair value of the derivative financial instruments was estimated using the level 2 method valuation technique and is summarised in the table above, at Note 7c.

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

Recognition and Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(v) Fair Value of Derivative Financial Instruments (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the relevant notes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the year.

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

	2019 $000	2018 $000
0-1 years	610,345	364,963
1-2 years	3,154,496	604,367
2-3 years	1,350,037	1,247,691
3-5 years	210,000	153,543
Over 5 years	809,979	110,000
	6,134,857	2,480,564

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.

Hedge of net investments in foreign operations

Included in bank loans at 30 June 2019 is a GBP borrowing of £244,100,000 (2018: £244,100,000) which has been designated as a hedge of the net investment in the UK subsidiary. 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 Other Comprehensive Income 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 $5,831,000 (2018: net loss $21,861,000) was recognised in Other Comprehensive Income during the year.

Included in bank loans at 30 June 2019 is a Euro borrowing of €478,700,000 (2018: €160,700,000) which has been designated as a hedge of the net investment in the French subsidiary. It is being used to hedge the Group’s exposure to changes in exchange rates on the value of its net investment in the French operations. Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investment in the French subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of $22,201,000 (2018: net loss $1,929,000) was recognised in Other Comprehensive Income during the year.

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS

Terms and Conditions

(a) Ramsay and its wholly owned subsidiaries

(i) New €300,000,000 Syndicated Facility Agreement

In August 2018 Ramsay Health Care (UK) Limited executed a € 300,000,000 syndicated revolving bank debt facility maturing in October 2023 and funds were drawn down under this facility in October 2018 to subscribe for subordinated bonds issued by Ramsay Générale de Santé (RGdS). The subordinated bond monies together with RGdS's own debt facilities were used to fund RGdS's acquisition of the Capio Group, described in detail at Note 9. RGdS had irrevocably and unconditionally agreed to redeem these subordinated bonds on or before end April 2019 by undertaking a rights issue. Predica had agreed to subscribe to this issue and have its subordinated bonds redeemed. On 15 April 2019, as previously advised to the market, RHC (UK) Limited and Predica had redeemed these subordinated bonds by subscribing for new RGdS ordinary shares (Refer to Note 7d (b)(iii)).

The covenant package, group guarantees and other common terms and conditions in respect of this new debt facility is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

The total amount drawn under this loan as at 30 June 2019 was € 300,000,000 (30 June 2018: Nil).

(ii) Refinancing of the A$800,000,000 5 year revolving tranche in Ramsay A$ Syndicated Facility Agreement

In December 2018, Ramsay and its wholly owned subsidiaries (except some dormant and structured entities) (Ramsay Funding Group) refinanced the A$ 800,000,000 revolving tranche in the Ramsay $A Syndicated Facility Agreement, maturing on 1 May 2020, with a 5 year, $ 800,000,000 syndicated revolving bank debt facility, maturing in December 2023.

The covenant package, group guarantees and other common terms and conditions in respect of this new debt facility is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

The total amount drawn under this loan as at 30 June 2019 was $721,000,000 (30 June 2018: $675,000,000).

Bi lateral revolving debt facilities totalling $ 17,000,000 and £ 13,100,000 were also extended and will now mature in December 2023. The total amounts drawn under the bi lateral debt facilities was $ 12,395,939 (30 June 2018: $13,165,578) and £ 40,000 (30 June 2018: £ 40,000).

(iii) Continuing senior debt facilities

Ramsay Funding Group's other syndicated debt facility agreements and bi lateral debt facilities remain unchanged.

The total amounts drawn under these debt facilities as at 30 June 2019 were $ 325,000,000, £ 285,100,000 and € 178,700,000 (30 June 2018: $ 404,000,000, £ 359,100,000 and € 160,700,000).

(b) Ramsay Générale de Santé (RGdS) and controlled entities

(i) RGdS Senior Debt Facilities

On 1 October 2014 Ramsay Générale de Santé (RGdS), and its controlled entities executed a term and revolving facilities comprising:

(i) Term Loan B facilities totalling €840,000,000;
(ii) A revolving working capital facility of €100,000,000; and
(iii) A capex / acquisition facility of €75,000,000.

On 11 August 2017, RGdS successfully completed an Amend and Extend of the above Senior Debt Facilities with improved terms and conditions and a 2-year extension of the maturity date to 3 October 2022. These debt facilities are non-amortising and fully repayable at maturity.

In July 2018 RGdS executed an underwritten Incremental Term Loan B debt facility totalling € 750,000,000 to fund the acquisition of the Capio Group. Funds were drawn down under this facility in November 2018 to acquire the Capio shares and in January 2019 to refinance Capio's existing senior debt facilities. This facility was underwritten by Crédit Agricole Corporate & Investment Bank and Société Générale and successfully syndicated to other lenders on 7 December 2018.

The existing Term Loan B facilities terms and conditions also apply to the Incremental Term Loan B debt facility, except the margins payable under the latter facility are lower than the margins payable under the existing Term Loan B debt facilities and this new debt facility matures in October 2024.

The total amount drawn under the debt facilities as at 30 June 2019 was €1,630,000,000 (30 June 2018: €880,000,000).

II. CAPTIAL – FINANCING (CONTINUED)

7d. BORROWINGS (CONTINUED)

(b) Ramsay Générale de Santé (RGdS) and controlled entities (continued)

(i) RGdS Senior Debt Facilities (continued)

The lenders to these debt facilities only have recourse to RGdS and certain RGdS controlled entities. The debt facilities are secured by first ranking pledges over certain material companies of RGdS, granted only by RGdS and certain RGdS controlled entities. Guarantees have also been provided and are provided only by RGdS controlled entities.

(ii) Capio Group Senior Debt Facilities

Upon the acquisition of the Capio Group in November 2018, RGdS assumed the Capio Group's debt facilities. These debt facilities contained change of control clauses which required the facilities to be refinanced within 60 days of RGdS acquiring the Capio Group. RGdS successfully refinanced these debt facilities on 8 January 2019 by drawing down under the Incremental Term Loan B facility, detailed above.

The total amount drawn under the debt facilities as at 30 June 2019 was Nil (31 December 2018: €430,877,255 and 30 June 2018: Nil).

(iii) Subordinated Bonds

In October 2018 RGdS issued subordinated bonds totalling €550,000,000 to Ramsay Health Care (UK) Limited and Predica Prévoyance Dialogue du Crédit Agricole. The subordinated bond monies together with RGdS's own debt facilities were used to fund RGdS's acquisition of the Capio Group, described in detail at Note 9.

RGdS had irrevocably and unconditionally agreed to redeem all of the subordinated bonds and interest accrued thereon by undertaking a rights issue on or before end April 2019 and the subordinated bond holders had agreed to subscribe for the right issue.

On 25 March 2019, RGdS had launched a rights issue as part of its previously disclosed intention to refinance its acquisition of Capio AB. The subscription period for this rights issue was completed on 5 April 2019 and the total subscription orders made under the right issue amounted to €566,760,514, corresponding to the issue of 34,432,595 shares. The subscription price of the new shares in RGdS was €16.46 per share.

On 15 April 2019, Ramsay Health Care UK Limited and Predica Prévoyance Dialogue du Crédit Agricole were issued new RGdS shares amounting to €318,072,513 and €239,900,566 respectively, representing the amounts owing under the subordinated bonds as at 15 April 2019.

These bonds were subordinated to the Senior debt facilities mentioned at (i) above.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING

HOW THE GROUP MANAGES ITS OVERALL FINANCIAL POSITION

The Group manages its overall financial position by segregating its balance sheet into two categories; Assets and Liabilities – Operating and Investing and Capital – Financing. Assets and Liabilities – Operating and Investing is managed at both the site and group level while Capital – Financing (refer to section II) is managed centrally.

Details of Assets and Liabilities – Operating and Investing are as follows:

	Note	2019 $000	2018 $000
Working Capital	8	(436,302)	(341,804)
Property, plant and equipment	10	4,643,823	4,113,162
Intangible assets	11	4,174,090	2,262,500
Current and deferred tax assets/(liabilities)	13	(3,778)	(58,614)
Other assets/(liabilities)		(443,165)	(323,569)
		7,934,668	5,651,675

8. WORKING CAPITAL

	Note	2019 $000	2018 $000
Trade and other receivables (current)	8a	1,588,392	1,153,653
Inventories	8b	344,796	276,112
Trade and other payables	8c	(2,369,490)	(1,771,569)
		(436,302)	(341,804)

Consistent with prior years, Ramsay actively manages the collection of debtor receipts and creditor and employee payments. This often results in a negative working capital metric. Any surplus or deficit in the working capital is managed through efficient use of the revolving debt facilities and cash balances. Refer to Note 7 for further information on the debt facilities and cash balances.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8a. TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000
Current		
Trade and other receivables	1,631,820	1,200,667
Allowances for impairment loss	(43,428)	(47,014)
	1,588,392	1,153,653
Non-current		
Receivable from the Government in respect of infrastructure charges for public hospitals	3,620	3,142
Rental property bonds and guarantees receivable	61,755	58,980
Other	14,317	6,567
	79,692	68,689
Total	1,668,084	1,222,342

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Movements in the provision for impairment loss were as follows:

	2019 $000	2018 $000
At 1 July	(47,014)	(47,591)
AASB 9 Financial Instruments adjustment *	(1,083)	-
At 1 July - restated	(48,097)	(47,591)
Charge for the year	(17,505)	(13,362)
Foreign exchange translation	(582)	(880)
Amounts written off	22,756	14,819
At 30 June	(43,428)	(47,014)

** Further information is set out in the Overview section.*

(ii) Ageing analysis

At 30 June, the ageing analysis of trade and other 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
2019	1,711,512	1,207,584	203,353	110,604	88,521	58,022	43,428
2018	1,269,356	869,095	104,088	99,782	78,435	70,942	47,014

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $460,500,000 (2018: $353,247,000). 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 20.

(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 carrying 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 carrying value of these receivables. The majority of the non-current receivables are assessed as low risk.

(vi) Foreign exchange & interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 15.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8b. INVENTORIES

	2019 $000	2018 $000
Amount of medical supplies to be consumed in providing future patient services – at cost	293,804	235,242
Development assets to be sold that are currently under construction – at cost	50,992	40,870
	344,796	276,112

(i) Inventory expense

Medical supplies recognised as an expense for the year ended 30 June 2019 totalled $2,592,137,000 (2018: $2,132,595,000) 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 2019 totalled $19,366,000 (2018:$nil) for the Group. This expense has been included in Cost of development assets sold in the Income Statement.

(ii) Recognition and Measurement

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

8c. TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Trade payables	1,030,120	775,250
Sundry creditors and accrued expenses	473,200	334,674
Employee and Director entitlements	865,896	661,361
Other payables	274	284
	2,369,490	1,771,569

(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 15.

9. BUSINESS COMBINATIONS

Capio 2019

On 7 November 2018, 17 November 2018, and 12 June 2019 Ramsay Générale de Santé acquired a total of 100% of the share capital of Capio AB. Ramsay Générale de Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Capio based upon the best information available as of the reporting date. Due to the timing of the acquisition and the extent of diligence underpinning this accounting, the amounts recognised for the Capio business combination in the financial statements for the year ended 30 June 2019 have been determined on a provisional basis only. Ramsay shall until the end of the measurement period obtain and consider the information necessary about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognition and measurement of the amounts recognised as of that date for the Capio business combination, in order to retrospectively adjust the provisional amounts recognised.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Capio 2019 (CONTINUED)

The provisionally recognised fair value of the identifiable assets and liabilities of Capio is as follows:

	$000
Cash	10,009
Accounts Receivable	179,411
Inventory	44,751
Corporate tax receivable	14,284
Other assets	217,756
Property, plant and equipment	317,139
Intangible assets	385,152
Deferred income tax asset	38,481
Creditors and accruals	(531,361)
Interest-bearing liabilities	(735,128)
Provisions and other liabilities	(193,901)
Fair value of identifiable net assets	**(253,407)**
Non-controlling interest	(3,318)
Goodwill arising	1,500,170
	1,243,445

Business combination date fair value of consideration transferred	
Cash paid	**(1,243,445)**
Direct costs relating to the business combination – included within service costs	28,515

The cash outflow as a result of the business combination is as follows:	
Net cash acquired	10,009
Cash paid	(1,243,445)
Net consolidated cash outflow	**(1,233,436)**

The goodwill of $1,500,170,000 comprises the value of synergies expected to be achieved as a result of combining Capio with the rest of the Group, as well as intangible assets that do not qualify for separate recognition. The acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to Ramsay Générale de Santé.

The Group has elected to measure the non-controlling interests in the acquiree at their fair value. The non-controlling interests in the acquiree at the time of the business combination represents other non-controlling interests within the Capio group.

The fair value of the acquired receivables amounts to $179,411,000. The gross contractual amount receivable is $194,998,000.

The revenue of Capio from acquisition to 30 June 2019 is $1,756,406,000 and profit before tax for this period is not significant to the Group.

If Capio had been acquired at the beginning of the financial year, on 1 July 2018, the total revenue and other income for the Group would have been $12,380,272,000 and the profit before income tax from continuing operations for the Group would not have been significantly different to the Group profit before tax as reported.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Other Business Combinations – 2019

Ramsay has recognised amounts for business combinations in the financial statements for the year ended 30 June 2019 which have been determined on a provisional basis only. These businesses are within the healthcare sector.

	$000
Assets	67,521
Liabilities	(29,455)
Fair value of identifiable net assets	38,066
Goodwill arising	43,611
Non-controlling interest	(422)
Business combination date fair value of consideration transferred	81,255
Direct costs relating to the business combination included within service costs	3,769
The cash outflow as a result of the business combination is as follows:	
Net cash acquired	7,109
Cash Paid	(81,255)
Net consolidated cash outflow	(74,146)

Business Combinations – 2018

Ramsay recognised amounts for business combinations in the financial statements for the year ended 30 June 2018 which are as follows:

	$000
Assets	42,570
Liabilities	(26,984)
Fair value of identifiable net assets	15,586
Goodwill arising	161,704
Business combination date fair value of consideration transferred	177,290
Direct costs relating to the business combination included within service costs	8,630
The cash outflow as a result of the business combination is as follows:	
Net cash acquired	6,643
Cash Paid	(177,290)
Net consolidated cash outflow	(170,647)

These businesses are within healthcare sector. The purchase price accounting has now been finalised. There was not a material difference in the provisional fair values initially recognised.

Recognition and Measurement

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 business combination 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. Business combination related costs are expensed as incurred.

In accounting for a business combination, the Group 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 business combination 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 business combination date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of AASB 9, 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.

Key Estimates and Assumptions

The Group recognises the identifiable assets and liabilities of businesses at their business combination date fair values. Where a significant amount of land and buildings are recognised in the business combination, the fair value will be determined by an external valuer using an approach relevant to the private healthcare market in that country.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Assets Under Construction $000	Total $000
Cost				
At 1 July 2017	**3,385,934**	**2,154,640**	**315,430**	**5,856,004**
Additions	50,726	230,714	274,482	555,922
Business combination	5,276	8,145	-	13,421
Disposals	(51,724)	(149,811)	-	(201,535)
Assets reclassified as held for sale	(39,322)	-	-	(39,322)
Transferred from assets under construction	154,759	80,569	(235,328)	-
Exchange differences	90,277	55,637	4,732	150,646
At 30 June 2018	**3,595,926**	**2,379,894**	**359,316**	**6,335,136**
Additions	117,885	280,524	244,813	643,222
Business combination	183,125	162,810	27,359	373,294
Disposals	(117,394)	(250,800)	-	(368,194)
Assets reclassified as held for sale	(5,207)	-	-	(5,207)
Transferred from assets under construction	176,508	95,135	(271,643)	-
Exchange differences	41,074	19,102	1,872	62,048
At 30 June 2019	**3,991,917**	**2,686,665**	**361,717**	**7,040,299**
Depreciation and Impairment				
At 1 July 2017	**(645,213)**	**(1,344,959)**	**-**	**(1,990,172)**
Depreciation charge for the year	(120,919)	(251,872)	-	(372,791)
Disposals	41,020	138,198	-	179,218
Assets reclassified as held for sale	27,061	-	-	27,061
Impairment	(18,073)	(7,457)	-	(25,530)
Exchange Differences	(13,067)	(26,693)	-	(39,760)
At 30 June 2018	**(729,191)**	**(1,492,783)**	**-**	**(2,221,974)**
Depreciation charge for the year	(143,334)	(315,443)	-	(458,777)
Disposals	47,851	242,623	-	290,474
Assets reclassified as held for sale	1,729	-	-	1,729
Impairment	(329)	(266)	-	(595)
Exchange Differences	(2,777)	(4,556)	-	(7,333)
At 30 June 2019	**(826,051)**	**(1,570,425)**	**-**	**(2,396,476)**
Net Book Value				
At 30 June 2019	**3,165,866**	**1,116,240**	**361,717**	**4,643,823**
At 30 June 2018	**2,866,735**	**887,111**	**359,316**	**4,113,162**

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2019 is $412,597,000 (2018: $446,597,000)

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Recognition and Measurement

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 – 60 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 the expense category Depreciation, amortisation and impairment.

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.

(b) Key Estimates and Assumptions

Useful lives of assets are estimated based on historical experience. The useful life of assets are assessed annually and adjusted where deemed necessary.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Other^ $000	Total $000
Cost				
At 1 July 2017	**1,937,444**	**95,997**	**119,613**	**2,153,054**
Additions	-	13,814	12,740	26,554
Disposals	-	(127)	(4,635)	(4,762)
Impairment	(1,774)	-	-	(1,774)
Business combination	161,704	-	979	162,683
Exchange differences	54,698	-	4,002	58,700
At 30 June 2018	**2,152,072**	**109,684**	**132,699**	**2,394,455**
Additions	-	447	42,674	43,121
Disposals	(98,553)	-	(23,431)	(121,984)
Business combination	1,543,781	105,777	279,375	1,928,933
Exchange differences	79,509	3,290	6,174	88,973
At 30 June 2019	**3,676,809**	**219,198**	**437,491**	**4,333,498**
Amortisation				
At 1 July 2017	**-**	**(41,535)**	**(74,158)**	**(115,693)**
Amortisation charge for the year	-	(6,701)	(12,510)	(19,211)
Disposals	-	119	4,635	4,754
Exchange differences	-	-	(1,805)	(1,805)
At 30 June 2018	**-**	**(48,117)**	**(83,838)**	**(131,955)**
Amortisation charge for the year	-	(16,926)	(9,975)	(26,901)
Disposals	-	-	17	17
Exchange differences	-	(155)	(414)	(569)
At 30 June 2019	**-**	**(65,198)**	**(94,210)**	**(159,408)**
Net Book Value				
At 30 June 2019	**3,676,809**	**154,000**	**343,281**	**4,174,090**
At 30 June 2018	**2,152,072**	**61,567**	**48,861**	**2,262,500**

^ Mainly brands and internally generated software costs

(ii) Goodwill – Recognition and Measurement

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. 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.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is determined to have an indefinite life.

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.*

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

(ii) Goodwill – Recognition and Measurement (continued)

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.

(iii) Intangible assets – Recognition and Measurement

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.

	Service Concession Assets	Brands	Software costs
Useful lives	Finite	Indefinite	Finite
Amortisation method used	Amortised over the period of the lease	Not applicable	Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired	Acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.	Annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

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

(iv) Service concession assets – Recognition and Measurement

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'.

(v) Key Estimates and Assumptions

Useful lives of assets are estimated based on historical experience and the expected period of future consumption of embodied economic benefits. Adjustments to useful lives are made where deemed necessary.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

12. 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. This is tested for impairment on an annual basis.

Goodwill has been allocated to the Australian business, the UK business and the French business as follows:

	Australia		UK		France		Unallocated*		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Carrying amount of goodwill	1,181,805	1,174,171	275,500	267,919	770,812	709,982	1,448,692	-	3,676,809	2,152,072

*: As at 30 June 2019, all of the goodwill arising from the acquisition of Capio, amounting to $1,448,692,000 has not been allocated to cash-generating units. Management continues to evaluate the purchase price allocation for the business combination and considers that the provisional goodwill cannot be reliably allocated until the accounting for the business combination is complete.

(ii) Key Estimates and Assumptions

The recoverable amount of the Australian business, the UK business and the French business has been determined based on a value in use calculation using cash flow projections as at 30 June 2019 based on financial budgets approved by senior management and the Board of Directors covering the following financial year and applying a growth factor to the following four years. Key assumptions used in the value in use calculations are as follows:

	Australia %	UK %	France %
Extrapolated growth factor (Year 5+)			
2019	3.5	1.9	1.0
2018	2.9	2.3	1.0
Pre-tax discount rate			
2019	10.0	7.6	7.9
2018	11.3	6.8	8.5

Key inputs in value in use calculations are:

- 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 17% - 34.4% 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, the United Kingdom and France, management do not consider that any reasonably likely 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.

II. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES

	2019 $000	2018 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	280,845	230,911
Adjustments in respect of previous years	296	1,099
Deferred income tax		
Relating to origination and reversal of temporary differences	12,833	(39,108)
Adjustments in respect of deferred income tax of previous years	(19,535)	3,812
Income tax expense reported in the Income Statement	274,439	196,714

(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:

	2019 $000	2018 $000
Accounting profit before tax	846,830	607,928
At the Parent Entity's statutory income tax rate of 30% (2018: 30%)	254,049	182,378
Expenditure not allowable for income tax purposes	22,387	14,820
Amounts not assessable for income tax purposes	(8,503)	(5,404)
Impact of changes in foreign tax rates on deferred tax balances	-	(12,934)
Other French income tax expense	12,815	3,972
Foreign tax rate adjustment due to differences in rates between Australia and Other Countries	413	16,443
Other	(6,722)	(2,561)
	274,439	196,714
Income tax expense reported in the consolidated Income Statement	274,439	196,714

(c) Recognised tax assets and liabilities

	2019 $000 Current income tax	2019 $000 Deferred income tax	2018 $000 Current income tax	2018 $000 Deferred income tax
Opening balance	(23,995)	(34,619)	(27,591)	(59,806)
(Charged)/ credited to income	(281,141)	6,702	(232,010)	35,296
Credited to equity	-	34,083	-	(2,439)
Payments	252,552	-	230,584	-
Exchange differences	3,117	(3,272)	(978)	(10,874)
Acquisition and disposal of subsidiary	8,469	34,326	6,000	3,204
Closing balance	(40,998)	37,220	(23,995)	(34,619)

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(c) Recognised tax assets and liabilities (continued)

	Statement of Financial Position 2019 $000	2018 $000
Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:		
(i) Deferred tax liabilities		
Inventory	(16,108)	(15,419)
Recognition of revenue	(16,264)	(14,963)
Depreciable assets	(176,575)	(160,225)
Other	(37,639)	(5,408)
Provisions and lease liabilities	(157,963)	(98,024)
Gross deferred tax liabilities	(404,549)	(294,039)
Set-off of deferred tax assets	69,072	59,892
Net deferred tax liabilities	(335,477)	(234,147)
(ii) Deferred tax assets		
Employee provisions	154,449	135,974
Other provisions and lease liabilities	249,133	86,702
Unearned income	2,803	5,329
Other	3,544	2,015
Losses	14,830	23,381
Derivatives	17,010	6,019
Gross deferred tax assets	441,769	259,420
Set-off of deferred tax assets	(69,072)	(59,892)
Net deferred tax assets	372,697	199,528

(d) 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 funding and sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries using a group allocation method 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 subsequently charged to the subsidiary. 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 $30,855,002 (2018: increased by $40,845,931). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 23.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(e) Income Tax - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

(f) Other taxes – Recognition and Measurement

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.

(g) Key Estimates and Assumptions

In determining the Group’s deferred tax assets and liabilities, management is required to make an estimate about the availability of future taxable profits and cash-flows. Changes in circumstances will alter expectations, which may impact the amount of tax losses and temporary differences recognised.

(h) Tax losses

At 30 June 2019, there is $3,153,079 (2018: $5,768,333) of capital losses carried forward for which a deferred tax asset has not been recognised. As it is not probable they will be used in the foreseeable future, they have not been recognised.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14a. INVESTMENT IN JOINT VENTURE

The Group has a 50% interest in Ramsay Sime Darby Health Care Sdn Bhd (RSDH), a joint venture involved in operating hospitals and day surgery facilities across Malaysia and Indonesia and a 50% interest in Ascension Ramsay Global Sourcing Limited. The Group's interest in both entities is accounted for using the equity method in the consolidated financial statements.

	2019 $000	2018 $000
Investment in joint venture at beginning of period	241,446	206,101
Share of profit of joint venture	19,133	16,789
Foreign currency translation and other equity movements	9,720	18,556
	270,299	241,446

Recognition and Measurement

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of joint venture' in the Income Statement.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS

	2019 $000	2018 $000
Current		
Restructuring provision	2,121	4,564
Unfavourable contracts	31,390	13,217
Insurance provision	12,649	13,627
Legal and compliance provision	23,103	22,436
Deferred lease provision	1,141	763
Other provisions	30,703	22,034
	101,107	76,641
Non-current		
Non-current employee and Director entitlements	37,153	34,675
Deferred lease provision	293,149	291,536
Unfavourable contracts	215,410	153,931
Insurance provision	85,482	103,361
Restructuring provision	81,171	67,613
Legal and compliance provision	18,753	19,889
Other provisions	23,423	8,637
	754,541	679,642
Total	855,648	756,283

(i) Recognition and Measurement

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.

(ii) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Legal and compliance $000	Other provisions $000	Total $000
At 1 July 2018	292,299	72,177	116,988	167,148	42,325	30,671	721,608
Acquisition balances	-	25,756	-	92,375	746	19,980	138,857
Arising during the year	12,994	10,308	20,582	2,589	15,596	11,630	73,699
Utilised during the year	(14,753)	(22,466)	(14,632)	(18,831)	(8,457)	(5,307)	(84,446)
Exchange differences	3,750	2,340	46	3,519	793	1,275	11,723
Unused amounts reversed	-	(4,823)	(24,853)	-	(9,147)	(4,123)	(42,946)
Discount rate adjustment	-	-	-	-	-	-	-
At 30 June 2019	294,290	83,292	98,131	246,800	41,856	54,126	818,495
Current 2019	1,141	2,121	12,649	31,390	23,103	30,703	101,107
Non-current 2019	293,149	81,171	85,482	215,410	18,753	23,423	717,388
	294,290	83,292	98,131	246,800	41,856	54,126	818,495
Current 2018	763	4,564	13,627	13,217	22,436	22,034	76,641
Non-current 2018	291,536	67,613	103,361	153,931	19,889	8,637	644,967
	292,299	72,177	116,988	167,148	42,325	30,671	721,608

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS (CONTINUED)

(iii) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to acquisitions. Provisions are made in the year the restructuring plans are drawn up and announced to employees;
- restructuring of entities with the Group, announced prior to 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 deductibles arising under the Medical Malpractice Insurance policy, including potential uninsured and 'Incurred but not Reported' claims.

(i) Key Estimates and Assumptions
This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 5%-10% of the estimated Ramsay claim cost.

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 high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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 eighteen years. These contracts are not considered to be at market rates and as such are considered unfavourable.

Legal and compliance provision

The legal and compliance provision primarily relates to amounts provided for litigation that is currently in the court process or a matter under review by a relevant authority.

14c. 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.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION

The Group has a defined employee benefit obligation in France as required to be paid under local legislation.

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

	2019 $000	2018 $000	2017 $000	2016 $000	2015 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(389,935)	(85,725)	(80,222)	(75,635)	(72,595)
Fair value of plans assets	174,651	5,262	4,985	5,009	4,880
Net (liability) - non-current	(215,284)	(80,463)	(75,237)	(70,626)	(67,715)

	Defined Employee Benefit Obligation 2019 $000	2018 $000
Net benefit expense (Note 3) (recognised in superannuation expenses)	12,702	5,900

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

	Defined Employee Benefit Obligation 2019 $000	2018 $000
Opening defined benefit obligation	85,725	80,222
Acquisition balances	196,024	-
Current service cost	9,369	4,635
Interest cost	3,333	1,264
Benefits paid	(10,738)	(5,582)
Actuarial losses on obligation	96,379	228
Exchange differences on foreign plans	9,843	4,958
Closing defined benefit obligation	389,935	85,725

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

Opening fair value of plans assets	5,262	4,985
Acquisition balances	151,493	-
Expected return	1,876	(29)
Contributions by employer	2,861	-
Actuarial gains	8,112	-
Exchange differences on foreign plans	5,047	306
Fair value of plans assets	174,651	5,262
Actuarial return on plan assets	(1,876)	-

Plan assets are invested as follows:

	Defined Employee Benefit Obligation 2019 (%)	2018 (%)
Equities	24.0	-
Bonds	48.8	100.0
Property	12.9	-
Other	15.0	-

The Group expects to contribute $ nil to its defined benefit obligations in 2020.

	Defined Employee Benefit Obligation 2019 $000	2018 $000
Actuarial losses recognised in the Statement of Comprehensive Income	88,267	228
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	92,350	4,083

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

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

	Defined Employee Benefit Obligation	
	2019 (%)	2018 (%)
Discount rate	1.3 to 2.3	1.6
Future salary increases	1.9 to 2.3	1.6
Future pension increases	1.0 to 2.9	1.0

Recognition and Measurement

The Group has defined employee benefit obligations in the Nordics, and in France arising from local legislative requirements.

The cost of providing benefits under this obligation is determined using the projected unit credit method using actuarial valuations. Actuarial gains and losses for the defined obligation 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, the obligation.

The defined benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds) less unrecognised past service costs.

Key Estimates and Assumptions

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rates, the interest rates of corporate bonds in France and the Nordics is considered. The mortality rate is based on publicly available mortality rates for France and the Nordics. Future salary increases are based on expected future inflation rates in France and the Nordics.

IV. RISK MANAGEMENT

15. FINANCIAL RISK MANAGEMENT

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.

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits, derivatives, and other financial assets.

The Group manages its exposure to key financial risks, including market risk (interest rate and foreign currency risk), credit risk and liquidity 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 and foreign exchange forward 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 and 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.

(a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The level of debt is disclosed in Note 7d.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (continued)

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:

	2019 $000	2018 $000
Financial Assets		
Cash and cash equivalents	745,450	770,566
Financial Liabilities		
Bank Loans	(2,092,242)	(1,444,732)
Net exposure	(1,346,792)	(674,166)

Interest rate derivatives contracts are outlined in Note 7c, with a net negative fair value of $62,397,000 (2018: negative $22,722,000) 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 2019, after taking into account the effect of interest rate swaps and options is approximately 60% (2018: 61%) 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.

Interest rate sensitivity

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)**	
	2019 $000	**2018 $000**	**2019 $000**	**2018 $000**
AUD				
+95 basis points (2018: +140 basis points)	(1,721)	(1,982)	11,071	24,281
-95 basis points (2018: -140 basis points)	1,721	1,982	(11,443)	(25,936)
GBP				
+80 basis points (2018: +80 basis points)	(847)	(1,887)	3,792	3,038
-80 basis points (2018: -80 basis points)	847	1,887	(3,496)	(3,098)
EUR				
+45 basis points (2018: +10 basis points)	(5,383)	(231)	23,304	2,122
-45 basis points (2018: -10 basis points)	5,399	231	(21,341)	(791)

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 2019, comparing to 2018, is due to the increased interest rate volatility in 2019.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign operations.

The Group manages its foreign exchange rate exposure within approved policy parameters by utilising foreign currency swaps and forwards.

When a derivative is entered into for the purpose of being a hedging instrument, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in foreign currency.

The Group hedges its exposure to fluctuations on the translation into Australian dollars of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forward contracts.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in GBP, Euro and MYR exchange rates, with all other variables held constant. The impact on the Group's post tax profit is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2019 $000	2018 $000	2019 $000	2018 $000
British Pound (GBP)				
+20% (2018: +20%)	(21)	(485)	(29,094)	(29,046)
-20% (2018: -20%)	32	727	43,341	43,576
Euro (EUR)				
+15% (2018: +15%)	(326)	(58)	(4,494)	(7,935)
-15% (2018: -15%)	434	78	5,983	10,735
Malaysian Ringgit (MYR)				
+17% (2018: +20%)	(2)	(3)	(39,134)	(40,242)
-17% (2018: -20%)	3	3	55,118	60,364

The movement in the post-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in foreign currencies, where the functional currency of the entity is a currency other than the above currencies. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in equity arises from changes in the borrowings (net of cash and cash equivalents) in the hedge of net investments in overseas operations (UK, France and Malaysia) and cash flow hedges. These movements will off-set the translation of the overseas operations' net assets in Australian dollar.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments and other financial 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.

Trade receivables

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 based on expected credit loss where the Group measures the impairment using a lifetime expected loss allowance for all trade receivables. 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 APRA, or Governments.

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 Governments. Management has also put in place procedures to constantly monitor the exposures in order to manage its credit risk.

Financial instruments and cash deposits

Credit risks related to balances with banks and financial institutions are managed by Ramsay Group Treasury in accordance with Board approved policies. Such policies only allow financial derivative instruments to be entered into with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor’s. In addition, the Board has approved the use of these financial institutions, and specific internal guidelines have been established with regard to limits, dealing and settlement procedures. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The investment of surplus funds is made only with approved counterparties and within credit risk in relation to derivatives undertaken in accordance with the consolidated entity’s hedging and risk management activities.

The Group does not hold any credit derivatives to off-set its credit risk exposure. The Group’s maximum exposure for financial derivative instruments is noted in the liquidity table below.

(d) Liquidity risk

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

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

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

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2019						
Trade and other payable	-	(2,347,395)	-	-	-	(2,347,395)
Interest-bearing loans and borrowings	-	(34,205)	(116,949)	(3,984,469)	(1,721,822)	(5,857,445)
Financial derivatives	-	(4,488)	(15,781)	(42,038)	(1,464)	(63,771)
	-	(2,386,088)	(132,730)	(4,026,507)	(1,723,286)	(8,268,611)
Year ended 30 June 2018						
Trade and other payable	-	(1,758,514)	-	-	-	(1,758,514)
Interest-bearing loans and borrowings	-	(27,837)	(96,931)	(3,486,662)	(530,047)	(4,141,477)
Financial derivatives	-	(3,395)	(9,520)	(11,815)	-	(24,730)
	-	(1,789,746)	(106,451)	(3,498,477)	(530,047)	(5,924,721)

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 2019	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	2,962	7,948	20,753	204	31,867
Outflows	-	(7,450)	(23,729)	(62,791)	(1,668)	(95,638)
Net	-	(4,488)	(15,781)	(42,038)	(1,464)	(63,771)
Discounted at the applicable interbank rates	-	(2,823)	(15,747)	(42,153)	(1,674)	(62,397)
Year ended 30 June 2018						
Inflows	-	3,481	10,227	28,241	-	41,949
Outflows	-	(6,876)	(19,747)	(40,056)	-	(66,679)
Net	-	(3,395)	(9,520)	(11,815)	-	(24,730)
Discounted at the applicable interbank rates	-	(1,885)	(9,486)	(11,682)	-	(23,053)

Collateral

The Group has pledged part of its longer term deposits in order to fulfil the collateral requirements for the secured funding agreement (fiducie-sûreté). At 30 June 2019 and 2018, respectively, the fair values of the term deposits pledged were $18,325,000 and $25,736,000 respectively. The counterparties have an obligation to return the securities to the Group. There are no significant terms and conditions associated with the use of collateral.

V. OTHER INFORMATION

16. SHARE BASED PAYMENT PLANS

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:

	2019		2018	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,632,924		1,927,608	
- granted	419,711	$42.54	403,129	$51.38
- vested	(246,854)	$61.96	(662,268)	$44.88
- forfeited	(119,812)	$58.57	(35,545)	$60.30
Balance at end of year	1,685,969		1,632,924	
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 2019:

Number of Rights	Grant Date	Vesting Date [1]	Weighted Average Fair Value [2]
274,301	13-Nov-15	31-Aug-18	$46.98
258,222	10-Nov-16	30-Aug-19	$50.95
330,606	10-Nov-16	30-Aug-19	$69.53
155,540	17-Nov-17	28-Aug-20	$32.61
247,589	17-Nov-17	28-Aug-20	$63.00
209,858	15-Nov-18	31-Aug-21	$33.86
209,853	15-Nov-18	31-Aug-21	$51.22
1,685,969			

[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

Key Estimates and Assumptions

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 13 November 2015, 10 November 2016, 17 November 2017, and 15 November 2018.

	Granted 15-Nov-18	Granted 17-Nov-17	Granted 10-Nov-16	Granted 13-Nov-15
Dividend yield	2.88%	2.27%	1.85%	1.83%
Expected volatility	22.5%	22.5%	22.5%	22.5%
Historical volatility	22.5%	21.7%	22.0%	21.2%
Risk-free interest rate	2.11%	1.93%	1.76%	2.2%
Effective life of incentive right	3 years	3 years	3 years	3 years

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

V. OTHER INFORMATION (CONTINUED)

16. SHARE BASED PAYMENT PLANS (CONTINUED)

Recognition and Measurement

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 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.

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

17. EXPENDITURE COMMITMENTS

	Note	2019 $000	2018 $000
(i) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		77,820	73,411
- After one year but not more than five years		188,544	151,614
- After more than five years		108,338	100,568
Total minimum lease payments		374,702	325,593
- Less: future finance charges		(23,493)	(27,712)
- Present value of minimum lease payments		351,209	297,881
Total lease liability accrued for:			
Current			
- Finance leases	7b	73,102	68,117
Non-current			
- Finance leases	7b	278,107	229,764
		351,209	297,881

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 ten years and the average discount rate implicit in the leases is between 5.8% to 8.13% (2018: 2.5% to 8.13%). The security over finance leases is disclosed in Note 7b.

V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS (CONTINUED)

(ii) Lease expenditure commitments – Group as lessee

		2019 $000	2018 $000
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		437,421	422,109
- After one year but not more than five years		1,549,294	1,398,328
- After more than five years		2,822,404	2,936,331
Aggregate lease expenditure contracted for at reporting date		4,809,119	4,756,768
Amounts provided for:			
- deferred lease - current	14b	1,141	763
- deferred lease - non- current	14b	293,149	291,536
- unfavourable contract - current	14b	31,390	13,217
- unfavourable contract – non-current	14b	215,410	153,931
		541,090	459,447
Amounts not provided for:			
- rental commitments		4,268,029	4,297,321

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

(iii) Group as lessee – Recognition and Measurement

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 of the related asset exceeds the fair value of the related asset 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.

(iv) Group as lessor – Recognition and Measurement

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period which they are earned.

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

Ramsay Health Care Australia Pty Limited had a 15 year agreement with the State of Victoria to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Ramsay Health Care Australia Pty Limited and the State of Victoria. A 5 year extension to this agreement was signed and took effect from 1 July 2015. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk.

18. SUBSEQUENT EVENTS

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

V. OTHER INFORMATION (CONTINUED)

19. AUDITORS' REMUNERATION

	2019 $	2018 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	2,133,130	2,026,271
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	723,474	836,897
Assurance related	475,665	44,000
	3,332,269	2,907,168
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	4,933,775	1,275,110
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	729,400	121,486
	8,995,444	4,303,764
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- Audit or review of the financial report	1,763,648	3,007,231

20. RELATED PARTY TRANSACTIONS

(i) Transactions with Directors of Ramsay Health Care Limited and the Group

Entities associated with Mr Siddle and Mr Evans

During the year costs of $Nil (2018: $10,398) were charged to and an amount of $Nil (2018: $10,398) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $Nil (2018: $ 9,986) were charged by and an amount of $Nil (2018: $ 9,986) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2019 costs of $16,320 (2018: $5,693) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

(ii) Compensation of key management personnel

	2019 $	2018 $
Non-Executive Directors		
Short term	2,650,670	2,618,682
Post-employment	184,767	178,074
	2,835,437	2,796,756
Executive Directors		
Short term	6,656,540	5,536,814
Post-employment	137,062	688,998
Performance/Incentive rights	5,796,003	5,351,996
	12,589,605	11,577,808
Executives		
Short term	2,650,420	1,189,349
Post-employment	78,904	40,193
Performance/Incentive rights	1,913,338	1,318,465
	4,642,662	2,548,007
Total		
Short term	11,957,630	9,344,845
Post-employment	400,733	907,265
Performance/Incentive rights	7,709,341	6,670,461
	20,067,704	16,922,571

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest 2019	2018
RHC Nominees Pty Limited ^	Australia	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Holdings Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited ^	Australia	100%	100%
Linear Medical Pty Limited ^	Australia	100%	100%
Newco Enterprises Pty Limited ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^	Australia	100%	100%
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Donvale Private Hospital Pty Limited ^	Australia	100%	100%
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%
Benchmark – Surrey Pty Limited ^	Australia	100%	100%
Benchmark – Peninsula Pty Limited ^	Australia	100%	100%
Benchmark – Donvale Pty Limited ^	Australia	100%	100%
Benchmark – Windermere Pty Limited ^	Australia	100%	100%
Benchmark – Beleura Pty Limited ^	Australia	100%	100%
Beleura Properties Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Australia Pty Limited ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited ^	Australia	100%	100%
Votraint No. 664 Pty Limited ^	Australia	100%	100%
Votraint No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
AME Properties Pty Limited ^	Australia	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited ^	Australia	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited ^	Australia	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited^	Australia	100%	100%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
NBH Hold Co. Pty Limited	Australia	100%	100%
NBH Operator Pty Limited	Australia	100%	100%
HOAIF Pty Limited	Australia	100%	100%

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

V. OTHER INFORMATION (CONTINUED)
21. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest 2019	2018
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1988 Pty Limited ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Pindara) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Pharmacy Retail Services Pty Limited^	Australia	100%	100%
Ramsay International Holding Company Pty Limited	Australia	100%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited	UK	100%	100%
Ramsay Health Care UK Finance Limited	UK	100%	100%
Ramsay Health Care Holdings UK Limited	UK	100%	100%
Ramsay UK Properties Limited	UK	100%	100%
Linear Healthcare UK Limited	UK	100%	100%
Independent British Healthcare (Doncaster) Limited	UK	100%	100%
Ramsay Diagnostics Limited	UK	100%	100%
Ramsay Health Care UK Operations Limited	UK	100%	100%
Independent Medical (Group) Limited	UK	100%	-
Exeter Medical Limited	UK	100%	-
Ramsay Health Care (UK) No.1 Limited	UK	100%	100%
Ramsay Health Care Leasing UK Limited	Guernsey	100%	100%
Capio AB	Sweden	52.5%	-
Ramsay Générale de Santé SA*	France	52.5%	50.9%

^ Entities included in the deed of cross guarantee as required for the instrument
** Ramsay Générale de Santé SA owns a number of subsidiaries, none of which are individually material to the Group*

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP

Entities subject to instrument

Pursuant to Instrument 2016/785, relief has been granted to the entities in the table of subsidiaries in Note 21, (identified by ^) from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Instrument, 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, 24 June 2011, 20 October 2015, 17 December 2015 and 14 May 2019. 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	
	2019	2018
Consolidated Income Statement	$000	$000
Profit from operations before income tax	737,338	697,911
Income tax expense	(210,993)	(197,347)
Net profit for the year	526,345	500,564
Retained earnings at the beginning of the year	1,339,818	1,132,474
Retained earnings adjustments for additions of entities into the class order	(219)	-
Dividends provided for or paid	(308,848)	(293,220)
Retained earnings at the end of the year	**1,557,096**	**1,339,818**

Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	103,552	92,020
Trade and other receivables	684,215	604,506
Inventories	145,224	133,850
Prepayments	24,030	21,033
Derivatives – in the money	-	87
Other current assets	12,949	1,860
Assets held for sale	16,583	13,105
Total Current Assets	**986,553**	**866,461**
Non-current Assets		
Other financial assets	634,336	627,462
Investments in joint ventures	270,299	241,446
Intangible assets	1,081,684	1,084,152
Deferred tax asset	123,510	106,559
Property, plant and equipment	2,248,995	2,182,573
Prepayments	11,273	11,566
Derivative financial instruments	-	244
Non-current receivables	202,644	201,076
Total Non-current Assets	**4,572,741**	**4,455,078**
TOTAL ASSETS	**5,559,294**	**5,321,539**
LIABILITIES		
Current Liabilities		
Trade and other payables	917,001	865,930
Interest-bearing loans and borrowings	29	30
Provisions	24,808	27,945
Derivative financial instruments	9,977	4,615
Income tax payable	44,868	27,852
Total Current Liabilities	**996,683**	**926,372**
Non-current Liabilities		
Interest-bearing loans and borrowings	1,481,485	1,510,970
Provisions	139,228	154,836
Derivative financial instruments	14,631	4,340
Total Non-current Liabilities	**1,635,344**	**1,670,146**
TOTAL LIABILITIES	**2,632,027**	**2,596,518**
NET ASSETS	**2,927,267**	**2,725,021**

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP (CONTINUED)

	Closed Group	
EQUITY	**2019 $000**	**2018 $000**
Issued capital	713,523	713,523
Treasury shares	(82,022)	(76,753)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	1,557,096	1,339,818
Other reserves	486,505	496,268
TOTAL EQUITY	**2,927,267**	**2,725,021**

23. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	**2019 $000**	**2018 $000**
Current assets	1,265,269	1,171,678
Total assets	1,410,648	1,319,439
Current liabilities	(47,616)	(33,181)
Total liabilities	(47,616)	(33,181)
Issued capital	(713,523)	(713,523)
Other equity	(649,509)	(572,735)
Total shareholders' equity	(1,363,032)	(1,286,258)
Net profit for the year after tax	399,911	382,374

As a condition of the Instrument (set out in Note 22), 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.

24. MATERIAL PARTLY- OWNED SUBSIDIARIES

Ramsay Générale de Santé SA (formerly Générale de Santé SA) has a material non-controlling interest (NCI):

This entity represents the French and Nordic segments for management and segment reporting.

Financial information in relation to the NCI is provided below:

(a) Proportion of equity interest and voting rights held by non- controlling interests
Refer to Note 21 which discloses the equity interest held by the Ramsay Group. The remaining equity interest is held by the non-controlling interest.
Voting rights for Ramsay Générale de Santé at 30 June 2019 are 52.9% (2018: 50.6%). The remaining interest is held by the non-controlling interest.

(b) Accumulated balances of non-controlling interests
Refer to the Consolidated Statement of Changes in Equity

(c) Profit allocated to non-controlling interests
Refer to the Consolidated Income Statement

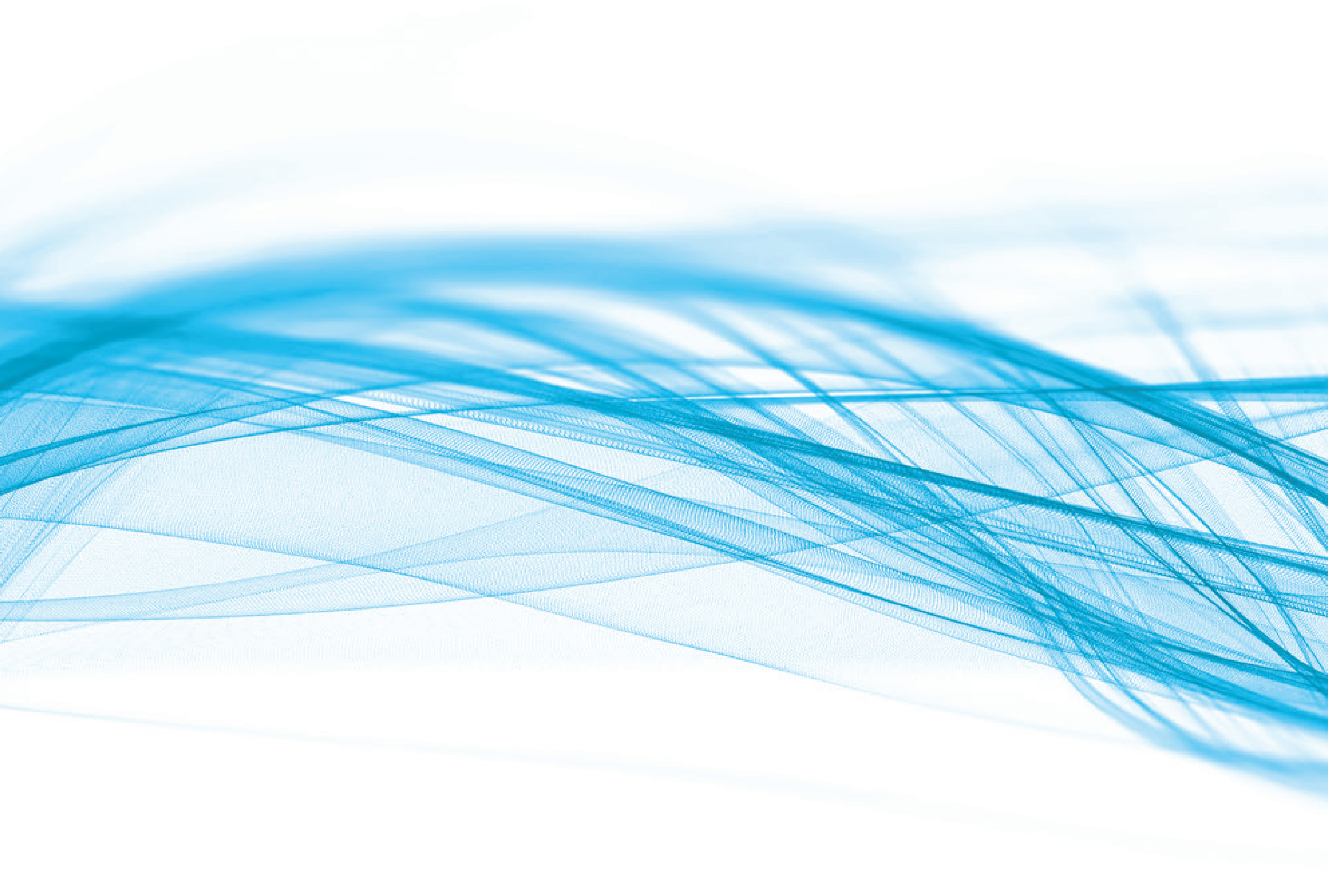
(d) Summarised Statement of Profit or Loss and Statement of Financial Position for 2019 and 2018
Refer to Note 1. The French and Nordic segments consist only of this subsidiary that has a material non-controlling interest.

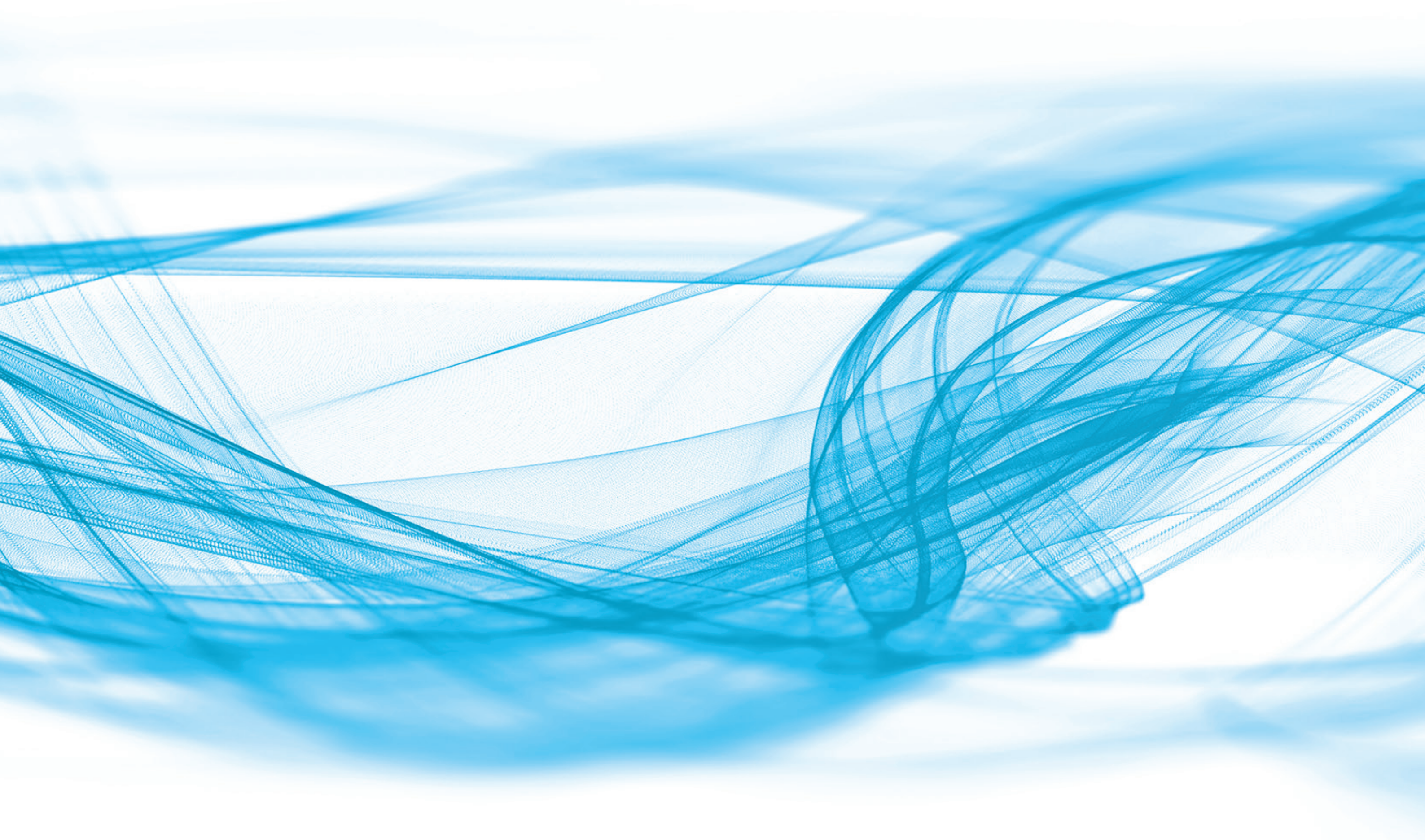
(e) Summarised cash flow information

	2019 $000	**2018 $000**
Operating	245,809	267,886
Investing	(1,459,550)	(114,866)
Financing	1,311,624	42,728
Net increase in cash and cash equivalents	97,883	195,748

THIS PAGE LEFT INTENTIONALLY BLANK

THIS PAGE LEFT INTENTIONALLY BLANK





Ramsay
Health Care