RAMSAY HEALTH CARE LIMITED

annual report 2011

Annual General Meeting 2011

The 2011 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am, Tuesday, 15 November 2011. The full venue details are:

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

Key dates for 2012 (Indicative)

Results Release Dates:
Interim Results – Thursday, 23 February 2012
Preliminary Final Results – Thursday, 23 August 2012

Dividend Payment Dates – Ordinary Shares:
Interim Dividend: Wednesday, 28 March 2012
(Record Date: 9 March 2012)

Final Dividend: Wednesday, 26 September 2012
(Record Date: 7 September 2012)

Dividend Payment Dates - CARES:
Friday, 20 April 2012 (Record Date: 5 April 2012)
Monday, 22 October 2012 (Record Date: 5 October 2012)

Annual General Meeting 2012
The 2012 Annual General Meeting of Ramsay Health Care Limited will be held on Thursday, 15 November 2012 (venue & time to be advised)

For more information

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

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2011
financial year highlights

Group earnings before interest & tax (EBIT) up 18.5% to $395.5 million

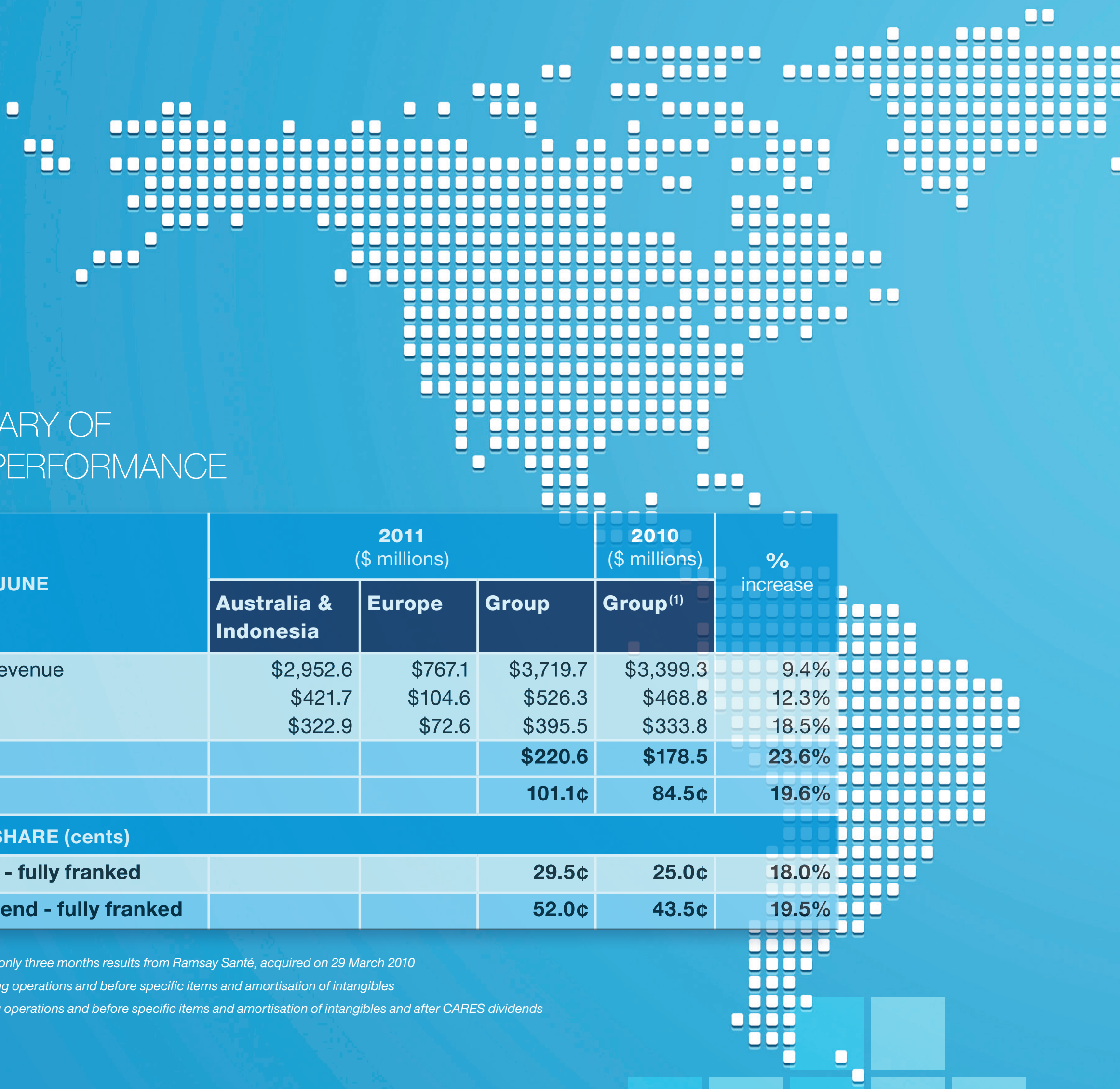
↑18.5%

Core net profit after tax (NPAT) up 23.6% to $220.6 million

↑23.6%

Core earnings per share (EPS) up 19.6% to 101.1 cents

↑19.6%



2011 SUMMARY OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE	2011 ($ millions)			2010 ($ millions)	% increase
	Australia & Indonesia	Europe	Group	Group[1]	
Operating Revenue	$2,952.6	$767.1	$3,719.7	$3,399.3	9.4%
EBITDA	$421.7	$104.6	$526.3	$468.8	12.3%
EBIT	$322.9	$72.6	$395.5	$333.8	18.5%
Core NPAT[2]			**$220.6**	**$178.5**	**23.6%**
Core EPS[3]			**101.1¢**	**84.5¢**	**19.6%**
DIVIDENDS PER SHARE (cents)					
Final dividend - fully franked			**29.5¢**	**25.0¢**	**18.0%**
Full year dividend - fully franked			**52.0¢**	**43.5¢**	**19.5%**

(1) FY10 Group results include only three months results from Ramsay Santé, acquired on 29 March 2010

(2) Core NPAT is from continuing operations and before specific items and amortisation of intangibles

(3) Core EPS is from continuing operations and before specific items and amortisation of intangibles and after CARES dividends

Group revenue up 9.4% to $3.7 billion

Full year dividend up 19.5% to 52 cents, fully franked

*includes Day Surgery Centres, Treatment Centres, rehabilitation & psychiatric units.

AT 30 JUNE 2011					
	AUSTRALIA	UK	INDONESIA	FRANCE	TOTAL
Hospitals & Facilities*	66	38	3	10	117

PAUL RAMSAY AO – Chairman

chairman's report

I am pleased to report to you that Ramsay Health Care has recorded another strong year of profit and business growth in the 2011 financial year. Core net profit after tax rose 23.6% to $220.6 million.

Directors are pleased to announce a fully-franked dividend of 29.5 cents, up 18% on the previous corresponding period, taking the full year dividend to 52 cents, up 19.5% on the previous year.

After 47 years in the health care industry, Ramsay Health Care is now in the top 10 largest private hospital operators in the world (by bed number). Across the globe we own and operate 117 hospitals, employ over 30,000 staff and admit over 1 million patients per annum. I am extremely pleased that our hospital management expertise, which has positioned us as the leading provider of private hospital services in Australia, is now being applied to the growing number of Ramsay Health Care facilities in Europe.

With Managing Director Chris Rex at the helm and a strong management team leading our business across the world, Ramsay Health Care is well-positioned to continue this growth trajectory. We continue to explore opportunities in Europe, particularly in the United Kingdom (UK) and France which will see us grow our presence in those countries.

In addition, the ageing population is driving an increasing demand for healthcare services throughout the world and Ramsay Health Care intends to meet this demand through continued investment in capacity expansion in our facilities.

To this end, an additional $150 million was approved by the Board during the year for brownfield developments. Approximately $570 million of an approved $830 million has been spent on new capacity and improvements in Australian facilities since 2007.

Beyond current brownfield commitments Ramsay expects to invest approximately $100 million annually on expanding capacity at our hospitals to meet the expected increases in demand.

In 2011, a number of key projects were completed including North Shore Private (Sydney), The Cairns Clinic, Westmead Private (Sydney), Pindara Private (Gold Coast), North West Private (Brisbane), Kareena Private (Sydney) and Lake Macquarie Private (Newcastle). I was very pleased to be part of the opening celebrations of many of these facilities and would like to acknowledge the work involved by the local hospital management teams in bringing these projects to successful completion.

The $350 million Joondalup Health Campus project in Perth ($120 million to be funded by Ramsay), remains on track for completion in mid 2013. The first part of the project opened in March 2011.

It is very pleasing that thanks to our strong business development team led by Craig McNally, these expansion projects are being delivered on time and on budget as well as meeting their investment hurdles (15% three years after completion or earlier) and ensuring positive returns for our shareholders.

In addition to these expansion projects, I am also delighted that Ramsay Health Care was successful in its bid to build and operate a private hospital on the Sunshine Coast. The private hospital will be collocated with Queensland Health's Sunshine Coast University Hospital.This will be our first greenfield hospital built since North Shore Private was opened in 1997. The new hospital will not only bring much needed health services to one of the fastest growing regions of Australia but will also deliver great benefits to the local economy, bringing jobs and improved healthcare services to the Sunshine Coast.

It is also pleasing to see refurbishments and capacity expansions now being undertaken in our facilities in the UK. The Board is very supportive of further growth and development in the UK. Developments are now underway at several hospitals which will enable further admissions growth and will also assist to position Ramsay UK's hospitals as premier private hospital facilities.

Of course, our achievements in 2011 would not be possible without the staff and doctors who work in our facilities and care for our patients. As I visit Ramsay facilities right across the world, I am constantly reminded that "The Ramsay Way" culture is alive and well in our facilities.

No more so was this culture evident than during the summer of floods that hit Queensland and north west Victoria. Many Ramsay Health Care staff lost much during these floods and sadly, some are still displaced from their homes. I had the opportunity to speak to some of these staff and to visit them in their homes in the immediate aftermath of the floods. They had lost so much but maintained a positive spirit. The selfless response of so many Ramsay staff, colleagues and families who came to the assistance of these staff who suffered losses was remarkable. It is the caring

> "Ramsay Health Care is now in the top 10 largest private hospital operators in the world (by bed number). Across the globe we own & operate 117 hospitals, employ over 30,000 staff & admit over 1 million patients per annum."

Ramsay Chairman Paul Ramsay pictured with staff from St Andrew's Private Hospital in Ipswich who suffered losses in the Queensland floods during January 2011.

Hillcrest Rockhampton Nurse Teresa Nugent pictured (below centre) rescuing some items from her home in Rockhampton, including her work uniform.

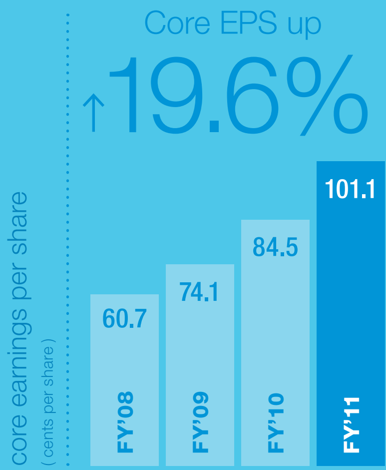
and compassionate nature of the Ramsay Health Care workforce that shines through in these times and shows why we are very fortunate to have such people working in our organisation and caring for our patients.

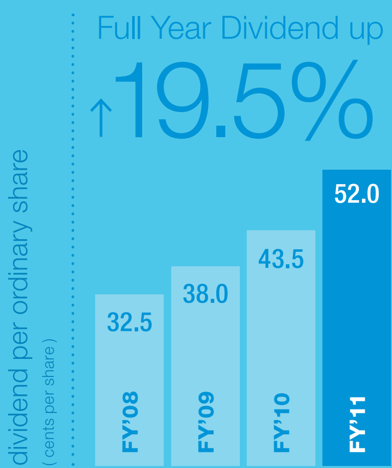
It was also very pleasing to see many Ramsay hospitals organise major fundraising appeals which raised significant funds for their colleagues and for the Queensland Premier's Relief Fund. In fact, in excess of $75,000 was donated by Ramsay Health Care staff to the Premier's Relief Fund. Ramsay Health Care donated $250,000 to the Premier's Relief Fund and allocated a further $150,000 in emergency relief and hardship funds directly to our staff who were affected by the floods.

Finally and once again, I would like to thank the Board of Directors for their knowledge, experience and guidance and Chris Rex and his senior management team who expertly manage the day-to-day operations of the Group.

I would also like to sincerely thank our staff and doctors who work in our hospitals around the world attending to patient care and who help make Ramsay Health Care what it is today.

PAUL RAMSAY AO | Chairman





CHRIS REX – Managing Director

managing director's report

The 2011 financial year was a year of strong profit growth in our Australian business and a year of integration and consolidation at our more recently acquired European hospitals.

The full year results show our hospitals are performing strongly in all the markets in which we operate, particularly in Australia where the operational environment continues to be positive and our operating leverage has driven improved margins.

Whilst our businesses in the UK and France continued to perform well, the 23.6% increase in core net profit to $220.6 million and the 19.6% increase in core earnings per share to 101.1 cents was driven mainly by a strong performance across Ramsay's Australian hospitals and an increased contribution from completed brownfield developments.

This year's result reflects many years of investment that has put us in a strong position to meet the increasing demand for quality health care services. Our strong results each year over the past four years – a time when the world has experienced considerable economic uncertainties – shows the resilience of our business and the demand that underpins the logic of our business investment.

Our investment in capacity expansion and improving our facilities continues to make a significant contribution to earnings growth, augmenting organic growth at our portfolio of hospitals.

In Australia, we recorded a significant increase in EBIT at the hospital level which reflects strong organic growth and shows an increasing contribution from our capacity expansion programme.

Our capacity expansion programme remains an integral part of our growth strategy and continues to contribute significantly to earnings. Since 2007, Ramsay has approved approximately $830 million (net $730 million after proceeds of sale of medical suites) in new capacity and improvements at our Australian hospitals alone.

A number of projects were completed in 2011 and those still under development are on schedule. We continue to target an EBIT return on invested capital on our brownfield investments of 15% approximately three years after completion when assessing the feasibility of individual projects. To date, on average, we have achieved this target, with some projects hitting this return rate earlier than forecast.

In April, Queensland Health announced that Ramsay had been successful in its bid to build and operate a private hospital collocated on the campus with the future Sunshine Coast University Hospital. This is a very exciting opportunity for Ramsay and we are looking forward to working with Queensland Health on this project that will deliver 200 new beds for the Sunshine Coast. Construction of this hospital is underway with a scheduled opening for late 2013.

A key part of the deal is that the new private hospital will provide a significant range and volume of services to public patients through a service-purchase arrangement with Queensland Health, whilst the Sunshine Coast University Hospital itself is being built and commissioned. This project is a great demonstration of how the private sector can help Australia's public hospital system cope with the increasing demand for health services.

We hope that we see more of these projects in Australia in the future and where private operators such as Ramsay can build much needed public hospitals and then enter into long term contracts with governments to operate these facilities for public patients.

In the United Kingdom (UK), the underlying business is performing well in a difficult environment and margins are holding up well under the normalised Independent Sector Treatment Centre pricing regime. NHS admissions now comprise 60% of total Ramsay UK admissions and in the UK environment of reform, there continues to be bipartisan political support for private sector involvement in the provision of services to the NHS.

The 2011 result also included the first full-year contribution from Ramsay's French business, Ramsay Santé, managed and 57% owned by Ramsay, which was acquired at the end of March 2010. Ramsay Santé is already marginally earnings per share accretive in the first full financial year of ownership by Ramsay Health Care, slightly ahead of schedule.

During the second half of the year we announced the purchase of the 178-bed Clinique Convert Hospital. This is our first hospital outside of the île de France region, being located in Bourg-en-Bresse in the Rhône Alpes region. This purchase is in line with our strategy to pursue bolt-on acquisition opportunities in France and expansion of our presence there.

I am very pleased to report that in 2011, Ramsay Health Care was recognised with a number of workplace awards. With over 30,000 staff across the globe, our focus on workplace programmes including employee health and wellbeing, staff development and training, and occupational health and safety, is a strategic investment in our most important asset – *our people*.

Ramsay Health Care won the Australian Human Resources Institute's (AHRI) inaugural RUOK? Day award for best workplace programme in 2011. Ramsay's internal graduate nurse training programme, Gradplus, was voted as a finalist in the same AHRI awards for talent management. The Company has recently been announced as one of five finalists in the Australian Human Resources Awards for the Best Health and Wellbeing Strategy.

> "The 23.6% increase in core net profit to $220.6 million & the 19.6% increase in core earnings per share to 101.1 cents was driven mainly by a strong performance across Ramsay's Australian hospitals & an increased contribution from completed brownfield developments."

The Award recognises excellence in the area of corporate health and wellbeing.

I am very proud of these workplace awards and the recognition of the importance that this Company places on our staff and the ongoing commitment to Ramsay's philosophy of *"people caring for people"*.

Of course, our focus on people ensures that our workforce can continue to deliver high quality care and service to our patients. To this end, Ramsay Health Care remains highly focused on delivering quality patient care through actively managing clinical risks and focusing on achieving measurable improvements in this area.

Turning to the year ahead, the underlying strength of Ramsay's existing business and its clear strategy to expand via targeted brownfield developments and acquisitions means we are well positioned to capture growing demand for health care services.

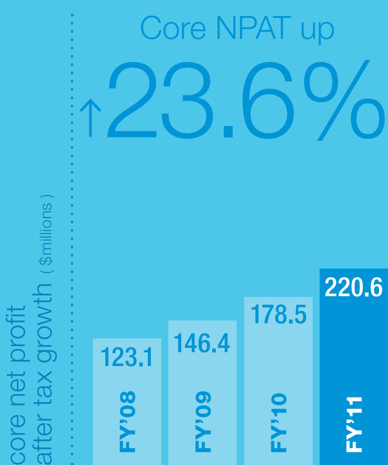
Ramsay's Australian business continues to achieve strong organic growth, coupled with a quality pipeline of brownfield developments which will keep adding to earnings and contribute positively to earnings per share.

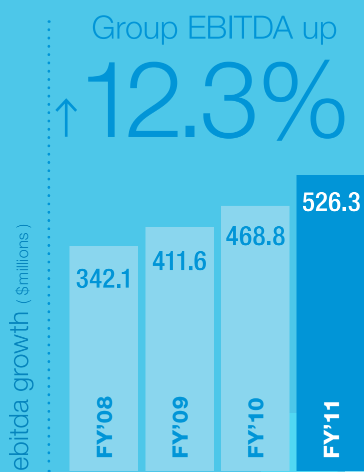
The UK business is performing well in a challenging economic environment and NHS activity remains a key source of growth. In France, Ramsay remains focused on identifying operational improvements and efficiencies at Ramsay Santé and growing the business there over time.

Barring unforeseen circumstances Ramsay is targeting core NPAT and core EPS growth for the Group of 10% to 12% for fiscal year 2012.

At the close of another pleasing financial year, I would like to thank the Ramsay Health Care Board of Directors for their support and expert guidance, senior management for their ongoing commitment and delivering on its strategy, and all the staff and doctors who work in our facilities right across the world for their dedication to our patients and Ramsay Health Care.

CHRISTOPHER REX | Managing Director





1. *Ramsay Managing Director Christopher Rex at the official opening of the redeveloped North West Private Hospital in Brisbane*
2. *Ramsay Managing Director Christopher Rex & Chairman Paul Ramsay at the official opening of the expanded North Shore Private Hospital in Sydney.*
3. *The new wing at North Shore Private Hospital*
4. *The newly acquired Clinique Convert located in Bourg-en-Bresse, France*
5. *The newly completed Pindara Private Hospital Specialist Suites & Pindara Private Hospital expansion on the Gold Coast*
6. *Ramsay Managing Director Christopher Rex & Deputy Chairman Michael Siddle with WA Premier Colin Barnett at the official opening of the stage 1 development at Joondalup Health Campus in Perth*
7. *The new Joondalup Health Campus Emergency Centre*

board of directors

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

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

Mr Ramsay has been involved in health care since 1964 when he developed and managed one of the first private psychiatric hospitals in Sydney. As Chairman and major shareholder of Ramsay Health Care Limited, he has developed Ramsay Health Care into the largest Australian private hospital owner with extensive operations overseas. In 2002, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organizations. In 2009, Mr Ramsay was appointed Chairman of Sydney Football Club.

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

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

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

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

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

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

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

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

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

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

Mr Rex has played a key role in developing the Company's excellent record in hospital management and his ability to run hospitals efficiently and effectively is widely acknowledged. Chris has been instrumental in setting Ramsay's growth strategy, a strategy which has seen the Company's revenues expand more than 10 fold over the past decade and included the transformational acquisitions of Affinity Health Care and Ramsay's first major offshore acquisition of Capio UK, the UK's fourth largest independent hospital provider.

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

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

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

Mr Bruce Soden is Group Finance Director of Ramsay Health Care and has over 20 years of experience with the Company at a senior executive level. Since joining Ramsay in 1987, Mr Soden has led the Company's capital management strategy through many critical milestones including the acquisition of the privatised Department of Veteran Affairs' hospitals Hollywood (1994) and Greenslopes (1995), debt and equity raisings and Ramsay's listing in 1997. As Group Finance Director, Mr Soden also presided over the acquisition of Affinity Health Care in 2005, Ramsay's first significant offshore acquisition of Capio UK in 2007 and its move into continental Europe with the acquisition of a majority stake in the French hospital group, Groupe Proclif, in March 2010.

During the time of Mr Soden's financial leadership, Ramsay's annual revenues have grown from approximately $30 million in 1987 to revenue approaching $4 billion today. Ramsay's market capitalisation now exceeds $3.5 billion.

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

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

5 Anthony J Clark AM
FCA FAICD
Non-Executive Director
– Appointed 06/10/98

Mr Tony Clark is a Chartered Accountant and was formerly Managing Partner of KPMG NSW. In 1995 Mr Clark was awarded membership of the Order of Australia for services to Business, Commerce and Community.

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

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

- Carlton Investments Limited (Appointed June 2000)
- Amalgamated Holdings Limited (Appointed October 1998)

6 Peter J Evans
FCA
Non-Executive Director
– Appointed 29/12/90

Mr Peter Evans is a Chartered Accountant who was in public practice for over 20 years with predecessor firms of KPMG. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for over 40 years.

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

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

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

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

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

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

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

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

- Prime Media Group Limited (Appointed June 2008)

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

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

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

- Sky City Entertainment Group Limited (Appointed September 2002) (Currently Chairman)
- Telecom Corporation of New Zealand Limited (Appointed April 2001)
- BGP Holdings Plc Malta and BGP Investment S.a.r.l Luxembourg (Appointed November 2009)

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

Mr Kerry Roxburgh is a Stockbrokers Association of Australia - Practitioner Member. In 2000 he completed a term as CEO of E*TRADE Australia becoming non-executive Chairman until June 2007, when the company was acquired by the ANZ Bank. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group where for 10 years he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. He is also non-executive chairman of Charter Hall Limited, of Tyro Payments Limited and of Tasman Cargo Airlines Pty Limited. He is a non-executive director of The Medical Indemnity Protection Society Group. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

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

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

Group General Counsel & Company Secretary

John D C O'Grady
LLB FAICD
– Appointed 23/01/07

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

Mr O'Grady heads up the Legal Services team within the Group and has responsibility for coordinating the Risk Management Strategy. He also provides input into all major acquisitions of the Ramsay Group and advises the Board and Executive on corporate governance.

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

corporate governance statement

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

The Company’s governance framework is designed to ensure that the Company is effectively managed, that statutory obligations are met and that the culture of personal and corporate integrity embodied in The Ramsay Way, is reinforced.

Unless otherwise stated, this statement outlines the Company’s governance framework, policies and procedures as at 12 September 2011 reported by reference to and in accordance with the Corporate Governance Principles and Recommendations (2nd Edition) published by the ASX Corporate Governance Council (**ASX Corporate Governance Principles and Recommendations**).

We have also included commentary with respect to those amendments to the ASX Principles and Recommendations published by the ASX Corporate Governance Council on 30 June 2010 (and applicable in the financial year commencing after 1 January 2011).

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

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

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 1	**Lay solid foundations for management & oversight**	
Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company has established the functions reserved to the Board and those delegated to senior management as detailed in the Board Charter, which was most recently reviewed and updated in June 2010 and is posted on the Corporate Governance area of the Ramsay website.
Recommendation 1.2	Companies should disclose the process for evaluating the performance of senior executives.	An annual assessment of the performance of senior executives is undertaken by the Board on the basis of recommendations by the Managing Director, who conducts performance review interviews with each senior executive. In 2011 the Managing Director engaged an external consultant to conduct 360-degree reviews of all senior executives. Advice from external remuneration consultants is obtained at regular intervals and as required. Further details of the financial and non-financial KPIs that are utilised to monitor senior executive performance are set out on pages 38 and 39 of the Remuneration Report.
Recommendation 1.3	Companies should disclose: • An explanation of any departure from 1.1. 1.2 or 1.3;	No departures.
	• Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed; and	A performance evaluation for all senior executives has been undertaken in the reporting period in accordance with the process disclosed above.
	• Publicly available statement of matters reserved for the board, or the board charter or statement of areas of delegated authority to senior executives.	Ramsay’s Board Charter is publicly disclosed as noted above. A Statement of Delegated Authorities is in place and is on the Company’s intranet site.
Principle 2	**Structure the board to add value**	
Recommendation 2.1	A majority of the Board should be independent directors.	The Board consists of 2 executive and 7 non-executive directors. Whilst the existence of relationships listed in Box 2.1 of the ASX Corporate Governance Principles and Recommendations could suggest that a majority of directors are not independent, notwithstanding these relationships

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ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 2.1...cont.		the Board considers that, as a practical matter, the Board as a whole is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management. The Board has determined that a majority of the non-executive directors (Mr Roxburgh, Mr McGeoch, Mr Evans and Mr Clark) are independent. Further information with respect to the independence of the Company's non-executive directors is set out in the extended commentary on page 21 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".
Recommendation 2.2	The chair should be an independent director.	Mr Paul Ramsay AO is the Chairman, however he is not an independent director. Please refer to the extended commentary on page 21 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Paul Ramsay AO is the Chairman and Mr Christopher Rex is the CEO/Managing Director.
Recommendation 2.4	The Board should establish a Nomination Committee.	In line with this recommendation, the Board established a separate Nomination Committee in May 2010.
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	During the financial year, the Board undertook a formal, structured evaluation approved by the Board and completed confidentially by each of the directors. Results consistently indicated that the composition, function, procedures, culture, working style, behaviours and administration of the Board and the Board Committees are highly effective and that the Board and Committees are performing extremely well. The same evaluation process was undertaken by each of the Board Committees during the financial year. A 360-degree review of the Audit Committee was undertaken, with members of senior management and the external auditor completing the evaluation as well as each of the Audit Committee Members. All of the Committees were assessed as being effective and highly functional. The evaluation process identified strengths, improvements (particularly over the last 12 months) and areas for increased focus. As an ongoing process, the chair regularly discusses with each director their individual performance and contribution to the Board and Board Committees.
Recommendation 2.6	Companies should disclose: • The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	Details of the background, particular qualifications, expertise and period of service of each director are set out in the Board of Directors section on pages 9 and 10 of this Annual Report.
	• The names of the directors considered by the Board to constitute independent directors and the Company's materiality thresholds;	The Company does not utilise materiality thresholds for the purposes of assessing director independence and instead assesses independence on a case by case basis. As noted above, Mr Roxburgh, Mr Geoch, Mr Evans and Mr Clark have each been determined by the Board to be independent.
	• The existence of any relationships listed in Box 2.1 and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships;	A summary of the Board's assessment of the independence of each director and relationships listed in Box 2.1 is set out in the extended commentary on page 21 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 2.6…cont.	• A statement as to whether there is a procedure agreed by the Board to take independent professional advice at the expense of the Company;	Directors are entitled to seek independent professional advice at the expense of the Company as required in the furtherance of their duties, subject to prior consultation with, and approval of, the Chairman or Deputy Chairman. Similarly, Board Committees may obtain independent professional advice at the expense of the Company as required in relation to their functions. The Board Committees members of each Committee have consistently indicated in their evaluations that they considered they had adequate access to such advice.
	• The period of office held by each director in office at the date of the annual report;	Details of the period of office for each member are set out in the Board of Directors section on pages 9 and 10 of this Annual Report.
	• The names of the members of the Nomination Committee and their attendance at meetings of the Committee, or where a company does not have a Nomination Committee, how the functions of a Nomination Committee are carried out;	The members of the Board Nomination Committee are: • Mr Rod McGeoch AM– Independent, Non-executive Director (Chair); • Mr Kerry Roxburgh – Independent, Non-executive Director; and • Mr Paul Ramsay AO - Non-executive Director. For details of attendance of each director at meetings of the Nomination Committee please refer to the Directors' Report on page 49 of this Annual Report. The nomination and appointment of directors are made in accordance with the Company's Constitution and in accordance with the Nomination Committee Charter, both of which are posted on the Corporate Governance area of the Ramsay website. Appointment of directors must also be in accordance with the Board Diversity Policy, details of which are summarized on page 22 of this Corporate Governance Statement entitled "Diversity".
	• Whether a performance evaluation for the Board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and	A performance evaluation of the Board, its Committees and directors was undertaken in the reporting period in accordance with the process disclosed in 2.5 above.
	• An explanation of any departures from 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	Departures in 2.1 and 2.2 noted above are explained in the section entitled "Independence of Non-Executive Directors" on page 21 of this Corporate Governance Statement.
Principle 3	**Promote ethical & responsible decision making**	
Recommendation 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of the shareholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has established a Code of Conduct for all directors, officers and employees as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations from time to time and the reasonable expectations of the shareholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is posted on the Corporate Governance area of the Ramsay website and is the subject of ongoing internal review.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 3.1…cont.		Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, bribery, dishonesty, harassment, unethical or negligent behaviour, workplace safety hazards and medical negligence through the Ramsay Whistleblower Programme. The programme has been implemented in all Ramsay facilities in Australia, the UK and Indonesia and includes an independent hotline service operated by Deloitte to encourage anonymous disclosures. All reports are monitored by the Whistleblower Committee, which reports to the Audit Committee. Whistleblower procedures in the Company's recently acquired French facilities are under review. During the financial year the Company also developed a Code of Conduct for Agents, Manufacturers and Suppliers with whom Ramsay does business, which has been distributed internally and implemented as a term of key supplier contracts.
Recommendation 3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	The Company's Securities Trading Policy (**Policy**) was reviewed, updated and re-published in December 2010 in line with amendments to the ASX Listing Rules applicable from 1 January 2011. The Policy prohibits certain Nominated Employees (including directors, officers and senior executives) from trading directly or indirectly in Company securities outside three annual trading windows', being: • the two 6 week periods commencing on the next trading day after the release of half and full year financial results; and • the 2 week period commencing on the next trading day after the AGM. These Nominated Employees (and their families and associates) identified under the amended policy may only trade in Company securities outside the above windows in "exceptional circumstances" and where written approval has been obtained in accordance with the process set out in the Policy. An application for approval must be accompanied by evidence that "exceptional circumstances" exist and the dealing is the most reasonable course of action in those circumstances. Any approval granted is valid for only 5 business days. The Policy also sets out the types of trades excluded from these dealing restrictions. Directors must not deal in Company securities at any time without notifying the Chairman and Company Secretary. Nominated Employees must immediately notify the Company Secretary of any trade in the Company's securities, whenever occurring. All employees are prohibited from trading (or causing a third party to trade) in Company securities at any time (including during any of the 'trading windows') while in possession of price-sensitive information. Employees are also prohibited from dealing in securities of other listed companies where they have price sensitive information in relation to that other company obtained in the course of their employment.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 3.3	An explanation of any departures from recommendations 3.1 or 3.2 should be included in the corporate governance statement.	No departures.
	The following information should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section: any applicable code of conduct and the trading policy or a summary.	The Ramsay Code of Conduct is posted on the Corporate Governance area of the Ramsay website. A summary of the Company's Securities Trading Policy is set out above at 3.2 and a copy of the policy is posted on the Corporate Governance area of the Ramsay website.
Principle 4	**Safeguard integrity in financial reporting**	
Recommendation 4.1	The Board should establish an Audit Committee.	The Company has had an established Audit Committee since listing in 1997.
Recommendation 4.2	The Audit Committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	The Audit Committee consists of the following independent non-executive directors: • Mr Peter Evans (Chair) - Chartered Accountant; • Mr Kerry Roxburgh - Stockbroker / Chartered Accountant; and • Mr Tony Clark AM- Chartered Accountant. The independence of the members of the Audit Committee is discussed in the extended commentary on page 21 of this Corporate Governance Statement entitled "Independence of Non-Executive Directors".
Recommendation 4.3	The Audit Committee should have a formal charter.	The Audit Committee Charter was reviewed during the financial year and an updated Charter adopted by the Board in February 2011. The updated Charter takes into account the current roles and responsibilities of the Audit Committee, Ramsay's current internal audit structure (which has developed in recent years) as well as contemporary governance practices, as reflected in the ASX Corporate Governance Principles and Recommendations. The Company's Audit Committee Charter is posted on the Company intranet and the Corporate Governance area of the Ramsay website.
Recommendation 4.4	The following material should be included in the corporate governance statement: • the names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the Committee;	Names and qualifications of Audit Committee members are set out at 4.2 above.
	• the number of meetings of the Audit Committee; and	Details of Audit Committee meetings and attendance by each Committee member are contained in the Directors Report at page 49 of this Annual Report.
	• explanation of any departures from recommendations 4.1, 4.2, 4.3 or 4.4.	No departures.
	The following information should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section: • Audit Committee Charter; and • Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.	The Company's Audit Committee Charter and Charter of Audit Independence (information on selection, appointment and rotation of external auditor) are posted on the Corporate Governance area of the Ramsay website.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 5	**Make timely & balanced disclosure**	
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company's Continuous Disclosure Policy is designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability for compliance at a senior executive level. In summary, the policy: • explains the Company's obligations under ASX Listing Rule 3.1 and the *Corporations Act* 2001; • establishes internal processes for reporting and disclosure of price sensitive information and briefing of analysts, investor and media groups; and • delegates authority to the Disclosure Committee and Company Secretary to release information or make disclosures to the ASX.
Recommendation 5.2	An explanation of any departures from recommendations 5.1 or 5.2 should be included in the corporate governance statement. The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	No departures. A summary of the Company's Continuous Disclosure Policy is set out at 5.1 above.
Principle 6	**Respect the rights of shareholders**	
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	A formal Communications Policy was adopted by the Board in the 2010 financial year. The Communications Policy establishes internal protocols and authorisations for communications with media, disclosure of corporate and confidential information and communications with shareholders and investors. The policy is to be read in conjunction with the Continuous Disclosure Policy (a summary of which is provided above at 5.1) which deals with the disclosure of price-sensitive information. The Company has the following mechanisms in place designed to ensure that shareholders are kept fully informed and able to participate at general meetings: • Financial reports and market reports are posted on the Investor Centre on the Company's website; • Shareholders are sent email alerts via the Company's share registry manager facility, which is provided by Boardroom Pty Limited; • An investor email inquiry facility has been established to ensure timely responses by the Company Secretary or the Group Finance Director to all investor questions; • Correspondence from the Chairman is sent to shareholders for significant events (including via the Company's website and email alerts); and • Participation by shareholders at the AGM is actively encouraged.
Recommendation 6.2	An explanation of any departures from recommendations 6.1 or 6.2 should be included in the corporate governance statement. The Company should describe how it will communicate with its shareholders publicly, ideally by posting this information on its website in a clearly marked corporate governance section.	No departures. The manner in which the Company communicates with its shareholders publicly is described at 5.1 above.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Principle 7	**Recognise & manage risk**	
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company Risk Management Framework (the **Framework**), endorsed by the Board in August 2008, together with the Risk Management Committee Charter, were reviewed during the last 18 months for consistency with current practice and the standard AS/NZS ISO 31000:2009 Principles and Guidelines for Risk Management. An amended version of each was approved by the Board in September 2010. In summary, the Framework provides an organisation-wide standardised approach which outlines the structure and policies for the proactive identification, assessment, management, reporting and oversight of risks, particularly material business risks. The Framework encompasses all areas of risk with the capacity to adversely affect the business of the Company, such as financial, strategic, clinical, safety, environmental and legal matters. The Framework emphasizes a collaborative approach by all stakeholders to the identification of risks, and the importance of clear communication of initiatives and strategies to manage identified risk, and reinforcement of compliance with such initiatives as an integral part of corporate culture. The Framework also provides guidance on risk treatment and prioritization. The Company has developed a governance structure for oversight of risk whereby material business risks can be identified at an operational level and managed and reported, ultimately to Board level, via the Risk Management and Audit Committees. The structure also allows for top-down management of risks identified at Board or Committee level. The Company's system of reporting encompasses both formal and informal channels. Strategic and operational risks are considered at least annually by all operating divisions as part of the annual strategic planning, forecasting and budgeting process. Each facility is responsible for the development and maintenance of a risk management plan identifying material risks, developing strategies for dealing with those risks and developing and testing controls. The Risk Management Committee comprises: • Mr Peter Evans, Non-Executive Director (Chair); • Mr Kerry Roxburgh, Non-Executive Director; • Mr Patrick Grier, Non-Executive Director; • Mr Christopher Rex, Managing Director; • Mr Bruce Soden, Group Finance Director; • Mr Danny Sims, Chief Operating Officer (Australia and Indonesia); and • Mr John O'Grady, Chief Risk Officer and Group General Counsel.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 7.2	The Board should require management to design and implement the risk management internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board has required management to design and implement a risk management and internal control system to manage the material business risks to the Group. This has been done through several mechanisms including, but not limited to the following: • Engagement of external consultants to conduct both external reviews of the Framework implementation and internal reviews through interviews and a workshop involving members of the Board, senior managers and selected facility managers to identify strategic risks presenting a material business risk to the Group and to assess the effectiveness of control systems in place to manage the risks identified. Resulting reports from those consultants, profiling the risks identified and suggesting strategies to develop and progress the Risk Management Framework, have been used to guide developments in the Framework implementation and in the recent amendments to the Framework and Charter. • Detailed internal control questionnaires are completed annually by all major divisions in relation to financial and other key risk areas. • Specialist risk sub-committees have been established within the Company, such as the Clinical Governance, Operational, Property and Environment Risk and Workforce, Safety and Culture Committees, each of whom report to the Risk Management Committee on a regular basis. • The Company's internal audit function conducts a series of audits in accordance with a risk-based plan that is agreed with management and the Audit Committee. The results of these reviews are reported to the Audit and Risk Management Committees. • Other material and emerging risks that are identified by the Company's executive are also reported directly to the CEO/Managing Director through the Chief Risk Officer. Management has reported to the Board as to the effectiveness of the Company's management of its material business risks throughout the reporting period in accordance with the process outlined above.
Recommendation 7.3	The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board confirms that it has received assurance from the Managing Director and the Group Finance Director that in their opinion: • the declaration provided under s 295A of the *Corporations Act* 2001 is founded on sound systems of risk management and internal control; and • that those systems are operating effectively in all material respects in relation to financial reporting risks. It has been noted by the Board that the above statements provide a reasonable, but not absolute level of assurance and do not imply a guarantee against adverse events, losses or more volatile outcomes arising in the future.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 7.4	• An explanation of any departures from recommendations 7.1, 7.2, 7.3 or 7.4;	No departures.
	• Whether the Board has received the report from management under 7.2;	The Board has received the reports from management described in 7.2 and receives regular reporting as described in the Risk Management Framework from the Risk Management Committee and its sub-committees, the Audit Committee and the Chief Risk Officer.
	• Whether the Board has received assurance from the CEO and the CFO under 7.3; and	Assurance has been received by the Board from the Managing Director and Group Finance Director as noted above.
	A summary of the company's policies on risk oversight and management of material business risks should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	The Company's amended Risk Management Committee Charter is posted on the Corporate Governance area of the Ramsay website. The Company's policies on risk oversight and management of material business risks are summarised in 7.1 and 7.2 above.
Principle 8	**Remunerate fairly & responsibly**	
Recommendation 8.1	• The Board should establish a Remuneration Committee.	The Board has established a Remuneration Committee, whose members are independent of management and who, as a practical matter, exercise their judgement in an unfettered and independent manner. The Remuneration Committee comprises: • Mr Rod McGeoch AM, Non-executive Director (Chair); • Mr Peter Evans, Non-executive Director; and • Mr Michael Siddle, Non-executive Director. The Remuneration Committee's composition is consistent with the amended ASX Corporate Governance Principles and Recommendations published on 30 June 2011.
Recommendation 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. For details of the Company's remuneration structure please refer to the Remuneration Report at page 29 of this Annual Report.
Recommendation 8.3	The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement:	
	• The names of the members of the Remuneration Committee and their attendance at meetings of the Committee;	Names of the members of the Remuneration Committee are set out at 8.1 above. Details of the Remuneration Committee's meetings and attendance by each Committee member are contained in the Directors' Report at page 49 of this Annual Report.
	• The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and	For details of the schemes for retirement benefits for non-executive directors, refer to the Remuneration Report at pages 47 and 48 of this Annual Report. As noted in the Company's 2010 Annual Report, the Board resolved to freeze benefits under the Non-Executive Director Remuneration Benefits Plan as at 31 December 2009 and this was approved by shareholders at the 2010 AGM. Accordingly, except for indexation, these benefits were frozen at that date and are no longer linked to increases in non-executive director fees.
	• An explanation of any departures from recommendations 8.1, 8.2 or 8.3.	No departures.

ASX Principle/ Recommendation		Description/ Reference of Disclosure/ Compliance
Recommendation 8.3...cont.	The following material should be made publicly available:	
	• The charter of the Remuneration Committee; and	The Remuneration Committee Charter is posted on the Corporate Governance area of the Ramsay website. The Charter was reviewed during the financial year in light of the amendments to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010 and has been amended to take account of the amended ASX Corporate Governance Principles and Recommendations and the amendments to the *Corporations Act* 2001 that became effective from 1 July 2011. The Company has also developed an internal Protocol on the engagement and use of, and communication with, external remuneration consultants, consistent with the amended *Corporations Act*.
	• A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	The Company's Securities Trading policy prohibits hedging arrangements, dealing in derivatives or any other arrangements that vary the economic risk related to the Company's securities. This includes hedging or arrangements that have the effect of limiting the economic risk in connection with unvested securities issued under an employee or director option or share plan.

Independence of Non-Executive Directors

The Board acknowledges the importance of exercising independent judgement in making decisions regarding the Company. Appropriate challenge and debate amongst the directors is encouraged by the Chairman and is a regular characteristic of the Board decision making dynamics. No one director (or small group of directors) dominate the Board's discussions or decision making. The Board has considered the commentary on the independence of directors contained in ASX Principle 2 and is satisfied the Board as a whole is not hindered in its ability to exercise unfettered and independent judgement.

We note the statement of the ASX Corporate Governance Council that it "has always considered that the determination of a director's independence is a matter for the Board"[1]. The Board has determined that the following non-executive directors are independent for the reasons set out below:

- Mr Kerry Roxburgh and Mr Rod McGeoch AM are independent directors as they are independent of management and are free of any business or other affiliation that could materially interfere with, or could reasonably be perceived to materially interfere with, their ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.
- The Board considers and has resolved that Mr Tony Clark AM and Mr Peter Evans, both non-executive directors and independent of management, are independent directors despite both also holding directorships of Paul Ramsay Holdings Pty Limited, (the Company's largest shareholder) because:
  a. neither are shareholders of, or have a direct or indirect beneficial interest in, Paul Ramsay Holdings Pty Limited;
  b. they do not receive any remuneration from Paul Ramsay Holdings Pty Limited other than directors' fees;
  c. they do not receive any remuneration from the Company other than directors' fees and committee/chairmanship fees as disclosed in the Directors' Report;
  d. they are each voted on to the Board of the Company by the shareholders generally; and
  e. in practice, they both make their own decisions on how to vote at meetings of the Board, and do so acting in the best interests of the Company's shareholders generally and without direction from Paul Ramsay Holdings Pty Limited.

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

- The current Chairman of the Board, Mr Paul Ramsay AO, is a non-executive director who is also a director and shareholder of Paul Ramsay Holdings Pty Limited. Mr Ramsay founded the business in 1964 and has built the Company to its present position as a leader in Australian health care and an international provider of health care services. In addition to his extensive experience and in-depth knowledge of the health care sector and the Company, Mr Ramsay brings significant skills and experience gained in other businesses to the role of Chairman. The Company believes that Mr Ramsay's extensive experience in the industry and in business generally is invaluable and that the introduction of an independent Chairman would not adequately compensate Ramsay Health Care for the loss of Mr Ramsay's valuable contributions to the management and strategy of the Ramsay Group.
- Deputy Chairman of the Board, Mr Michael Siddle, has had a long association with the Chairman and was formerly the Chief Executive of Ramsay. For this reason, he is not considered to be independent. However, Mr Siddle has considerable knowledge and experience in the management of private hospitals and property development. Given this highly relevant experience and valuable knowledge of the Company and the Group as a whole, the Directors consider that the interests of the shareholders are best met by the continued contribution of Mr Siddle.
- Mr Patrick Grier was previously employed in an executive capacity by the Company and there was not a period of less than three years between ceasing that appointment and serving as a non-executive director on the Board, though at the date of this report three years have passed since Mr Grier was employed as Chief Executive Officer. Despite the continuity of Mr Grier's involvement as an executive and then a non-executive director, the Board considers that Mr Grier's experience, skills and standing add significant value to the Board's ability to deal with issues and developments in the health care sector and the market and outweigh any perceived lack of independence.

1 Paragraph 46 of the ASX Corporate Governance Council response to submissions on review of corporate Governance Principles & Recommendations August 2007 (2nd ed)

Diversity

- Considerable diversity exists throughout the organisation. The Company has again been assessed as compliant with the Equal Opportunity for Women in the Workplace Act 2010 and received congratulations on a number of progressive employee programmes, including its national wellness framework and keeping older employees in the workplace.
- The representation of women throughout the organisation is generally exceptional. Women comprise 84% of employees throughout the Group and occupy 75% of senior manager[2] positions, an increase from 59.9% at the date of the Company's last Annual report. Similarly, 28% of the senior executive[3] positions in the Group are occupied by women. There are currently no female directors on the Board.
- The Company has in place very comprehensive and well developed Workplace Diversity Guidelines for Employees and diversity criteria in its Recruitment and Selection Guidelines. In May 2010 the Board also approved a Diversity Policy in early adoption of amendments to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010. A summary of the Diversity Policy is posted on the Corporate Governance section of the Ramsay website.This policy was reviewed during the financial year and an updated policy adopted by the Board in June 2011. In the updated policy the Board issued the following statement of intent:

  Both in regard to Board-level appointments and executive appointments, the Company remains committed to selecting the best person for the role. In selecting new directors, the Company has regard to the skills, experience and perspectives represented on the Board and identifies potential "gaps" based on the current and projected future activities of the Group. The Company has identified the need for a female perspective on the Board given that women represent 84% of Ramsay's workforce and also a substantial proportion of the Company's clinicians and patients and therefore intends, all other things being equal, that the next appointee to the Board will preferably be a woman.
- The Diversity Policy provides for the Board to develop an appointment process for future directors that takes diversity of background into account (in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields) to fit and enhance the Board skills matrix. In order to promote the specific objective of gender diversity, the Diversity Policy requires that the selection process for Board appointments must involve the following steps (including where the Company engages an external recruitment agency to identify and assess candidates):
  - a short-list identifying potential candidates for the appointment must be compiled and must include at least one female candidate; and
  - if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.
- The Board also noted that as the Company's business extends beyond geographical boundaries, the Board will be cognisant of the need to consider Board candidates from overseas in the interests of diversity.
- The Diversity Policy also covers senior executive appointments and requires the CEO to have reference to the policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the senior executive team and to assess the application of this policy to the senior executive recruitment process. The Policy requires the Board to also consider gender diversity and the objectives of the policy when reviewing and considering those recommendations. In order to facilitate greater gender diversity in management and leadership roles, the Diversity Policy requires the Company to:
  - implement policies which address impediments to gender diversity in the workplace and review their availability and utilisation;
  - monitor the effectiveness of, and continue to expand on, existing initiatives designed to identify, support and develop talented women with leadership potential; and
  - continue to identify new ways to entrench diversity as a cultural priority across the organisation.
- The Diversity Policy further provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior executive level and that performance against these objectives will be reviewed annually by the Nomination Committee. The Nomination Committee has assessed the Company's performance against the measurable objectives published for 2010/2011. Updates on the Company's progress against those objectives and the measurable objectives set for 2011/2012 by the Nomination Committee and adopted by the Board are set out in the table below.

2 *Senior manager positions for the purpose of this statement mean hospital managers, area managers and department managers up to (but not including) senior executive level*

3 *Senior executive positions are those reporting directly to the Managing Director*

Measurable Diversity Objectives – 2010/2011		Goal	Update/Achievement Goal
Objective 1:	Flexible Work Practices Policy to be approved by the Board	June 2011	Policy completed, approved by the Board and distributed in May 2011
Objective 2:	Establish partnership/sponsorship/ membership with an external body promoting a women's leadership initiative	June 2011	Ramsay has joined the Diversity Council. Diversity Council resources disseminated to and used by HR team
Objective 3:	The Company to expand the scope of the Ramsay Succession Planning programme to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles. The Manager People and Culture to report annually to the Nomination Committee on the success of this initiative.	Annually from June 2011	Succession planning process commenced during financial year. A broader 360 degree survey was undertaken for all managers to identify high potential (female) staff and work on their development as required. Objective carried over to 2011/2012. To be reviewed annually
Objective 4:	The Company to implement an internal mentoring programme which aims to increase opportunities for Ramsay female employees in management or professional positions and from the Ramsay Future Leaders programme to have access to senior managers and (for women in senior management) directors.	June 2012	Objective carried over to 2011/2012
Objective 5:	Aim to increase the percentage of women in senior management positions (those positions either in the Ramsay Executive or reporting directly to the Ramsay Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	June 2013	The only vacancies in this area during the financial year were filled by women, namely the Australian Development Manager and the Australian Strategy & Business Development Manager – Mental Health. Goal remains June 2013
Objective 6:	The Board to develop a succession plan with an aim of increasing the representation of women on the Board, subject to identification of candidates with appropriate skills.	June 2013	Note Statement of Intent above. Goal remains June 2013

New Measurable Objectives 2011/2012		Goal	Update/Achievement Goal
Objective 7:	Develop online Diversity (including discrimination, bullying and harassment) training module for all senior managers.	June 2012	
Objective 8:	To engage an external consultant to assist identifying potential candidates, including a balance of male and female candidates, for the next Board position.	In the ordinary course of the Board succession process	
Objective 9:	To include as one of the criteria of the annual Board performance evaluation the achievement of the objectives of the Diversity Policy.	FY 2012 and ongoing	

corporate directory

Directors

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

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

Group General Counsel & Company Secretary

John O'Grady

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

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Share Registry

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Email: enquiries@boardroomlimited.com.au
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Telephone Enquiries (from outside Australia): +61 2 9290 9600

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

financial report

FOR THE YEAR ENDED 30 JUNE 2011

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

ramsay health care limited
directors' report

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS

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

Names

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

Particulars of each Director's experience and qualifications are set out on pages 9 to 12 of this Annual Report.

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

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

Ramsay Health Care Limited

Director	Ordinary Shares	Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
P.J. Ramsay	73,149,269	-	-
M.S. Siddle	152,564	-	-
C.P. Rex	387,015	5,334	205,000
B.R. Soden	145,791	2,000	125,000
A.J. Clark	82,000	1,400	-
P.J. Evans	7,209	-	-
I.P.S. Grier	58,116	-	-
R.H. McGeoch	74,231	257	-
K.C.D. Roxburgh	79,500	-	-

Mr Paul Ramsay has a relevant interest in 73,149,269 (2010: 73,149,269) shares held by Paul Ramsay Holdings Pty Limited and is a Director of that company.

Interests in Contracts or Proposed Contracts with the Company

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

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

OPERATING & FINANCIAL REVIEW

Principal activities

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

Ramsay facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With over 9,000 beds, the Company employs over 30,000 staff across three continents, and achieves over 2 million patient days per annum.

Review of operations

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

	2011 $000	2010 $000	% Change
Revenue from ordinary activities	3,719,691	3,399,254	9.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	526,330	468,774	12.3%
Depreciation and amortisation	(133,061)	(137,152)	
Specific items	(27,482)	(37,591)	
Earnings before interest and tax (EBIT)	365,787	294,031	24.4%
Net interest expense	(71,666)	(73,274)	
Income tax expense	(93,755)	(71,911)	
Net profit attributable to non-controlling interests	(1,991)	(564)	
Net profit attributable to owners of the parent	198,375	148,282	33.8%

OPERATING & FINANCIAL REVIEW (CONTINUED)
Review of operations (continued)

Statutory earnings per share

	2011	2010	% Change
Basic earnings per share	90.8c	69.4c	30.8%
Diluted earnings per share	90.2c	69.2c	30.3%

Financial Highlights

Ramsay's statutory net profit attributable to the owners of the parent for the year ended 30 June 2011 was $198.4 million, a 33.8% increase on the previous corresponding period. Statutory earnings per share was 90.8 cents for the year, a 30.8% increase.

The result was driven mainly by a strong performance across Ramsay's Australian hospitals and an increased contribution from completed brownfield developments. The result included the first full-year contribution from Ramsay Santé, managed and 57% owned by Ramsay, which was acquired at the end of March 2010.

In Australia, Ramsay recorded a significant increase in EBIT at the hospital level as a result of strong organic growth and increasing contribution from the brownfield development programme. Ramsay achieved revenue growth of 8.5% during the year in Australia which helped drive EBIT 15.5% higher.

The UK business is performing well in a difficult environment and margins are holding up well under the normalised ISTC pricing regime. Operating margins before rent (EBITDAR) remained strong at 24.5% compared to 25.9% for the 2010 year. NHS admissions now comprise 60% of total Ramsay UK admissions.

During the year, Ramsay successfully integrated Ramsay Santé, which is marginally EPS accretive in the first full year of trading, slightly ahead of schedule. During the second half of the year, Ramsay announced the purchase of the 178-bed Clinique Convert Hospital in Bourg-en-Bresse in the Rhône-Alpes region, in line with the strategy to pursue bolt-on acquisition opportunities in France to expand Ramsay's presence there.

Capital management & cash flow

Effective working capital management resulted in a high cash conversion rate for Ramsay of more than 100% of operating profit (EBITDA) to gross operating cash flow for the year ended 30 June 2011.

Ramsay has committed senior bank debt facilities of $1.9 billion in place until November 2012 with headroom of $500 million to $600 million after allowing for funding of current brownfield commitments. Discussions have commenced in relation to the debt refinancing with a view to refinance well ahead of maturity.

Business strategies & prospects for future years

The brownfield development programme remains an integral part of Ramsay's growth strategy and continues to contribute significantly to earnings. Since 2007, Ramsay has approved approximately gross $830 million (net $730 million) in new capacity and improvements at the Australian hospitals. To date, approximately $570 million (gross) has been spent on new capacity and facility improvements as part of the brownfield development programme. Of this $480 million (gross) has been spent on completed projects.

Beyond current brownfield commitments, Ramsay expects to invest approximately $100 million annually on expanding capacity at its hospitals to meet the expected increases in demand.

Ramsay targets a return on our brownfield investment of 15% approximately three years after completion when assessing the feasibility of individual projects. To date on average, this target has been achieved, with some projects hitting this return rate earlier than forecast.

Ramsay continues to explore further acquisitions in the UK and France and is researching opportunities in other markets.

Dividends

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

Final dividend recommended @ 29.5 cents per share (2010: 25.0 cents)	$59,614,000 (2010: $50,520,000)
Interim dividend paid during the year @ 22.5 cents per share (2010: 18.5 cents)	$45,468,000 (2010: $37,385,000)

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

Final dividend recommended @ $3.45 per security (2010: $2.65)	$8,982,000 (2010: $6,901,000)
Interim dividend paid during the year @ $3.44 per security (2010: $2.50)	$8,945,000 (2010: $6,495,000)

CORPORATE INFORMATION

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

Ramsay Health Care Limited is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office is 9th Floor, 154 Pacific Highway, St Leonards NSW 2065.

The financial report of Ramsay Health Care Limited ('**the Company**') for the year ended 30 June 2011 was authorised for issue on 8 September 2011 in accordance with a resolution of the directors.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 1,232,000 (2010: 822,701) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to note 27 of the financial statements for further details of any rights outstanding.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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 & EXPECTED RESULTS

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

INDEMNIFICATION & INSURANCE OF DIRECTORS & OFFICERS

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

REMUNERATION REPORT – AUDITED

Dear Shareholders

In preparing the Remuneration Report last year, the Board undertook to ensure that it provided a 'user friendly' and transparent summary of the Company's remuneration structure and details of the value that Directors and key executives have derived from the various remuneration components.

The positive feedback received from shareholders and other stakeholders from the previous year was encouraging, and as a result the Board has approached the structure of this Report in a similar way.

An expanded section on remuneration governance has been included in this year's Report in response to the increased focus on how remuneration decisions are made.

Again, much effort has been taken to provide all the necessary information to help shareholders and other interested parties understand the links between Company performance and remuneration outcomes.

This Remuneration Report is presented in five sections:

1. ***2011 Essentials*** *– this section provides a concise summary of the information that is likely to be of most interest to shareholders.*
2. ***Remuneration Governance*** *– this section explains how remuneration decisions are made within the Group and outlines the measures in place to guard against conflicts of interest.*
3. ***Executive Remuneration Policy*** *– this section summarises the guiding principles and objectives that underpin the Group's executive remuneration arrangements.*
4. ***Executive Remuneration: In Detail*** *– this section provides more information regarding remuneration arrangements for the five highest remunerated executives, including the Executive Directors (Reported Executives). This section includes the detailed statutory disclosures required by the Act.*
5. ***Non-Executive Director Remuneration*** *– this section outlines the remuneration arrangements in place for Non-Executive Directors.*

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

Yours sincerely

Rod H McGeoch AM
Chairman
Remuneration Committee

The Directors of the Company present this Remuneration Report prepared in accordance with section 300A of the *Corporations Act* 2001 ('**Act**') for the Company and its controlled entities ('**the Group**') for the year ended 30 June 2011. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act.

REMUNERATION REPORT – AUDITED (CONTINUED)

The table below provides a content guide for the 2011 Report and outlines the particular information included in each section.

Table 1 – 2011 Remuneration Report: Content Guide

1. 2011 Essentials

Who's who

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

Table 2: Non-Executive Directors and Reported Executives

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

Reported Executives[1]		
Name	Position	Key Management Personnel
C.P. Rex	Managing Director	Yes
B.R. Soden	Group Finance Director	Yes
D.A. Sims	Chief Operating Officer – Australia/Indonesia	Yes
C.R. McNally	Head of Global Strategy & European Operations	Yes
J.M. Watts	Chief Executive Officer – Ramsay Health Care UK	No

1. As noted above, Reported Executives means the five highest remunerated executives, including the Executive Directors

REMUNERATION REPORT – AUDITED (CONTINUED)
1. 2011 Essentials (continued)

Remuneration initiatives

The Board regularly monitors changes in the Company's circumstances, market practice and governance expectations to assess whether its remuneration arrangements remain appropriate and aligned with the best interests of shareholders.

No substantive changes to the structure of remuneration for the Reported Executives or Non-Executive Directors were made during FY2011, as the Directors consider that the Company's remuneration approach and policy are closely correlated with the Group's business objectives.

To ensure that Ramsay's remuneration arrangements for key executives remain market competitive and provide a meaningful incentive for sustained Group performance, the Board engaged the Godfrey Remuneration Group to provide recommendations on remuneration as well as other external advisors set out on page 33 of this Report.

During the year the Remuneration Committee requested Goldman Sachs to undertake an analysis in relation to the most appropriate comparator group for the relative total shareholder return (**TSR**) component of long-term incentive (**LTI**) awards. This analysis was prompted by the fact that during FY2011 the Company was elevated into the S&P/ASX 100. Having regard to the Goldman Sachs analysis, the Board has decided that the most appropriate comparator group for future year LTI grants will be the S&P/ASX 200 with exclusions for companies in sectors having different drivers of operating performance. For the LTI grants to be made in FY2012, the exclusions will be companies in the real estate, financial and resources sectors. Further details of the LTI Programme are set out on pages 40 - 44 of this Report.

In addition, the Board has taken several steps in response to recent regulatory developments and shifts in governance expectations, to ensure that Ramsay's remuneration governance continues to reflect best practice. In particular:

- the Board reviewed and updated its Remuneration Committee Charter to reflect recent changes to the ASX Listing Rules and the Corporate Governance Principles and Recommendations (2nd Edition) published by the ASX Corporate Governance Council (**ASX Corporate Governance Principles and Recommendations**);
- the Board adopted new Protocols for the engagement and use of external remuneration consultants, which minimise the risk of conflicts designed to ensure the independence of recommendations of remuneration consultants; and
- the Remuneration Committee adopted formal criteria for the appointment of remuneration consultants, including specialist remuneration expertise (including benchmarking), independence, understanding of the business and experience in providing remuneration advice to S&P/ASX 100 companies.

Remuneration outcomes

A key need of shareholders and other users of remuneration reports, which CAMAC focused on in its report on executive remuneration in Australia, is to understand the actual remuneration outcomes achieved by executives - which are typically not captured by the statutory accounting tables.

Table 3 below summarises the actual reward outcomes for the Reported Executives, by setting out the actual 'dollar value' of remuneration received by Reported Executives for FY2011 (i.e. amounts to which they have received, having satisfied any applicable performance hurdles).

Details of Reported Executives' remuneration prepared in accordance with statutory obligations and accounting standards are set out in table 18 of this Report.

Table 3: Actual remuneration received by the Managing Director and Reported Executives for FY2011

	Fixed Remuneration	STI[1]	LTI[2]	Superannuation	Other[3]	Total
C.P. Rex	$1,500,000	$1,201,750	$990,610[4]	$15,199	$15,361	**$3,722,920**
B.R. Soden	$1,100,000	$374,000	$382,027	$15,199	$51,009	**$1,922,235**
C.R. McNally	$700,000	$275,000	$277,845	$15,199	$25,812	**$1,293,856**
D.A. Sims	$700,000	$300,000	$138,923	$15,199	$29,909	**$1,184,031**
J.M. Watts	$564,241	$133,805	-	$57,896	$18,448	**$774,390**

1. *For all Reported Executives except Mr Rex, this figure represents the actual STI paid in FY2011 (relating to FY2010). For Mr Rex, the figure represents the value of his STI relating to FY2010. Mr Rex is obliged to accept half of his STI in cash (paid in FY2011); the remaining amount of his STI earned is required to be invested in Company shares, which are subject to disposal restrictions for 3 years. For further details of the Company's STI Plan, please see table 10 of this Report.*
2. *This figure represents the value of the ordinary shares that were allocated on the exercise of vested performance rights during the financial year. The value is calculated by multiplying the number of vested rights by the 5-day volume weighted average share price (**VWAP**) on the date of allocation. Shares that are allocated on the exercise of vested rights are held in trust, subject to disposal restrictions. Performance Rights, including those granted in FY2011, that remain subject to performance and service conditions do not appear in this table, as they are not eligible for vesting until the conclusion of the performance period (3 years). For further details of the Company's LTI Plan, please see table 13 of this Report.*
3. *This figure represents non-monetary benefits such as health insurance cover and motor vehicle running costs.*
4. *This figure includes the value of shares (refer to note 2 above) allocated to Mr Rex on the exercise of his vested performance rights during the financial year ($583,467) and the value of dividends paid in respect of the 600,000 underlying shares for Mr Rex's Equity Based Retention Rights ($407,143). Mr Rex is entitled to a dividend equivalent payment in respect of his equity based retention rights pursuant to his Executive Service Agreement - the terms of which are set out in Footnote 4 to table 18 of this Report.*

The actual remuneration figures for FY2011 demonstrate that remuneration outcomes for the Managing Director and Reported Executives continue to align with the overall performance of the Group, which has remained strong throughout FY2011. Over the 3-year period ended 30 June 2011, only 3 companies out-ranked Ramsay in its ASX comparator group, described on page 41 of this Report, for relative TSR performance.

The high proportion of at-risk rewards earned in FY2011 reflects the Group's continuing strong performance, both in absolute terms and relative to its peers. In particular:

- The Managing Director received 100% of his maximum STI bonus opportunity for FY2011, being:
  - 100% of his possible target component (for performance against target KPIs worth 60% of the maximum STI payable); and
  - 100% of his possible stretch component (for performance against stretch KPIs, worth the remaining 40% of the maximum STI payable).
- Other Reported Executives received their maximum STI opportunities based on performance against challenging target KPIs.
- All of the Performance Rights granted to Reported Executives in 2008 vested on 31 August 2011, based on Ramsay's strong performance over the three-year performance period up to and including 30 June 2011. Specifically:
  - based upon the analysis conducted by Orient Capital, the Company was ranked 4th in its relative TSR comparator group (described on page 41) with a percentile ranking of 95.83% which was significantly above the percentile ranking of 75% required for vesting of the TSR component;
  - the aggregate three-year EPS of 259.7 cents exceeded the target of 237.7 cents required for full vesting of the EPS component; and
  - the relevant business unit performance hurdle was met (for the Reported Executive whose Performance Rights were subject to such hurdle).

Further details of the terms of the STI and LTI programme. are set out in tables 10 and 13 in the 'Executive Remuneration: In Detail' section of this Report. In addition, the 'Supporting Business Objectives' section on pages 34 - 37, includes an analysis of the links between Company performance and 'at-risk' remuneration outcomes for Reported Executives over a 5 year horizon.

REMUNERATION REPORT – AUDITED (CONTINUED)

2. Remuneration Governance

How we make decisions

The diagram below provides an overview of the process the Company follows in setting Non-Executive Director and executive remuneration.

Diagram 1 – Remuneration Processes

Board

Maintains overall responsibility and accountability for oversight of the Company's remuneration policy, and the principles and processes which give effect to that policy.

Approves, having regard to recommendations of the Remuneration Committee:

- the Company's executive remuneration policy;
- the remuneration packages of the Executive Directors (including the CEO) and all senior executives reporting directly to the CEO;
- 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.

INSTRUCT & OVERSEE ↓ INFORM & RECOMMEND ↑

Remuneration Committee

Primarily responsible for:

- reviewing and making recommendations to the Board regarding the Group's remuneration policies;
- considering and making recommendations to the Board on the specific remuneration for the Executive Directors and proposed remuneration for the Company Secretary and all senior executives reporting directly to the CEO;
- reviewing and making recommendations to the Board regarding the design of all executive incentive plans and the total proposed payments from each executive incentive plan;
- reviewing and recommending to the Board the level of remuneration for Non-Executive Directors

ENGAGE & OVERSEE →

SUPPORT & ADVISE ←

Remuneration consultants & other external advisors

Support the Remuneration Committee by providing independent advice on matters including:

- objective benchmarking data and market practice of other listed companies;
- independent legal and regulatory advice on issues that impact on remuneration arrangements for Directors and Executives; and
- advice on alternatives for incentive plans.

INSTRUCT & OVERSEE ↓ INFORM & RECOMMEND ↑

CEO

Recommends to the Remuneration Committee:

- the remuneration arrangements and performance assessments for his direct reports.

Maintaining independence

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

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

Independence of the Remuneration Committee

In discharging its duties, a critical factor for any remuneration committee is that it is independent of management. Each of the 3 members of the Ramsay Remuneration Committee are Non-Executive Directors who are independent of management.

In line with the broader independence test applied under the ASX Corporate Governance Principles and Recommendations, the Chairman of the Remuneration Committee (Mr McGeoch) is an independent director. The Board is also of the view that, for the reasons set out in the Corporate Governance Statement of this Annual Report, Mr Evans is an independent director. Accordingly, the Remuneration Committee comprises a majority of independent directors using the test applied under the ASX Corporate Governance Principles and Recommendations.

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

REMUNERATION REPORT – AUDITED (CONTINUED)
2. Remuneration Governance (continued)

Engagement of remuneration consultant & other external advisors

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

The remuneration consultant and external advisors used by the Company during FY2011, and the work undertaken by them, are set out in table 4.

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

Table 4 – Remuneration Consultant and External Advisors

A. Remuneration Consultant	Major items of work
Godfrey Remuneration Group	• Fixed remuneration benchmarking data for key executives • Benchmarking analysis for Non-Executive Director fees
B. External Advisors	**Major items of work**
1. Ernst & Young	Market practice information regarding executive remuneration arrangements, advice on equity incentive awards and advice on the Remuneration Report
2. Freehills	Legal advice and market practice guidance on Remuneration Report, remuneration governance arrangements and remuneration related approvals at the AGM
3. Orient Capital	Relative TSR ranking analysis
4. Goldman Sachs	Benchmarking data regarding TSR comparator group for LTI plan
5. PricewaterhouseCoopers	Equity valuations for LTI grants

Of these advisors, only Godfrey Remuneration Group provided the Company with remuneration recommendations in relation to the quantum or elements of the remuneration packages of the Company's KMP and is therefore deemed to be a remuneration consultant under recent amendments to the Act. During FY2011 the Company incurred fees of approximately $40,600 to Godfrey Remuneration Group for providing remuneration recommendations and advice.

The Company recognises the importance of establishing appropriate parameters and guidelines for the engagement and utilisation of remuneration consultants. Currently, remuneration consultants are engaged by and report directly to the Remuneration Committee. In appointing the Company's remuneration consultants, the Remuneration Committee has formalised its selection criteria which include specialist remuneration expertise (including benchmarking), independence, scope for conflicts of interest, understanding of the business and experience in providing remuneration advice to S&P/ASX 100 companies.

The Board recognises that it is important for remuneration consultants to have access to management in formulating their advice, as this ensures that the consultants understand the Company's circumstances and can tailor their advice to its objectives. However, the terms of engagement for the remuneration consultants emphasise the importance of maintaining independence from management and remuneration consultants are encouraged to notify the Chairman of the Remuneration Committee if they have any concerns about the level of influence management is attempting to exert over their advice.

Following the amendments to the Act which came into force on 1 July 2011, the Board has developed Protocols to formalise the arrangements for the engagement of remuneration consultants and the parameters around the interaction between management and remuneration consultants to provide further clarity and transparency around this process.

3. Executive Remuneration Policy

Guiding principles

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

Talent management & succession planning

The success of the Group depends on the quality and the capabilities of its directors and executives who manage the business and implement the strategies of the Board. Attracting and retaining exceptional people to lead and manage the Group is critical to achieving the Company's objective of delivering shareholder value compared to its peers in the Australian and international healthcare industry. The Company's remuneration structures are set with these objectives in mind.

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

Performance driven outcomes

While the Board recognises that regulations, guidelines and market forces necessarily influence remuneration practices and benchmarks, the Board strongly believes that the fundamental driver behind the Company's remuneration structure should be Company performance. Accordingly, while remuneration is structured to attract, motivate and retain high-performing individuals, the amount of remuneration ultimately earned by any individual is dependent on superior performance and generating value for shareholders. This is mainly achieved through the 'at-risk' components of executive remuneration (i.e., the STI and LTI).

Long-term value for shareholders

Remuneration is structured to drive sustainable growth and returns to shareholders. Both short-term and long-term performance targets are linked to the core activities necessary to build competitive advantages for the Group's business, without creating excessive risk for the Group.

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

- under the STI Plan, the Managing Director is required to take 50% of his total STI bonus earned (less applicable tax) in the form of shares in the Company acquired on-market and at market price. These shares are subject to restrictions and cannot be dealt with by the Managing Director until the earlier of the end of a 3-year period or cessation of employment;
- under the LTI Plan, 'vesting' of the LTI (which is the point at which the executive can derive value from their LTI award) cannot occur before three years; and

REMUNERATION REPORT – AUDITED (CONTINUED)
3. Executive Remuneration Policy (continued)

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

To further enhance the alignment of remuneration with long-term shareholder interests, LTI grants made since FY2009 are tested against two or three performance hurdles that combine the relative TSR measure with an Earnings Per Share (**EPS**) growth hurdle and, where appropriate, a business unit performance hurdle. This combination of measures ensures that rewards to participants under the LTI programme are reflective of the Group's overall business performance.

Communication & engagement of stakeholders

The Board is committed to clear disclosure and explanation of the Company's remuneration structures. In keeping with this commitment, the Board has made enhancements to the 2011 Remuneration Report to further improve clarity and transparency regarding the key issues of concern to shareholders and other users of the Report.

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

The Board will, where appropriate, seek the views of shareholder representative bodies in designing and implementing changes to the Company's remuneration structures, and invite questions from shareholders on the Remuneration Report either prior to or at the 2011 Annual General Meeting (**AGM**).

Supporting business objectives

Remuneration structures support business objectives

Sustained performance over the long-term is the key focus of the Group and it is the efforts of employees, under the stewardship of the Board and leadership of the Managing Director and senior executives, which makes the achievement of this possible.

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

Diagram 2 - Aligning Remuneration Structures to Corporate Objectives

The Ramsay Way Culture	To be a leading provider of health care services by delivering high quality outcomes for patients and ensuring long term profitability.	Creation of Shareholder Wealth
Remuneration Strategy	To reward executives in strategic roles who deliver sustained performance and growth.	A significant proportion of remuneration for key executives is 'at risk' based on delivery of shareholder returns.

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

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

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

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

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

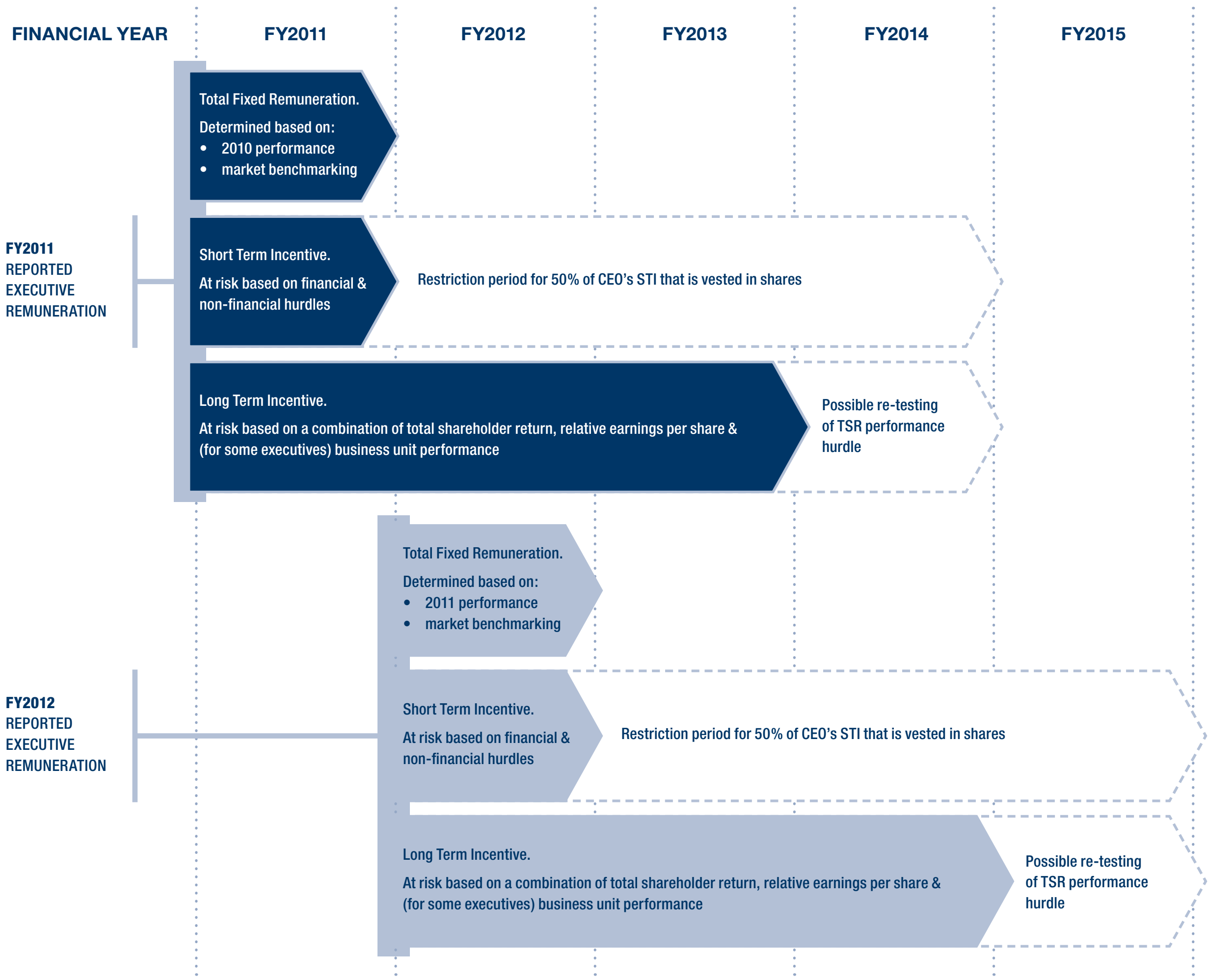
- *EPS targets*
- *Relative TSR targets*
- *In some cases, business unit performance is a third hurdle.*

REMUNERATION REPORT – AUDITED (CONTINUED)
3. Executive Remuneration Policy (continued)

Remuneration cycle encourages sustained performance

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

Diagram 3 – Remuneration cycle for Reported Executives



By staggering the delivery of benefits over a multi-year horizon, the Company ensures that Reported Executives are retained and rewarded for delivering ongoing improvements in Group performance and are not focused on short term results at the expense of longer term performance.

Remuneration outcomes demonstrate alignment with performance objectives

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

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

Table 5: Year-on-year performance snapshot

Financial Year	Share Performance				Earnings Performance		Enterprise Value[3] ($m)
	Closing Share Price (A$)	Dividend (cents/share)	TSR Percentile Ranking[1] (%)	Core EPS[2] (cents/share)	Core EBIT ($m)	Core NPAT ($m)	
2011	$18.18	52.0¢	95.83%	101.1¢	$395.5	$220.6	$4,948.0
2010	$14.05	43.5¢	95.59%	84.5¢	$333.8	$178.5	$4,254.0
2009	$11.54	38.0¢	89.39%	74.1¢	$303.3	$146.4	$3,626.1
2008	$8.71	32.5¢	67.14%	60.7¢	$255.6	$123.1	$3,050.5
2007	$11.21	29.0¢	73.02%	54.3¢	$212.5	$110.9	$2,931.0

1. *TSR percentile ranking against the comparator group comprising the last 100 companies in the ASX 200 index over the 3-year performance period up to the close of each relevant Financial Year.*
2. *EPS is calculated using earnings from continuing operations before specific items, amortisation of intangibles and divested operations. Since the introduction of the EPS as an additional STI hurdle in FY2008/09, there have been no material divested operations for accounting purposes.*
3. *Enterprise Value is the Company's market capital (being the total number of issued ordinary shares on 30 June at the closing market share price) plus CARES and net debt.*

REMUNERATION REPORT – AUDITED (CONTINUED)
3. Executive Remuneration Policy (continued)

The Company's strong year-on-year performance has resulted in Reported Executives receiving a substantial proportion of their available STI bonuses for FY2011 and the 4 preceding financial years. Table 6 below sets out the average proportion of the maximum bonuses that Reported Executives received for each of the past 5 financial years.

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

Table 6: Average proportion of STI awarded, FY2007-FY2011

Financial Year	2007	2008	2009	2010	2011
% of maximum STI awarded (average for Reported Executives)	100%	98%	92%	96%	100%

Strong year-on-year performance has enabled the Company to outperform its peers over a longer-term time horizon. Consistent with the strong relative performance of the Company compared to its comparator group described on page 41 of this Report, Reported Executives have derived significant value from their LTI grants over the past 4 years, as shown below.

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

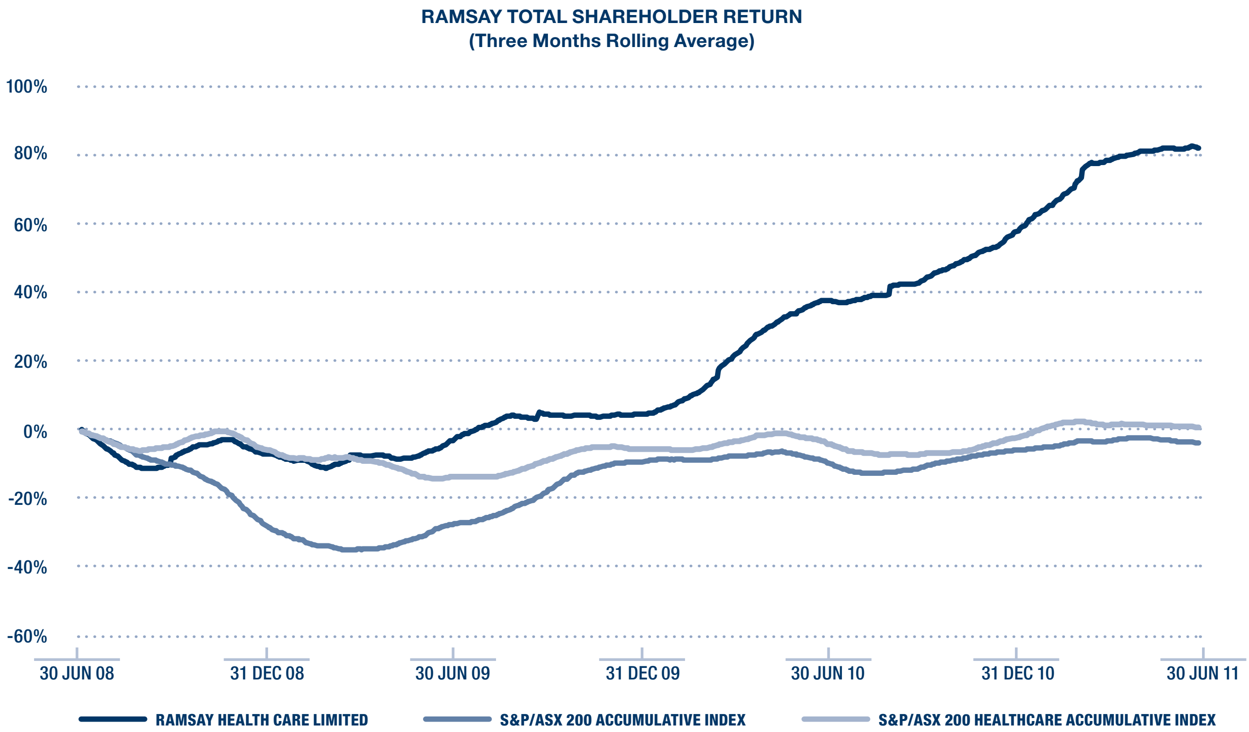
Table 7: Vesting levels achieved under the LTI Performance Rights Plan over the last 4 years

Testing date (30 June)[1]	TSR Percentile Ranking for Vesting to Commence	TSR Percentile Ranking for Full Vesting	Actual TSR Percentile Ranking Achieved	TSR Component Vesting under LTI Plan
2011	50%	75%	95.83%	100%
2010	50%	75%	95.59%	100%
2009	50%	75%	89.39%	100%
2008	50%	75%	67.14%	84.28%[2]

1. *TSR measured over the 3-year performance period up to the close of each relevant Financial Year.*
2. *Unvested performance rights where carried forward for retesting on 31 December 2008 in accordance with the terms of issue. On retesting the Company achieved a TSR percentile ranking of 89.06% and all carried forward performance rights subsequently vested.*

The graph below shows the Company's TSR performance over the past 4 financial years, compared to the broader S&P/ASX 200 Accumulative Index and the S&P/ASX 200 Healthcare Accumulative Index.

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



Source: Orient Capital Pty Limited

Note: TSR is measured over the 3 years to the end of the relevant financial year.

The graph demonstrates that there has been a strong correlation between the returns delivered by the Company to its shareholders and the level of vesting of LTI grants, and that the intended alignment between shareholder and executive interests is actually being achieved in practice. The introduction of two, and where appropriate (refer to Table 13), three separate performance hurdles under the LTI Plan further reinforces and strengthens this alignment and helps to ensure that it continues to operate effectively in changing market conditions.

LTIs with an EPS hurdle first became eligible to vest at the end of FY2011 and fully vested based on the Company's strong earnings performance.

REMUNERATION REPORT – AUDITED (CONTINUED)
3. Executive Remuneration Policy (continued)

(b) Performance Rights subject to the EPS performance condition[1]

Table 8: EPS Performance

Financial Year	Aggregate 3-year[2] Minimum EPS Threshold (cents per share)	Aggregate 3-year[2] Maximum EPS Target (cents per share)	Actual Aggregate 3-year[2] EPS Achieved (cents per share)	EPS component Vesting under LTI Plan
2011	218.0¢	237.7¢	259.7¢	100%

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

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

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

The business unit performance hurdle was first introduced as a performance measure for LTI awards granted during FY 2009. The first Performance Rights awarded subject to the business unit performance hurdle fell due for testing on 30 June 2011.

The business unit performance hurdle only applies to grants made to executives who have direct responsibility and control over a specific business unit. In the case of Reported Executives, only one (Ms Watts) has been awarded Performance Rights subject to a business unit hurdle.

Based on the performance of each relevant business unit, 100% of the performance rights awarded in FY2009 of this component vested on 31 August 2011.

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

4. Executive Remuneration: In Detail

Remuneration Components

Remuneration components & their relative weightings

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

The variable remuneration has two 'at risk' components:

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

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

Table 9: Relative mix of remuneration components for Reported Executives for FY2011

	% of total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
		STI Opportunity[1]	LTI Opportunity[2]
C.P. Rex	31%	31%	38%
B.R. Soden	43%	21%	36%
D.A. Sims	40%	20%	40%
C.R. McNally	40%	20%	40%
J.M. Watts	50%	20%	30%

1. Assumes all applicable KPIs are achieved in full.

2. Assumes all applicable hurdles are achieved in full.

Fixed remuneration

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

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

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

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

Generally, the Board and Remuneration Committee's practice is to set fixed remuneration for executives at median market levels.

The independent consultant engaged by the Remuneration Committee to provide the benchmarking data for purposes of the FY2011 remuneration review process was the Godfrey Remuneration Group. The Godfrey Remuneration Group has no link to the Company, its Directors, or Reported Executives other than as a professional service provider.

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

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Short-term Incentive (STI)

Table 10 – Summary of STI Programme

What is the STI programme?

An incentive plan under which participants are eligible to receive an annual incentive if they satisfy pre-determined operational, strategic and individual performance targets.

Who participates in the STI programme?

Reported Executives (including the Managing Director) as well as other key executives on a discretionary basis (**STI Participants**).

Why does the Board consider the STI programme an appropriate incentive?

The STI programme and the performance conditions set under the programme are designed to motivate and reward high performance.

The STI programme puts a significant proportion of STI Participants' remuneration at-risk against meeting targets linked to the Company's business objectives. This aligns executive interests with the Company's financial performance and with the Company's management principles and cultural values.

The total potential STI available is set at a level designed to provide sufficient incentive to the executive to achieve the operational targets at a cost to the Company that is appropriate in the circumstances.

Are both target and stretch performance conditions imposed?

Stretch targets apply to the Managing Director's STI bonus so that if his performance exceeds the already challenging targets, the STI programme will deliver higher rewards. The Managing Director's STI bonus is determined on the basis of key performance indicators (**KPIs**), with 60% of the total maximum award available where target performance is achieved and a further 40% of the total maximum award available for satisfying stretch targets. The stretch targets are designed to be met only in exceptional circumstances. They are broken down into two equal components, namely non-financial and financial criteria.

For all other STI Participants, a single set of challenging KPIs apply to the entire STI bonus (although the specific targets vary between individual executives – as explained below).

What are the key performance indicators (KPIs)?

The KPIs vary, depending on the individual executive's position. Formal KPIs have been set for each of the Reported Executives, including the Managing Director. STI awards for all other STI Participants are made on a discretionary basis.

As noted above, the Managing Directors' STI awards are linked to both base and stretch KPI targets:

- Target KPIs – 60% of the maximum STI award is achieved upon satisfaction of target KPIs, which are equally divided between financial and non-financial measures.
- Stretch KPIs – The remaining 40% of the maximum STI award is achieved upon satisfaction of the additional, or stretch KPIs designed to be met only in exceptional circumstances. The stretch KPIs are also equally divided between financial and non-financial measures.

For other Reported Executives, STI awards are linked to performance against specific operational targets set around the beginning of each financial year. Operational targets consist of a number of KPIs covering both financial and non-financial measures.

Depending on the Reported Executive's responsibilities, the emphasis upon financial and non-financial measurements can vary significantly.

Table 11 – Financial and Non-Financial KPIs for FY2011

	% Financial KPIs	% Non-financial KPIs
C.P. Rex	50%	50%
B.R. Soden	65%	35%
C.R. McNally	50%	50%
D.A. Sims	50%	50%
J.M. Watts	60%	40%

Specific examples of financial measures used for FY2011 include:

- Core NPAT performance to budget
- Core EBIT performance to budget
- Business unit contribution to EBIT
- Capital and Financial Management
- Strategic financial planning

Specific examples of non-financial measures used for FY2011 include:

- Clinical risk management (delivering safe, high quality patient care)
- Promotion of the 'Ramsay Way' culture
- Team leadership
- Risk management
- OH&S (including reduction in Lost Time Injury Frequency Rates)
- Private health fund and doctor relationships
- Strategic planning and development
- New business initiatives
- Succession planning
- Investor relations

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Why were the KPIs chosen?	Underpinning the KPIs are the Company's commitment to the twin objectives of: • delivering safe, high quality clinical care for our patients; and • providing a safe working environment for all our people. A combination of financial and non-financial KPIs have been chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will ultimately drive future growth and returns for shareholders. The financial KPIs were chosen to provide measureable financial performance criteria strongly linked to year-on-year shareholder returns. Non-financial KPIs were chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives including the delivery of safe, high quality patient care, safe working environment, strategic growth, the retention of a professional workforce and the development of new business initiatives.
How are the KPIs measured?	Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual executives. Financial KPIs are assessed quantitatively against predetermined benchmarks. Non-financial KPIs are assessed quantitatively where possible and otherwise by periodic qualitative performance appraisals. Where applicable any extraordinary or unanticipated factors which may have affected the Company's performance during the year are considered and where necessary, the relevant performance measure is adjusted.
Who assesses the performance of Reported Executives?	The Remuneration Committee assesses the Managing Director's performance against his KPIs and stretch KPIs and makes a recommendation to the Board for final determination. The Managing Director assesses the performance of all other Reported Executives and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination.
In what form is the STI delivered?	All STI awards are delivered as a cash payment to Reported Executives, with the exception of the Managing Director. Under the Managing Director's Executive Service Agreement, half of his STI payment is paid in cash. The Company must withhold the remaining 50% of the STI earned, less applicable tax, and use the amount to purchase on-market ordinary shares in the Company at market price. The purchased shares do not form part of the share-based payments for the purposes of note 27.1 of the Financial Statements. The shares are restricted and cannot be dealt with by the Managing Director until the earlier of his ceasing employment with the Group or 3 years from the date the shares are acquired. The restriction on trading the shares is aimed at strengthening the link between the Managing Director's remuneration and shareholder interests, as it provides an additional incentive for the Managing Director to focus on the Company's long-term, sustainable growth. Shares purchased as part of the Managing Director's STI payment are only ever acquired on-market during the trading windows, in accordance with the Company's Securities Trading Policy.
What if a Reported Executive ceases employment?	If a Reported Executive ceases employment with the Company before STI targets are achieved, then they will generally not be entitled to receive any STI bonus. However, if cessation of employment is due to illness, disability or death or is a Company-initiated termination other than for cause (for example redundancy) the Reported Executive may receive a pro-rata STI payment for the portion of the performance period he was employed by the Company.
What STI awards did Reported Executives earn in FY2011?	STI payments for FY2011 are set out in table 12 below. These are only paid after the auditors have signed off on the statutory financial accounts for the full year.

Table 12 – STI bonuses for FY2011 – to be paid in FY2012[1]

Reported Executive	Actual STI awarded to be paid in FY2012 subject to target KPIs	Actual STI awarded to be paid in FY2012 subject to stretch KPIs	Maximum potential STI bonus[2]	Actual STI awarded as % of Maximum STI
C.P. Rex[3,4]	$900,000	$600,000	$1,500,000	100%
B.R. Soden	$550,000	-	$550,000	100%
D.A. Sims	$350,000	-	$350,000	100%
C.R. McNally	$350,000	-	$350,000	100%
J.M. Watts	$190,000	-	$190,000	100%

1. The STI awards for FY2010 that were paid in FY2011 are set out in the Company's Remuneration Report for FY2010.

2. The maximum potential value of the FY2011 STI awards for all Reported Executives except Mr Rex (i.e. all other Reported Executives who receive STI awards are paid only in cash) is the amount disclosed in Table 12. As a minimum level of performance must be achieved before any STI is awarded, the minimum potential value of the STI for all participants in FY2011 was nil.

Mr Rex's FY2011 STI award is comprised of a cash payment (50%) and a portion (50%, less taxes) used to purchase restricted shares. The shares cannot be disposed of for three years unless Mr Rex's employment with the Company ceases earlier. Therefore, the maximum potential value of Mr Rex's FY2011 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.

3. For Mr Rex, 60% of his maximum bonus is awarded where target KPI performance levels are achieved. The remaining 40% of his maximum bonus only becomes available where performance exceeds stretch KPI levels, in which case some or all of the remaining 40% of the STI may be awarded based on performance against stretch KPI levels.

4. As Mr Rex exceeded target performance levels for FY2011 and also succeeded in meeting or exceeding the stretch targets, his total FY2011 STI award is 100% of the total maximum STI available for the financial year.

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Long-term Incentive (LTI)

Table 13 – Summary of LTI Programme

What is the purpose of the LTI programme.	The purpose of the LTI programme is to align executive reward with shareholder wealth by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
Who participates in the LTI programme.	Participation in the LTI programme is only offered to executives who are able to significantly contribute to the generation and preservation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles (including the Reported Executives as well as other key executives on a discretionary basis) (**LTI Participants**).
What proportion of total remuneration does the LTI programme represent for Reported Executives?	The Reported Executives, including the Managing Director, were offered grants under the LTI programme for FY2011 designed to equal 30 to 40% of their total remuneration (on an annualised basis) assuming full satisfaction of applicable performance hurdles. However, Reported Executives will not derive actual value from their LTI grants unless the applicable challenging performance hurdles are achieved.
How is reward delivered under the LTI programme.	LTI grants are delivered to LTI Participants in the form of equity-based Performance Rights under the Company's Executive Performance Rights Plan, previously approved by shareholders. Each Performance Right is an entitlement to receive a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a 3 year period. If the applicable service and performance conditions are satisfied, the Performance Rights will vest, and Company shares will be delivered to the LTI Participants.
Do participants pay for the Performance Rights?	Performance Rights are offered at no cost to the LTI Participants.
What rights are attached to the Performance Rights?	Performance Rights do not carry voting or dividend rights, however shares allocated upon vesting of Performance Rights will carry the same rights as other ordinary shares.
What restrictions apply?	The Company prohibits hedging of Performance Rights. Shares received upon vesting of awards under the LTI Plan are subject to disposal and dealing restrictions as long as they remain in the trust. While they remain in the trust, the shares cannot be sold, transferred or otherwise dealt with without prior Board approval. Where the Board has approved an application for the restrictions to be lifted on shares acquired under the LTI Plan, the shares may be released from the trust and may only be sold within one of the 'trading windows' and otherwise in accordance with the Company's Securities Trading Policy.
What are the performance hurdles?	Grants made prior to FY2009 had a single performance hurdle, namely relative Total Shareholder Return (**TSR**). In response to shareholder feedback, the Board reviewed this approach for future LTI grants. For Performance Rights granted since FY2009, vesting is linked to two (or, in some cases, three) independently-applied performance conditions: • Relative TSR; • Earnings Per Share Growth (**EPS**); and • Business unit performance. The business unit performance condition only applies to grants made to executives who have direct responsibility and control over a discrete business unit. Where an LTI grant is subject to a business unit hurdle, the grant is split into three, equally weighted components: • One component is tested against the relative TSR hurdle; • Another component is tested against the EPS hurdle; and • The remaining component is tested against the business unit hurdle. Where an LTI grant is not subject to a business unit performance hurdle, the grant is split into two, equally weighted components: • One component is tested against the relative TSR hurdle; and • The remaining component is tested against the EPS hurdle. Diagram 4 below demonstrates the way in which these performance conditions interact and the times at which an LTI grant is tested and has the opportunity to vest.

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

How is the relative TSR hurdle measured?

Relative TSR hurdle

For LTI grants made prior to 1 July 2011, the relative TSR hurdle is determined by measuring and ranking the Company's TSR relative to the TSRs of a comparator group of companies. For the FY2011 LTI grant, the comparator group is comprised of S&P/ASX 200 Index companies ranked 101 to 200 at the start of the 3-year performance period, excluding companies in the metals and mining sector, adjusted for companies which have undergone mergers, takeovers or insolvency during the performance period. This broad industry group has been used since the inception of the LTI Plan because there are too few Australian healthcare companies of similar size to Ramsay for TSR comparison purposes.

On the recommendation of the Remuneration Committee and the Goldman Sachs analysis, the Board has determined that for LTI grants made in FY2012, the most appropriate comparator group of companies is comprised of companies in the S&P/ASX 200 Index, excluding companies in sectors having different drivers of operating performance being those in the real estate, financial and resources industries.

Performance Rights tested against the relative TSR hurdle vest on a sliding scale, with half of the rights vesting where the Company's TSR performance is at the 50th percentile ranking, up to full vesting of the rights for Company performance at or above the 75th percentile ranking of the comparator group.

The following table outlines the vesting schedule for Performance Rights that vest subject to the TSR hurdle:

Table 14 – TSR vesting schedule

Company's TSR ranking against the comparator group	% of Performance Rights subject to the TSR hurdles that vest
TSR below 50th percentile	Nil
TSR at 50th percentile	50%
TSR between 51st and 75th percentile	Between 50% and 100% increasing on a straight line basis
TSR above 75th percentile	100%

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) for performance over the extended period.

As the comparator group used for assessing the Company's TSR is comprised of companies from a broad range of sectors, the Directors believe that the measurement of the Company's TSR performance on the first test may not necessarily reflect the Company's true relative TSR performance. For example, the Company's share price may be significantly impacted by unexpected market forces external to the Company. Accordingly, the Board adopts the approach that re-testing on two further occasions (if necessary) will afford a fairer opportunity for assessing the Company's TSR performance over a multi-year period.

If the TSR hurdle is not satisfied on the second and final re-test, all unvested Performance Rights will immediately lapse.

How is the EPS hurdle measured?

EPS hurdle

EPS is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations (since the introduction of the core EPS hurdle, there have been no material discontinued or divested operations under the applicable accounting standards).

The EPS hurdle is measured by comparing the Company's aggregate EPS over 3 years against the aggregate threshold (or minimum) EPS target and the maximum EPS target as set by the Board after the announcement of the full year financial results.

These targets are set annually by the Board to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook. The Board believes that this approach is better aligned to shareholders' interest than setting a 3 year target in advance which may become unrealistically high or unrealistically low as market conditions change over the 3 year period. The annual targets are then aggregated to provide the threshold and maximum 3 year targets for vesting of Performance Rights.

Performance Rights vest on a sliding scale, with half vesting for achieving the aggregate threshold EPS target up to full vesting for achieving the aggregate maximum EPS growth.

No re-testing of the EPS hurdle is permitted.

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

What are the EPS Targets and Thresholds?

The following table outlines the vesting schedule for the Performance Rights that are tested against the EPS hurdle.

Table 15 – EPS hurdle vesting schedule

Aggregate EPS performance	% of Performance Rights subject to the EPS hurdles that vest
Less than aggregate threshold EPS target	Nil
Equal to aggregate threshold EPS target	50%
Greater than aggregate threshold EPS target up to the aggregate maximum EPS target	Between 50% and 100% increasing on a straight line basis
Greater than aggregate maximum EPS target	100%

Due to their commercial sensitivity, the annual EPS hurdles and the extent to which the hurdles have been achieved can only be disclosed retrospectively. However, the Company is able to disclose that for the year ended 30 June 2011 the maximum EPS target was set at 92.6 cents per share and the threshold EPS target was 90% of the maximum target.

The FY2011 audited accounts indicate that the EPS achieved was 101.1 cents per share. Over the 3 year period to June 2011, 100% of the Performance Rights subject to the EPS hurdles vested.

How is the business unit hurdle measured?

Business unit performance hurdle

As noted above, the business unit performance hurdle only applies to grants made to LTI Participants who have direct responsibility and control over a specific business unit.

Examples of LTI Participants whose LTI awards are subject to business unit performance hurdles include State Managers in Australia and the CEO of the Group's UK Operations. Specific performance conditions for those executives regarding their relevant business units are determined by the Managing Director and endorsed by the Remuneration Committee and the Board.

These performance conditions vary from executive to executive and include various strategic objectives and milestones derived from the Company's 5-year plan (including specific financial targets).

The component of an executive's LTI grant that is subject to a business unit performance hurdle is tested at the end of the 3-year performance period. Separate performance conditions are set in respect of each business unit at the beginning of the performance period.

Those Participants awarded LTI grants to which the business unit performance hurdle applies need to fully satisfy the performance condition for their relevant business unit. No sliding scale or re-testing mechanism applies to this portion of the LTI grants.

Why have the performance hurdles been chosen?

The TSR hurdle has been chosen because it provides a direct link between executive reward and shareholder return (relative to the Company's peers). Executives will not derive any value from the LTI grants made in FY2011 unless the Company's performance is at least at the median of the comparator group for the performance period.

The EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings and is linked to shareholder returns. The EPS growth hurdle is also linked to the Company's overall strategic objectives and requires that the Company's EPS growth over the performance period is greater than the targets set by the Board.

The business unit performance measure is an additional hurdle chosen only for those executives who have direct responsibility and control over the performance of discrete parts of the Group's business. The purpose of this additional hurdle for these executives is to help focus their efforts towards continually improved performance of the business unit for which they are responsible.

Diagram 4 below demonstrates the operation of the performance hurdles noted above.

What if an LTI Participant ceases employment?

Under the terms of issue of the LTI grants and the LTI Plan Rules, if an LTI Participant ceases employment with the Company before the performance conditions are tested, then the unvested Performance Rights will generally lapse.

If the LTI Participant's cessation of employment is due to death, illness, disability or redundancy, or where the Board consents, some or all of the unvested Performance Rights held by the LTI Participant at the time his employment ceases may vest at the Board's discretion, having regard to pro-rata performance and the particular circumstances of the LTI Participant. All rights will lapse immediately if a participant ceases employment within one year after the award date.

Where an LTI Participant acts fraudulently, dishonestly or is, in the Board's opinion, in breach of his or her obligations to the Company, then any unvested Performance Rights will lapse.

Any Performance Rights that vest upon cessation of employment will remain subject to the trading restrictions set out above.

What happens in the event of a change in control?

In the event of a takeover or change of control of the Company, any unvested Performance Rights may vest at the Board's discretion, having regard to pro-rata performance and the circumstances leading to the change of control.

What Performance Rights were granted in FY2011?

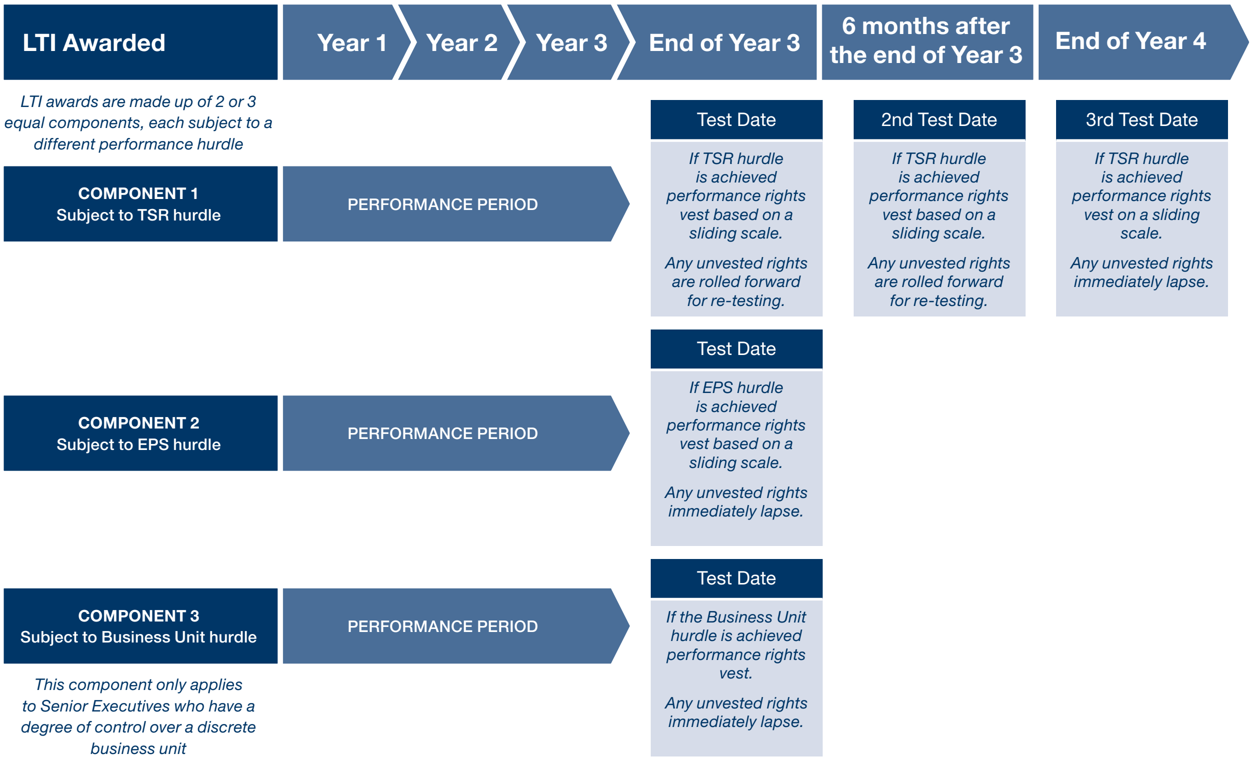
The grants made to the Reported Executives are summarised in table 16 below.

The Board, consistent with past practice, sources the underlying shares on-market for the Performance Rights that it is granting. However, in the interests of transparent corporate governance, the Company will be seeking shareholder approval for the proposed grants of Performance Rights to its Executive Directors, Mr Rex and Mr Soden, at the 2011 AGM.

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

What was the movement in the number and value of Performance Rights held by Reported Executives during FY2011?	These are summarised in table 17 below.

Diagram 4– Operation of LTI hurdles



Note: Re-testing of TSR performance is done over the extended performance period.

Table 16 – Performance Rights granted to Reported Executives in FY2011

Reported Executive	Performance Condition[1]	Number of Performance Rights Granted[2]	Fair value per Performance Right[3]	Maximum value of grant[4]
C.R. Rex	TSR	75,000	$10.61	$795,750
	Core EPS	75,000	$14.36	$1,077,000
		150,000		**$1,872,750**
B.R. Soden	TSR	37,500	$10.61	$397,875
	Core EPS	37,500	$14.36	$538,500
		75,000		**$936,375**
C.R. McNally	TSR	27,500	$10.61	$291,775
	Core EPS	27,500	$14.36	$394,900
		55,000		**$686,675**
D.A. Sims	TSR	27,500	$10.61	$291,775
	Core EPS	27,500	$14.36	$394,900
		55,000		**$686,675**
J.M. Watts	TSR	6,666	$10.61	$70,726
	Core EPS	6,667	$14.36	$95,738
	Business Unit	6,667	$14.36	$95,738
		20,000		**$262,202**

1. *Performance Rights are subject to performance over the 3-year period from 1 July 2010 to 30 June 2013. Performance Rights lapse where the applicable performance conditions are not satisfied on testing. As the Performance Rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, FY2011 Performance Rights have not yet been forfeited or vested.*
2. *The grants made to Reported Executives constituted their full LTI entitlement for FY2011 and were made on 17 November 2010 subject to the terms summarised in Table 13.*
3. *The fair value per Performance Right was calculated by independent consultants PricewaterhouseCoopers as at the grant date of 17 November 2010. An explanation of the pricing model used to calculate these values is set out in note 27.2 to the financial statements.*
4. *The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met).*

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Table 17 – Movement in Performance Rights held by Reported Executives to the date of this Report

	Date of grant	Number of rights granted	Vesting date	Number of rights vested[1]	Value of rights vested[2] $	Number of rights forfeited/ lapsed[3]	Value of rights forfeited/ lapsed $
C.P. Rex							
Equity Settled Performance Rights	23-Oct-07	42,306	31-Jul-10	42,306	$609,160	-	-
	30-Dec-08	50,000	31-Aug-11	50,000	$866,490	-	-
	20-Oct-09	55,000	30-Sep-12	-	-	-	-
	17-Nov-10	150,000	30-Sep-13	-	-	-	-
Equity Based Retention Rights	1-Jul-08	600,000	1-Jul-13	-	-	-	-
B.R. Soden							
Equity Settled Performance Rights	23-Oct-07	27,700	31-Jul-10	27,700	$398,850	-	-
	30-Dec-08	45,000	31-Aug-11	45,000	$779,841	-	-
	20-Oct-09	50,000	30-Sep-12	-	-	-	-
	17-Nov-10	75,000	30-Sep-13	-	-	-	-
C.R. McNally							
Equity Settled Performance Rights	23-Oct-07	20,146	31-Jul-10	20,146	$290,080	-	-
	30-Dec-08	25,000	31-Aug-11	25,000	$433,245	-	-
	20-Oct-09	35,000	30-Sep-12	-	-	-	-
	17-Nov-10	55,000	30-Sep-13	-	-	-	-
D.A. Sims							
Equity Settled Performance Rights	23-Oct-07	10,073	31-Jul-10	10,073	$145,040	-	-
	30-Dec-08	35,000	31-Aug-11	35,000	$606,543	-	-
	20-Oct-09	40,000	30-Sep-12	-	-	-	-
	17-Nov-10	55,000	30-Sep-13	-	-	-	-
J.M. Watts							
Equity Settled Performance Rights	30-Dec-08	20,000	31-Aug-11	20,000	$346,596	-	-
	20-Oct-09	20,000	30-Sep-12	-	-	-	-
	17-Nov-10	20,000	30-Sep-13	-	-	-	-

1. On vesting of each Performance Right, the holder received one fully-paid share in the Company, subject to disposal and other dealing restrictions, if held in the trust (refer page 40).

2. The amount is based on the Company's 5-day VWAP on the date of vesting (as there is no exercise price payable in respect of Performance Rights). The value of each Performance Right on vesting was:
- $14.3989 on 31 July 2010
- $17.3298 on 31 August 2011

3. The performance conditions applicable to Performance Rights which vested on 31 July 2010 and 31 August 2011 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Total Remuneration

Details of each Senior Executive's remuneration for FY2011 and FY2010 (calculated in accordance with applicable accounting standards) are set out in table 18. All values are in A$ unless otherwise stated.

Table 18 – Senior Executive remuneration (calculated in accordance with accounting standards) for FY2010 and FY2009

Name	Short term				Post employment		Shared based payment rights [3]			Total	Total performance related
	Salary & fees	Non monetary	Leave entitlements	Accrued Cash Bonus [1,2]	Super-annuation	Accrued termination benefits	Amortised cost of incentive share based rights	Equity based retention rights [4]	Percentage of remuneration		
	$	$	$	$	$	$	$	$	%	$	%
C.P. Rex											
FY2011	1,500,000	15,361	46,023	1,500,000	15,199	-	934,133	1,060,800	39%	5,071,516	69%
FY2010	1,306,250	13,458	11,709	1,201,750	14,461	-	401,546	1,060,800	36%	4,009,974	66%
B.R. Soden											
FY2011	1,100,000	51,009	278,747	550,000	15,199	-	592,458	-	23%	2,587,413	44%
FY2010	832,000	30,472	55,808	374,000	14,461	-	340,350	-	21%	1,647,091	43%
C.R. McNally											
FY2011	700,000	25,812	141,116	350,000	15,199	-	405,408	-	25%	1,637,535	46%
FY2010	550,000	15,861	60,854	250,000	14,461	-	220,166	-	20%	1,111,342	42%
D.A. Sims											
FY2011	700,000	29,909	42,974	350,000	15,199	-	450,125	-	28%	1,588,207	50%
FY2010	624,000	35,072	57,416	300,000	14,461	-	243,058	-	19%	1,274,007	43%
J.M. Watts											
FY2011	564,241	18,448	-	190,000	57,896	-	205,601	-	20%	1,036,186	38%
FY2010	594,092	20,222	-	148,917	55,844	-	118,200	-	13%	937,275	28%
Totals											
FY2011	**4,564,241**	**140,539**	**508,860**	**2,940,000**	**118,692**	**-**	**2,587,725**	**1,060,800**	**31%**	**11,920,857**	**55%**
FY2010	**3,906,342**	**115,085**	**185,787**	**2,274,667**	**113,688**	**-**	**1,323,320**	**1,060,800**	**27%**	**8,979,689**	**52%**

1. *Accrued STI bonuses payable to Mr Rex for FY2009 onwards are paid 50% in cash and the other 50% is withheld (less applicable tax) to purchase on-market ordinary shares in the Company at market price, held in Mr Rex's name.*
2. *The FY2011 amounts represent the Reported Executives' accrued STI for the year.*
3. *In accordance with the requirements of the Accounting Standards, the remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. Performance Rights awarded under the LTI Plan and equity-based retention grants made that remained unvested as at 1 July 2010). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Reported 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 27 to the financial statements. The value of the deferred equity component of LTI awarded for FY2011 for the Managing Director has been included as a share-based payment in accordance with AASB 2.*
4. *Pursuant to Mr Rex's Executive Service Agreement he received equity based retention rights which give him a conditional entitlement to receive 600,000 ordinary shares in the Company. They will vest subject to Mr Rex continuing his employment as Managing Director until 1 July 2013.*

REMUNERATION REPORT – AUDITED (CONTINUED)
4. Executive Remuneration: In Detail (continued)

Service Agreement

Mr Christopher Rex

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

Table 19 – Key terms of Executive Service Agreement for C. Rex

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

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

Other Reported Executives

No other Reported Executives have written employment/service contracts and therefore their employment continues until a termination of employment by either the individual executive or the Company occurs. On termination, reasonable notice will apply and the executive will be entitled to any benefits that they have earned prior to termination (including statutory entitlements) and any applicable payments under the Company's policies.

5. Non-Executive Director Remuneration

Guiding Principles

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

Table 20 – Non-Executive Director remuneration – Guiding Principles

Principle	Explanation
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of $2,000,000 (including the superannuation guarantee levy) was approved by shareholders at the 2010 AGM.
Fees are set by reference to key considerations	The annual amount of the aggregate fee pool for Non-Executive Directors and the manner in which it is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board after taking into consideration a number of relevant factors including: • the responsibilities and risks of each Non-Executive Director role; • the time commitment expected of Non-Executive Directors; • the fees paid by peer companies to Non-Executive Directors; and • the independent advice received from external advisors.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, no element of Non-Executive Director remuneration is 'at risk'. In other words, it is not based on the performance of the Company. However, to create alignment between Non-Executive Directors and Shareholders, Non-Executive Directors are encouraged to hold shares in the Company (purchased by the Non-Executive Director on-market). All Non-Executive Directors have acquired shares in the Company, and hold them in their own right.
Reviews of remuneration	The Remuneration Committee and the Board annually reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of good corporate governance. The Board also reviews the market competitiveness of fee levels and assesses whether they are appropriate in the Company's circumstances. Details of the most recent review of Non-Executive Director fees are provided below.

REMUNERATION REPORT – AUDITED (CONTINUED)
5. Non-Executive Director Remuneration (continued)

Review of Non-Executive Director Fees

In the FY2011 review of Non-Executive Directors' fees, the Remuneration Committee engaged the services of an independent consultant, the Godfrey Remuneration Group.

The comparator group used to benchmark Non-Executive Director fees was the same comparator group used to benchmark fixed remuneration for key executives (refer to page 37 for detail), being similarly-sized companies with international operations.

The Godfrey Remuneration Group, having undertaken the independent benchmarking analysis and having regard to the Company's desire to position its main board packages at around the 50th percentile of its comparator group, recommended an increase of 24% in Board fees for Non-Executive Directors for FY2012. However, the average increase in Non-Executive Directors' fees (i.e. including base fees and board committee fees) for FY2011 was 12.1%.

The Board is of the view that the 12.1% increase for FY2011 was reasonable, in light of market practice and the continuing strong performance of the Group.

Board & Committee Fees

Table 21 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	Fees, per annum, for FY2011: • **Board:** – Chairman - $300,000 – Deputy Chairman - $150,000 – Members - $120,000 • **Audit Committee:** – Chairman - $35,000 – Members - $22,500 • **Risk Management Committee:** – Chairman - $30,000 – Members - $20,000 • **Remuneration Committee:** – Chairman - $17,500 – Members - $12,500 • **Nomination Committee:** – Chairman – Nil – Members – Nil These fees are within the current approved Directors' Fee Pool. The Company has no immediate plans to further increase the Directors' Fee Pool.
Other fees/benefits	No additional fees for special duties or exertions were paid during FY2011. Non-Executive Directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.
Post-employment benefits	Superannuation contributions are made on behalf of the Non-Executive Directors at a rate of 9%, which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was $15,199 per Director for FY2011. Certain Non-Executive Directors are entitled to retirement benefits under the Directors Retirement Benefits Plan. Further details are provided below.

Suspension of Non-Executive Directors Retirement Benefit Plan

Background

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

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

1. The operation of the Directors' Retirement Benefit Plan was frozen with effect from 31 December 2009. This severed the previous nexus between increases in Non-Executive Directors' fees and increases in their retirement benefits;
2. Frozen entitlements as at 31 December 2009, are indexed in line with the one-year Commonwealth Government Bond Rate (adjusted twice a year). No other adjustments are made to the value of the frozen benefits. In particular, a Director's entitlement will no longer be adjusted based on future increases in directors' fees or years of service; and
3. The indexed value of the frozen entitlement will be paid to each affected Non-Executive Director, upon the Director's retirement, in accordance with sections 200B and 200E of the Act.

Accrued benefits

The value of the frozen benefits as at 30 June 2011, to which participating Non-Executive Directors are entitled upon retirement are set out below:

Table 22 – Frozen Non-Executive Directors' Retirement Benefits

	Total Frozen Benefit 31 December 2009	Total Provision 30 June 2010	Total Bond Rate Adjustment	Total Provision 30 June 2011
Total	**$2,879,813**	**$2,941,809**	**$139,442**[1]	**$3,081,251**[1]

1. Cumulatively an amount of $3,081,251 (2010: $2,941,809) has been provided as at 30 June 2011 and $139,442 (2010: $129,309) expensed in the current year.

No retirement benefits were paid out in FY2011 or FY2010.

REMUNERATION REPORT – AUDITED (CONTINUED)
5. Non-Executive Director Remuneration (continued)

Total Remuneration

Details of Non-Executive Directors' remuneration for FY2011 and FY2010 (calculated in accordance with applicable accounting standards) are set out in table 23.

Table 23 – Non-Executive Director Remuneration for FY2011 and FY2010

Director	Short-term benefits $		Post-employment benefits $		Total Fees $
	Fees	Non-monetary Benefits	Superannuation Contributions[1]	Retirement Benefits[2]	
P.J. Ramsay AO (Chairman)					
FY2011	300,000	-	15,199	37,133	352,332
FY2010	261,250	-	14,461	33,384	309,095
M.S. Siddle (Deputy Chairman)					
FY2011	162,500	-	14,625	20,382	197,507
FY2010	143,125	-	12,881	17,499	173,505
A.J. Clark AM					
FY2011	142,500	-	12,825	17,940	173,265
FY2010	127,000	-	11,430	18,476	156,906
P.J. Evans					
FY2011	197,500	-	15,199	25,747	238,446
FY2010	182,000	-	14,461	25,698	222,159
I.P.S. Grier AM					
FY2011	140,000	-	12,600	-	152,600
FY2010	124,500	-	11,205	-	135,705
R.H. McGeoch AM					
FY2011	137,500	-	12,375	17,395	167,270
FY2010	122,000	-	10,980	14,484	147,464
K.C.D. Roxburgh					
FY2011	162,500	-	14,625	20,845	197,970
FY2010	147,000	-	13,230	19,768	179,998
Totals					
FY2011	**1,242,500**	**-**	**97,448**	**139,442**	**1,479,390**
FY2010	**1,106,875**	**-**	**88,648**	**129,309**	**1,324,832**

1. *Superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation, capped to the then current statutory limit.*
2. *Amounts provided for by the Company during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from office. These amounts represent the bond rate adjustment for the year as set out in table 22.*

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

COMMITTEES

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

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

(c): Designates the chairman of the committee

ROUNDING

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

ERNST & YOUNG

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

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
8 September 2011

ENVIRONMENTAL REGULATION & PERFORMANCE

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

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax services	$1,199,931
Other services	$58,002

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Non-Executive Deputy Chairman

C.P. REX
Managing Director

Sydney, 8 September 2011

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

Report on the financial report

We have audited the accompanying financial report of Ramsay Health Care Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Ramsay Health Care Limited is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Ramsay Health Care Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
8 September 2011

ramsay health care limited
directors' declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of Ramsay Health Care Limited are in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of its financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 36 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

M.S. SIDDLE
Non-Executive Deputy Chairman

C.P. REX
Managing Director

Sydney, 8 September 2011

consolidated income statement
for the year ended 30 june 2011

	Note	2011 $000	2010 $000
Continuing operations			
Revenue and other income			
Revenue from services		3,719,691	3,399,254
Interest income		5,182	6,418
Revenue and other income	4	**3,724,873**	**3,405,672**
Employee benefits costs	5	(1,821,630)	(1,657,186)
Occupancy costs		(221,297)	(212,163)
Service costs		(200,059)	(194,010)
Medical consumables and supplies		(950,375)	(867,121)
Depreciation and amortisation	5	(133,061)	(137,152)
Expenses, excluding finance costs		**(3,326,422)**	**(3,067,632)**
Profit from continuing operations before tax, specific items and finance costs		**398,451**	**338,040**
Finance costs	5	(76,848)	(79,692)
Specific items			
Revenue - Income from sale of development assets	4	15,011	41,109
Other Income - Profit on sale of asset		5,261	-
Cost of goods sold - Book value of development assets sold		(10,561)	(25,553)
Finance cost - Ineffectiveness of interest rate hedge	26	(76)	(89)
Service cost - Acquisition, disposal, restructuring and integration costs		(3,338)	(12,666)
Service cost - Development projects costs		(1,345)	(1,351)
Service cost - Unrealised foreign exchange gain on unhedged portion of GBP loan		-	3,743
Depreciation and amortisation - Impairment of non-current assets		(2,014)	(11,018)
Employee benefits cost - Defined benefit pension plan cost	5	(3,444)	-
Occupancy cost - Non-cash rent expense relating to UK leased hospitals	5	(26,976)	(31,766)
Profit from continuing operations before income tax		**294,121**	**220,757**
Income tax expense	6	(93,755)	(71,911)
Net profit for the year		**200,366**	**148,846**
Attributable to non-controlling interest		1,991	564
Attributable to owners of the parent		198,375	148,282
		200,366	148,846
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	8	90.8	69.4
Profit (after CARES dividend) from continuing operations	8	90.8	69.4
Diluted earnings per share			
Profit (after CARES dividend)	8	90.2	69.2
Profit (after CARES dividend) from continuing operations	8	90.2	69.2

consolidated statement of comprehensive income for the year ended 30 june 2011

	Note	2011 $000	2010 $000
Net profit for the year		200,366	148,846
Other comprehensive income/(expense)			
Cash flow hedges			
Gain taken to equity	26	36,609	30,236
Transferred to income statement	26	(25,519)	(25,769)
Actuarial (loss) on defined benefit plans	31	(885)	(1,476)
Net gain on hedge of net investment		34,372	27,018
Foreign currency translation		(44,328)	(31,164)
Income tax on items of other comprehensive income	6	(3,327)	(1,340)
Other comprehensive (expense) for the year net of tax		**(3,078)**	**(2,495)**
Total comprehensive income for the year		**197,288**	**146,351**
Attributable to non-controlling interest		1,991	564
Attributable to owners of the parent		195,297	145,787
		197,288	146,351

consolidated statement of financial position as at 30 june 2011

	Note	2011 $000	2010 $000
ASSETS			
Current assets			
Cash and cash equivalents	10	226,545	185,689
Trade receivables	13	424,476	465,849
Inventories	14	87,801	90,532
Derivative financial instruments	26	823	1,313
Other current assets	15	46,167	47,309
		785,812	**790,692**
Assets classified as held for sale	7	1,150	8,040
Total current assets		**786,962**	**798,732**
Non-current assets			
Other financial assets	16	1,943	2,190
Property, plant and equipment	17	1,786,828	1,737,106
Goodwill and intangible assets	18	885,928	923,951
Deferred tax asset	6	48,881	73,054
Non-current prepayments		10,999	11,087
Derivative financial instruments	26	635	-
Non-current receivables	20	29,287	29,880
Total non-current assets		**2,764,501**	**2,777,268**
TOTAL ASSETS		**3,551,463**	**3,576,000**
LIABILITIES			
Current liabilities			
Trade and other payables	21	537,361	533,207
Interest-bearing loans and borrowings	22	13,903	17,605
Derivative financial instruments	26	9,182	16,251
Provisions	23	135,455	127,922
Income tax payable	6	31,891	35,819
		727,792	**730,804**
Liabilities associated with assets held for sale		-	205
Total current liabilities		**727,792**	**731,009**
Non-current liabilities			
Interest-bearing loans and borrowings	24	1,227,226	1,322,838
Provisions	23	230,346	222,462
Pension liability	31	19,063	14,325
Derivative financial instruments	26	13,029	17,843
Other creditors		7,292	9,706
Deferred tax liability	6	22,852	33,960
Total non-current liabilities		**1,519,808**	**1,621,134**
TOTAL LIABILITIES		**2,247,600**	**2,352,143**
NET ASSETS		**1,303,863**	**1,223,857**
EQUITY			
Issued capital	25.1	713,523	713,523
Treasury shares	25.6	(18,474)	(8,081)
Convertible Adjustable Rate Equity Securities (CARES)	25.5	252,165	252,165
Cash flow hedges	26	(14,489)	(22,252)
Share based payment reserve		13,867	9,228
Vested employee equity		(7,502)	(6,850)
Other reserves		(18,897)	(8,941)
Retained earnings		393,228	306,485
Parent interests		**1,313,421**	**1,235,277**
Non-controlling interests		**(9,558)**	**(11,420)**
TOTAL EQUITY		**1,303,863**	**1,223,857**

consolidated statement of changes in equity
for the year ended 30 june 2011

Changes in Equity for the Year Ended 30 June 2011

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

consolidated statement of changes in equity
for the year ended 30 june 2011

Changes in Equity for the Year Ended 30 June 2010

	Balance at 1 July 2009 $000	Dividends $000	Share placement & DRP $000	Treasury shares vesting to employees in the year $000	Share based payment reserve $000	Non-controlling interest in Proclif $000	Total compre-hensive income for the year, net of tax $000	Balance at 30 June 2010 $000
Issued capital	447,774	-	265,749	-	-	-	-	713,523
Treasury shares	(10,210)	-	-	2,129	-	-	-	(8,081)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	4,219	-	-	(1,612)	6,621	-	-	9,228
Cash flow hedges	(25,379)	-	-	-	-	-	3,127	(22,252)
Hedge of a net investment	31,784	-	-	-	-	-	27,018	58,802
Foreign currency translation	(36,579)	-	-	-	-	-	(31,164)	(67,743)
Actuarial gains and losses	(862)	-	-	-	-	-	(1,476)	(2,338)
Retained earnings	252,196	(91,655)	-	-	-	-	148,282	308,823
Vested employee equity	(6,333)	-	-	(517)	-	-	-	(6,850)
Owners of the parent	**908,775**	**(91,655)**	**265,749**	**-**	**6,621**	**-**	**145,787**	**1,235,277**
Non-controlling interests	**387**	**(8)**	**-**	**-**	**-**	**(12,363)**	**564**	**(11,420)**
Total equity	**909,162**	**(91,663)**	**265,749**	**-**	**6,621**	**(12,363)**	**146,351**	**1,223,857**

consolidated statement of cash flows
for the year ended 30 june 2011

	Note	2011 $000	2010 $000
Cash flows from operating activities			
Receipts from customers		3,750,915	3,412,587
Payments to suppliers and employees		(3,152,254)	(2,934,339)
Income tax paid		(87,537)	(59,809)
Finance costs		(80,533)	(81,128)
Net cash flows from operating activities	10	**430,591**	**337,311**
Cash flows from investing activities			
Purchase of property, plant and equipment		(214,957)	(175,012)
Proceeds from sale of property, plant and equipment		4,935	-
Interest received		5,182	6,418
Acquisition of subsidiary, net of cash received	11	(18,069)	(70,793)
Net cash flows used in investing activities		**(222,909)**	**(239,387)**
Cash flows from financing activities			
Dividends paid		(110,747)	(83,534)
Repayment of principal to Bondholders		(2,692)	(2,484)
Repayment of finance lease - principal		(4,686)	(2,057)
Purchase of ordinary shares		(12,188)	-
Proceeds from issue of shares		-	257,628
Repayments of borrowings		(28,856)	(169,823)
Net cash flows used in financing activities		**(159,169)**	**(270)**
Net increase in cash and cash equivalents		48,513	97,654
Net foreign exchange differences on cash held		(7,657)	(1,260)
Cash and cash equivalents at beginning of year		185,689	89,295
Cash and cash equivalents at end of year	10	**226,545**	**185,689**

notes to the consolidated financial statements for the year ended 30 june 2011

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited ('The Company') for the year ended 30 June 2011 was authorised for issue on 8 September 2011 in accordance with a resolution of the Directors.

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of the Group are described in the Directors' Report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2010.

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

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

	2011 $000	2010 $000
Core profit after tax from continuing operations		
Profit from continuing operations before tax, specific items and finance costs	398,451	338,040
Less: Finance costs	(76,848)	(79,692)
Profit from continuing operations before tax and specific items	321,603	258,348
Add: Amortisation - service concession assets	2,224	2,173
Profit from continuing operations before tax, specific items and amortisation	323,827	260,521
Profit attributable to non-controlling interests	(2,432)	(742)
Income tax expense on continuing operations (excluding specific items)	(100,809)	(81,292)
Core profit after tax from continuing operations	220,586	178,487
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	220,586	178,487
Less: CARES Dividend	(15,847)	(11,860)
Core profit after tax from continuing operations used to calculate core earnings per share continuing operations	204,739	166,627
Weighted average number of ordinary shares adjusted for effect of dilution	202,457,705	197,106,727
Core earnings per share from continuing operations	101.13 c	84.54 c
Reconciliation of core profit after tax from continuing operations to profit attributable to members of the parent		
Core profit after tax from continuing operations (above)	220,586	178,487
Specific items and amortisation of intangibles (net of tax)		
- Non-cash rent expense relating to leased UK hospitals	(18,890)	(21,880)
- Other	(3,321)	(8,325)
Net profit attributable to owners of the parent	198,375	148,282

(b) Compliance with IFRS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards & Interpretations

(i) Change in accounting policy

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

Annual Improvements Project

In May 2009 and June 2010 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Group:

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. The amendments had no impact on the Group.
- AASB 8 *Operating Segments:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.
- AASB 117 *Leases:* removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible versus property, plant and equipment) needs to be determined. The amendment had no impact to the Group.
- AASB 118 *Revenue:* provides additional guidance to determine whether an entity is acting as a principal or as an agent. The amendment had no impact to the Group.
- AASB 136 *Impairment of Assets:* The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment had no impact to the Group as the annual impairment test is performed before aggregation.
- AASB 139 *Financial Instruments: Recognition and Measurement:* clarifies that a prepayment option is considered to be closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges. The amendment had no impact to the Group.

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

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

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

*** The AASB has not issued this standard, which was finalised by the IASB in May 2011*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) New Accounting Standards & Interpretations (continued)

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

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The Group's defined benefit pension plans are currently in deficit so these amendments are unlikely to have any impact on the Group in the short term.	1 July 2011
**	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. **It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.*** The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the Group.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
**	Joint Arrangements	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
**	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

*** The AASB has not issued this standard, which was finalised by the IASB in May 2011*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) New Accounting Standards & Interpretations (continued)

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

Reference	Title	Summary	Application Date of Standard *	Impact on Group Financial Report	Application Date for Group *
**	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

*** The AASB has not issued this standard, which was finalised by the IASB in May 2011*

(d) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it

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

(e) Significant accounting judgements, estimates & assumptions

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

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

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

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

Classification of assets & liabilities as held for sale

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

Taxation

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

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

(ii) Significant accounting estimates & assumptions

Impairment of goodwill & intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 19.

Share – based payment transactions

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

Medical malpractice provision

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

Pension benefits

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

Future salary increases and pension increases are based on expected future inflation rates for the specific country.

(f) Foreign currency translation

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(f) Foreign currency translation (continued)

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

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

(g) Property, plant & equipment

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

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

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

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

(i) Impairment

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

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

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

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

Impairment losses are recognised in the income statement.

(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.

(h) Finance costs

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

(i) Goodwill

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

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(j) Impairment of non-financial assets other than goodwill & intangibles (continued)

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

(k) Investments & other financial assets

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

Recognition & derecognition

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

Loans & receivables

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

(l) Inventories

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

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

(m) Trade & other receivables

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

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

(n) Cash & cash equivalents

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

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

(o) Interest-bearing loans & borrowings

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

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

(p) Provisions

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

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

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

(q) Share-based payment transactions

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the 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').

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(q) Share-based payment transactions (continued)

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 balance date.

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

Share based payment reserve

This reserve is used to record the value of the share based payments provided to employees.

Treasury shares

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

Vested employee equity

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

(r) Leases

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

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

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

Onerous/Unfavourable lease

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

(s) Revenue

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

Revenue from patients

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

Interest

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

Dividends

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

Rental income

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

Income from ancillary services

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

Income from sale of development assets

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

(t) Government grants

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

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

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

(u) Income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(u) Income tax (continued)

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

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

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

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

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

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

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

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

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

(v) Other taxes

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

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

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

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

(w) Derivative financial instruments & hedging

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

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

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

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

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

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

(i) Cash flow hedges

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

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

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

(ii) Hedges of a net investment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Interest in jointly controlled operations

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

(y) Intangible assets

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

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

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

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

Service Concession Assets
Useful lives
Finite
Amortisation method used
Amortised over the period of the lease
Internally generated or acquired
Acquired
Impairment testing
When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

Development Costs
Useful lives
Finite
Amortisation method used
Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired
Internally generated
Impairment testing
Annually for assets not yet available for use. The amortisation method is reviewed at each financial year end.

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

(z) Trade & other payables

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

(aa) Employee leave benefits

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

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

(ii) Long service leave

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Insurance

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

Medical malpractice insurance

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

Insurance funding

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

(ac) Contributed equity

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

(ad) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity and CARES dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity and CARES dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ae) Business combinations

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

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

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

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

(af) Operating segments

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

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

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

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

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

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

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

(ah) Pensions & other post-employment benefits

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(ah) Pensions & other post-employment benefits (continued)

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

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

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

(ai) Service concession assets

Service concession assets represent the Group's rights to operate hospitals under Service Concession Arrangements. Service concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Service concession assets acquired by the group are recorded at the fair value of the assets at the date of acquisition. All service concession assets are classified as intangible assets and are amortised over the term of the lease on a straight line basis (range between 6 to 26 years) and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortisation method is reviewed at least each financial year-end.

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

Risk Exposures & Responses

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

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

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

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

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

(a) Interest rate risk

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

At 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:

	2011 $000	2010 $000
Financial Assets		
Cash and cash equivalents	226,545	185,689
Financial Liabilities		
Bank loans	(274,562)	(439,461)
Net exposure	(48,017)	(253,772)

Interest rate derivatives contracts are outlined in note 26, with a net negative fair value of $20,753,000 (2010: negative: $32,781,000) 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 2011, after taking into account the effect of interest rate swaps, approximately 76% (2010: 64%) 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)
Risk Exposures & Responses (continued)
(a) Interest rate risk (continued)

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $000	2010 $000	2011 $000	2010 $000
AUD				
+1% (100 basis points)	(1,060)	(2,611)	2,159	3,687
-1% (100 basis points)	1,052	2,217	(2,189)	(3,767)
GBP				
+1% (100 basis points)	(353)	(202)	4,325	6,105
-1% (100 basis points)	48	180	(3,966)	(6,194)
IDR				
+1% (100 basis points)	(136)	(156)	-	-
-1% (100 basis points)	137	156	-	-
EUR				
+1% (100 basis points)	(22)	471	1,134	-
-1% (100 basis points)	22	(712)	(1,189)	-

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

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 2011, comparing to 2010 is due to the increase in hedging from 64% in 2010 to 76% in 2011.

(b) Foreign currency risk

United Kingdom

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

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

	2011 £000	2010 £000
Financial Assets		
Cash and cash equivalents	15,615	1,332
Equity		
Residual net investment not hedged	16,768	5,748
Net exposure	32,383	7,080

The Group has a GBP borrowing of £117,000,000 (2010: £117,000,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 26.

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity* Higher/(Lower)	
	2011 $000	2010 $000	2011 $000	2010 $000
AUD/GBP +10%	2,125	216	2,283	930
AUD/GBP -10%	(2,338)	(237)	(2,511)	(1,023)

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)
Risk Exposures & Responses (continued)
(b) Foreign currency risk (continued)

France

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

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

	2011 EUR000	2010 EUR000
Net equity at 30 June	44,772	41,809
Subordinated bonds	26,477	43,232
Net exposure	71,249	85,041

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $000	2010 $000	2011 $000	2010 $000
AUD/EUR +10%	4,260	3,930	5,506	5,555
AUD/EUR -10%	(4,686)	(4,323)	(6,057)	(6,110)

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)
Risk Exposures & Responses (continued)
(d) Liquidity risk (continued)

A. Non-derivative financial liabilities

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

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

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

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

Year ended 30 June 2011	≤ 1 year $000	1-2 years $000	2-5 years $000	> 5 years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	226,545	-	-	-	226,545
Trade and other receivables	426,333	3,289	11,608	7,117	448,347
	652,878	3,289	11,608	7,117	674,892
Financial liabilities					
Trade and other payables	(637,750)	(12,019)	(376,325)	(2,119,505)	(3,145,599)
Interest-bearing loans and borrowings	(123,684)	(1,138,187)	(40,911)	-	(1,302,782)
Sub-ordinated bonds	-	(4,870)	(51,014)	-	(55,884)
	(761,434)	(1,155,076)	(468,250)	(2,119,505)	(4,504,265)
Net (outflow)	(108,556)	(1,151,787)	(456,642)	(2,112,388)	(3,829,373)

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

B. Derivative financial liabilities

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

The table below details the liquidity risk arising from the derivative liabilities held by the Group at reporting date. Net settled derivative liabilities comprise forward interest rate swap contracts that are used as economic hedges of interest payable.

	< 6 months $000	6-12 months $000	1-5 years $000	> 5 years $000	Total $000
Year ended 30 June 2011					
Derivatives liabilities – net settled	(6,308)	(6,109)	(11,433)	-	(23,850)
Net Maturity	(6,308)	(6,109)	(11,433)	-	(23,850)

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)
Risk Exposures & Responses (continued)

(e) Fair value

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

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

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

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

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

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total $000
30 June 2011				
Financial assets				
Derivative instruments - interest rate swaps	-	1,458	-	1,458
Financial liabilities				
Derivative instruments - interest rate swaps	-	(22,211)	-	(22,211)

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total $000
30 June 2010				
Financial assets				
Derivative instruments - interest rate swaps	-	1,313	-	1,313
Financial liabilities				
Derivative instruments - interest rate swaps	-	(34,094)	-	(34,094)

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

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

Transfer between categories

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

4. REVENUE

	2011 $000	2010 $000
Revenue from Continuing Operations		
Revenue from patients	3,652,167	3,344,860
Rental income		
Other persons/corporations	26,689	25,105
Bad debts recovered	27	19
Income from ancillary services	40,808	29,270
Interest		
Other persons/corporations	5,182	6,418
Revenues from continuing operations	3,724,873	3,405,672
Specific items - Income from sale of development assets	15,011	41,109
	3,739,884	3,446,781

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation included in the income statement

	2011 $000	2010 $000
- Plant and equipment	90,675	91,533
- Buildings	31,133	37,273
Total depreciation	121,808	128,806

(b) Amortisation included in the income statement

	2011 $000	2010 $000
- Service concession assets	2,224	2,173
- Development cost	9,029	6,173
Total amortisation	11,253	8,346

(c) Operating lease costs & incentives

	2011 $000	2010 $000
Lease costs included in occupancy costs expense in the income statement	105,298	102,996

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

	2011 $000	2010 $000
Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and UIG 115 *Operating leases – incentives*	(26,976)	(31,766)

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 2011 was lower than the rent expensed by $26,976,000 (2010: $31,766,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

(d) Employee benefits expense

	2011 $000	2010 $000
Wages and salaries	1,654,262	1,503,081
Workers' compensation expense	11,244	17,375
Superannuation expense	94,188	86,934
Termination benefits expense	1,566	301
Other employment expense	54,650	46,245
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	5,720	3,250
	1,821,630	1,657,186
Specific items - defined benefit pension plan costs	3,444	-
Specific items - termination benefits included in acquisition, restructuring and integration costs	-	862
	1,825,074	1,658,048

(e) Finance costs

	2011 $000	2010 $000
- Interest expense		
Other persons/corporations	78,652	84,658
- Finance charges - lease liability	2,215	1,145
Total finance costs	80,867	85,803
Less: Finance costs capitalised	(4,019)	(6,111)
Total finance costs expensed for continuing operations (excluding specific items)	76,848	79,692

6. INCOME TAX

(a) Income tax expense

	2011 $000	2010 $000
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	86,650	79,199
Adjustments in respect of previous years	(1,648)	(2,772)
Deferred income tax		
Relating to origination and reversal of temporary differences	3,013	(1,447)
Adjustments in respect of deferred income tax of previous years	5,740	(3,069)
Income tax expense reported in the income statement	93,755	71,911

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

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

	2011 $000	2010 $000
Accounting profit before tax from continuing operations	294,121	220,757
At the Parent Entity's statutory income tax rate of 30% (2010: 30%)	88,236	66,227
Expenditure not allowable for income tax purposes	3,962	8,554
Foreign tax rate adjustment	(295)	(593)
Other	1,852	(2,277)
	93,755	71,911
Income tax expense reported in the consolidated income statement attributable to continuing operations	93,755	71,911
	93,755	71,911

(c) Amounts charged or credited directly to equity

	2011 $000	2010 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	3,260	1,733
Treasury shares	(244)	(3,369)
	3,016	(1,636)

(d) Recognised deferred tax assets & liabilities

	2011 $000 Current income tax	2011 $000 Deferred income tax	2010 $000 Current income tax	2010 $000 Deferred income tax
Opening balance	(35,819)	39,094	(17,650)	38,575
(Charged)/credited to income	(85,002)	(8,753)	(76,428)	4,517
(Charged)/credited to equity	-	(3,016)	-	1,636
Payments/(Refunds)	89,252	-	57,492	-
Exchange differences	(322)	(1,766)	(54)	(2,674)
Acquisition of subsidiary	-	470	821	(2,960)
Closing balance	(31,891)	26,029	(35,819)	39,094
Tax expense in the income statement		(93,755)		(71,911)
Amounts recognised in the statement of financial position				
Deferred tax asset		48,881		73,054
Deferred tax liability		(22,852)		(33,960)

6. INCOME TAX (CONTINUED)
(d) Recognised deferred tax assets & liabilities (continued)

	Statement of Financial Position	
	2011 $000	**2010 $000**
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(11,451)	(10,734)
Recognition of revenue	(10,686)	(8,989)
Depreciable assets	(65,100)	(66,453)
Other	(10,162)	(12,023)
Other provisions and lease liabilities	(14,305)	(11,656)
Gross deferred tax liabilities	(111,704)	(109,855)
Set-off of deferred tax assets	88,852	75,895
Net deferred tax liabilities	(22,852)	(33,960)
(ii) Deferred tax assets		
Employee provisions	65,425	60,040
Other provisions and lease liabilities	41,404	49,724
Unearned income	5,497	3,968
Other	4,681	7,739
Losses	14,401	17,942
Derivatives	6,325	9,536
Gross deferred tax assets	137,733	148,949
Set-off of deferred tax assets	(88,852)	(75,895)
Net deferred tax assets	48,881	73,054

(e) Tax losses
At 30 June 2011, there is $10,091,759 (2010: $10,091,759) of unrecognised deferred income tax assets in relation to capital losses carried forward as it is not probable that they will be used in the foreseeable future.

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

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

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

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by $38,502,000 (2010: increased $34,841,000). This is included in the summarised Statement of Financial Position of Ramsay Health Care Limited. Refer to Note 37.

(g) Tax relating to other comprehensive income

	2011 $000	**2010 $000**
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	(10,983)	(9,071)
- Cashflow hedges transferred to the income statement	7,656	7,731
	(3,327)	(1,340)

7. ASSETS CLASSIFIED AS HELD FOR SALE

Property, plant and equipment that is available for sale to external parties and has been written down to fair value	1,150	8,040

Assets in 2010 were held for sale to external parties in the 6 months following reporting date. The assets were non-core parts of the Asia Pacific segment.

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2011 $000	2010 $000
Net profit for the year attributable to the owners of the parent	198,375	148,282
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(15,847)	(11,860)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	182,528	136,422

	2011 Number of Shares	2010 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,106,486	196,473,531
Effect of dilution – share rights	1,351,219	633,196
Weighted average number of ordinary shares adjusted for the effect of dilution	202,457,705	197,106,727

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

	2011	2010
Earnings per share (cents per share)		
- basic (after CARES dividend) for the year	90.8	69.4
- diluted (after CARES dividend) for the year	90.2	69.2
- basic (after CARES dividend) from continuing operations	90.8	69.4
- diluted (after CARES dividend) from continuing operations	90.2	69.2

9. DIVIDENDS PAID OR PROPOSED

	2011 $000	2010 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (22.5 cents per share) (2010: 18.5 cents per share)	45,468	37,385
(ii) Previous year final dividend paid		
Franked dividends – ordinary (25.0 cents per share) (2010: 21.5 cents per share)	50,520	42,410
	95,988	79,795
(b) Dividend proposed & not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (29.5 cents per share) (2010: 25.0 cents per share)	59,614	50,520
(c) Dividends on CARES paid during the year	15,847	11,860
(d) Dividends on CARES proposed & not recognised as a liability	8,982	6,901

	Parent	
	2011 $000	2010 $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% (2010: 30%)	147,464	108,617
- franking credits that will arise from the payment of income tax payable as at the end of the financial year*	21,303	14,923
	168,767	123,540
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	(28,965)	(24,609)
	139,802	98,931

* 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% (2010: 30%). $68,596,000 (2010: $57,421,000) of the proposed dividends will be franked at the rate of 30% (2010: 30%).

10. CASH & CASH EQUIVALENTS

	2011 $000	2010 $000
Cash at bank and in hand	226,545	185,689
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and in hand	226,545	185,689
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	200,366	148,846
Adjustments for:		
Depreciation and amortisation	133,061	137,152
Decrease in value of non-current assets	2,014	11,018
Interest received	(5,182)	(6,418)
Changes in assets & liabilities		
Deferred tax	10,214	(7,786)
Receivables	26,998	(27,776)
Other assets	2,136	(7,944)
Creditors and accruals	11,166	35,439
Provisions	53,003	59,960
Inventory	811	(25,067)
Tax provisions	(3,996)	19,887
Net cash from operating activities	430,591	337,311

Disclosure of financing facilities
Refer to note 33.

Disclosure of non-cash financing & investing activities

The dividend re-investment plan was suspended by the Directors for the dividends payable from April 2010. Under the terms of the dividend reinvestment plan, $8,121,417 of dividends were paid via the issue of 759,627 ordinary shares for the year ended 30 June 2010.

11. BUSINESS COMBINATIONS

Acquisition of Clinique Convert - 2011

On 31 May 2011, Ramsay Santé acquired 99.77% of the share capital of Clinique Convert. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of the Clinique Convert based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	$000
Cash overdraft	(11)
Accounts receivable	2,191
Inventory	762
Other current assets	1,351
Property, plant and equipment	7,977
Deferred income tax asset	470
Creditors and accruals	(5,742)
Intercompany loan	(4,196)
Provisions and other liabilities non-current	(2,156)
Provisional fair value of identifiable net assets	646
Non-controlling interest in identifiable acquired net liabilities	(1)
Intercompany loan eliminated on consolidation	4,196
Goodwill arising on acquisition	13,217
	18,058
Acquisition date fair value of consideration transferred	
Cash paid	18,058
	18,058
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs	591
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(11)
Cash paid	(18,058)
Net consolidated cash outflow	(18,069)

11. BUSINESS COMBINATIONS (CONTINUED)
Acquisition of Clinique Convert - 2011 (continued)

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

Key factors contributing to the $13,217,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique Convert facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of benefits for the Group.

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

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

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

Acquisition of the Proclif Group - 2010

On 29 March 2010, the Group acquired 57% of the share capital of the Proclif Group. The Group has recognised the fair values of the identifiable assets and liabilities of the Proclif Group as follows:

	$000
Cash	60,826
Accounts receivable	21,944
Inventory	3,758
Other assets	12,779
Property, plant and equipment	117,475
Creditors	(19,624)
Accruals and provisions – current	(29,476)
Derivatives liability	(790)
Bank loan and other interest bearing liabilities	(80,825)
Subordinated bonds	(95,758)
Provisions – non-current	(10,977)
Other liabilities – non-current	(11,339)
Deferred income tax liability	(2,960)
Provisional fair value of identifiable net assets	(34,967)
Non-controlling interest in identifiable acquired net liabilities	12,363
Subordinated bonds eliminated on consolidation	51,814
Goodwill arising on acquisition	102,409
	131,619
Acquisition date fair value of consideration transferred	
Cash paid	131,619
	131,619
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs	6,934
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	60,826
Cash paid	(131,619)
Net consolidated cash outflow	(70,793)

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

Key factors contributing to the $102,409,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Proclif facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of strategic benefits for the Group, as follows:

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

From acquisition to 30 June 2010, the Proclif Group has contributed $54,565,000 of revenue and a $560,000 loss to the net profit before tax of the Group.

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

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

12. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Types of services

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

Accounting policies & inter-segment transactions

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

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

	Total & Continuing operations		
Year ended 30 June 2011	**Asia Pacific $000**	**Europe $000**	**Total $000**
Revenue			
Revenue from services	2,952,634	767,057	3,719,691
Total revenue before intersegment revenue	2,952,634	767,057	3,719,691
Intersegment revenue	3,400	-	3,400
Total segment revenue	2,956,034	767,057	3,723,091
Results			
Segment net profit after tax	199,052	21,534	220,586
Specific Items			
- Proceeds from sale of development assets	15,011	-	15,011
- Defined benefit pension plan cost	-	(3,444)	(3,444)
- Book value of development assets sold	(10,561)	-	(10,561)
- Ineffectiveness of interest rate hedge	(76)	-	(76)
- Acquisition, disposal, restructuring and integration costs	(2,746)	(592)	(3,338)
- Development projects costs	(1,345)	-	(1,345)
- Profit on sale of assets	-	5,261	5,261
- Impairment of non-current assets	-	(2,014)	(2,014)
- Non-cash rent expense relating to UK leased hospitals	-	(26,976)	(26,976)
Finance costs	(66,711)	(10,137)	(76,848)
Interest income	5,182	-	5,182
Income tax expense	(87,132)	(6,623)	(93,755)
Depreciation	(90,312)	(31,496)	(121,808)
Amortisation - software	(8,519)	(510)	(9,029)
Amortisation - service concession assets	(2,224)	-	(2,224)
Other segment information			
Capital expenditure	186,580	39,005	225,585
Cash flow information			
Net cash flows from operating activities	349,325	81,266	430,591
Net cash flows used in investing activities	(170,550)	(52,359)	(222,909)
Net cash flows used in financing activities	(126,358)	(32,811)	(159,169)

12. SEGMENT INFORMATION (continued)

Year ended 30 June 2010	Total & Continuing operations Asia Pacific $000	Europe $000	Total $000
Revenue			
Revenue from services	2,716,735	682,519	3,399,254
Total revenue before intersegment revenue	2,716,735	682,519	3,399,254
Intersegment revenue	3,413	-	3,413
Total segment revenue	2,720,148	682,519	3,402,667
Results			
Segment net profit after tax	165,947	12,540	178,487
Specific Items			
- Proceeds from sale of development assets	41,109	-	41,109
- Book value of development assets sold	(25,553)	-	(25,553)
- Ineffectiveness of interest rate hedge	(89)	-	(89)
- Acquisition, disposal, restructuring and integration costs	(11,771)	(895)	(12,666)
- Development projects costs	(1,351)	-	(1,351)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	3,743	-	3,743
- Impairment of non-current assets	(7,581)	(3,437)	(11,018)
- Non-cash rent expense relating to UK leased hospitals	-	(31,766)	(31,766)
Finance costs	(47,332)	(32,360)	(79,692)
Interest income	6,418	-	6,418
Income tax expense	(68,217)	(3,694)	(71,911)
Depreciation	(83,779)	(45,027)	(128,806)
Amortisation - software	(6,082)	(91)	(6,173)
Amortisation - service concession assets	(2,173)	-	(2,173)
Other segment information			
Capital expenditure	168,263	45,271	213,534
Cash flow information			
Net cash flows from operating activities	266,485	70,826	337,311
Net cash flows used in investing activities	(149,207)	(90,180)	(239,387)
Net cash flows (used in)/from financing activities	(38,186)	37,916	(270)

(i) Segment revenue reconciliation to income statement	2011 $000	2010 $000
Total segment revenue	3,723,091	3,402,667
Intersegment sales elimination	(3,400)	(3,413)
Interest income	5,182	6,418
Total revenue – income statement	3,724,873	3,405,672

12. SEGMENT INFORMATION (continued)

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

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

	2011 $000	2010 $000
Reconciliation of segment core net profit after tax to profit before tax from continuing operations		
Segment core net profit after tax	220,586	178,487
Income tax expense on core profit	100,809	81,292
Profit attributable to non-controlling interest	2,432	742
Specific Items		
- Ineffectiveness of interest rate hedge	(76)	(89)
- Acquisition, disposals, restructuring and integration costs	(3,338)	(12,666)
- Development projects costs	(1,345)	(1,351)
- Unrealised foreign exchange gain on unhedged portion of GBP loan	-	3,743
- Non cash rent expense relating to UK leased hospitals	(26,976)	(31,766)
- Impairment of non-current assets	(2,014)	(11,018)
- Amortisation of intangibles - service concession assets	(2,224)	(2,173)
- Income from sale of development assets	15,011	41,109
- Book value of development assets sold	(10,561)	(25,553)
- Defined benefit pension plan cost	(3,444)	-
- Profit on sale of assets	5,261	-
Profit before tax from continuing operations	294,121	220,757

13. RECEIVABLES

	2011 $000	2010 $000
Trade debtors	433,245	474,701
Allowances for impairment loss	(8,769)	(8,852)
	424,476	465,849

(i) Allowances for impairment loss

Trade debtors are non-interest bearing and are generally on 15-30 day terms, dependent on the conditions of specific contracts. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $8,769,000 (2010: $8,852,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

	2011	2010
At 1 July	(8,852)	(5,463)
Charge for the year	(4,858)	(2,601)
Acquisition of subsidiary	(51)	(2,319)
Foreign exchange translation	555	383
Amounts written off (included in service costs)	4,437	1,148
At 30 June	(8,769)	(8,852)

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

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Considered Impaired
2011	433,245	310,149	58,436	25,803	12,321	17,767	8,769
2010	474,701	282,796	101,827	41,462	16,154	23,610	8,852

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $114,327,000 (2010: $183,053,000). 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.

13. RECEIVABLES (continued)

(ii) Related party receivables
For terms and conditions of related party receivables refer to note 34.

(iii) Fair value & credit risk
Due to the short term nature of these receivables, their carrying value approximates fair value.

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

(iv) Foreign exchange & interest rate risk
Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

14. INVENTORIES

	2011 $000	2010 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	76,150	75,935
Development assets to be sold that are currently under construction – at cost	11,651	14,597
	87,801	90,532

(i) Inventory expense
Medical and food inventories recognised as an expense for the year ended 30 June 2011 totalled $950,375,000 (2010: $867,121,000) 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 2011 totalled $10,561,000 (2010: $25,553,000) for the Group. This expense has been included in specific items in the income statement.

15. OTHER CURRENT ASSETS

	2011 $000	2010 $000
Prepayments	35,874	37,058
GST receivable	7,785	6,218
Other current assets	2,508	4,033
	46,167	47,309

16. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2011 $000	2010 $000
Investments comprise		
Ordinary shares	1,811	2,019
Units in unit trust	132	171
	1,943	2,190

17. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
At 1 July 2010, net of accumulated depreciation and impairment	1,405,232	331,874	1,737,106
Acquisition of subsidiary	-	7,977	7,977
Additions	126,601	94,996	221,597
Disposals	(2,907)	(5,898)	(8,805)
Impairment	-	(2,014)	(2,014)
Exchange differences	(34,052)	(13,173)	(47,225)
Depreciation for the year	(31,133)	(90,675)	(121,808)
At 30 June 2011, net of accumulated depreciation and impairment	1,463,741	323,087	1,786,828
At 1 July 2010			
Cost	1,654,788	907,627	2,562,415
Accumulated depreciation and impairment	(249,556)	(575,753)	(825,309)
Net carrying amount	1,405,232	331,874	1,737,106
At 30 June 2011			
Cost	1,772,935	1,128,151	2,901,086
Accumulated depreciation and impairment	(309,194)	(805,064)	(1,114,258)
Net carrying amount	1,463,741	323,087	1,786,828

17. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is $68,936,000 (2010: $53,511,000). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

	Land & Buildings $000	Plant & Equipment $000	Total $000
At 1 July 2009, net of accumulated depreciation and impairment	1,291,140	334,905	1,626,045
Acquisition of subsidiary	73,440	44,035	117,475
Additions	128,310	75,694	204,004
Disposals	(21,954)	(5,263)	(27,217)
Assets reclassified to held for sale	(1,150)	(3,690)	(4,840)
Impairment	(11,018)	-	(11,018)
Exchange differences	(16,263)	(22,274)	(38,537)
Depreciation for the year	(37,273)	(91,533)	(128,806)
At 30 June 2010, net of accumulated depreciation and impairment	1,405,232	331,874	1,737,106
At 1 July 2009			
Cost	1,469,556	843,478	2,313,034
Accumulated depreciation and impairment	(178,416)	(508,573)	(686,989)
Net carrying amount	1,291,140	334,905	1,626,045
At 30 June 2010			
Cost	1,654,788	907,627	2,562,415
Accumulated depreciation and impairment	(249,556)	(575,753)	(825,309)
Net carrying amount	1,405,232	331,874	1,737,106

18. GOODWILL & INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
At 1 July 2010				
Cost (gross carrying amount)	871,549	43,329	26,068	940,946
Accumulated amortisation	-	(10,822)	(6,173)	(16,995)
Net carrying amount	871,549	32,507	19,895	923,951
Year ended 30 June 2011				
At 1 July 2010, net of amortisation	871,549	32,507	19,895	923,951
Acquisition of subsidiary	13,217	-	3	13,220
Disposal	(944)	(85)	-	(1,029)
Exchange differences	(41,538)	(1,243)	(286)	(43,067)
Additions	-	445	3,661	4,106
Amortisation	-	(2,224)	(9,029)	(11,253)
At 30 June 2011, net of amortisation	842,284	29,400	14,244	885,928
At 30 June 2011				
Cost (gross carrying amount)	842,284	42,446	33,533	918,263
Accumulated amortisation	-	(13,046)	(19,289)	(32,335)
Net carrying amount	842,284	29,400	14,244	885,928

^Internally generated, including software costs

18. GOODWILL & INTANGIBLE ASSETS (continued)

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
At 1 July 2009				
Cost (gross carrying amount)	805,068	39,646	16,216	860,930
Accumulated amortisation	-	(6,469)	-	(6,469)
Net carrying amount	805,068	33,177	16,216	854,461
Year ended 30 June 2010				
At 1 July 2009, net of amortisation	805,068	33,177	16,216	854,461
Acquisition of subsidiary	102,409	-	676	103,085
Exchange differences	(35,928)	898	251	(34,779)
Additions	-	605	8,925	9,530
Amortisation	-	(2,173)	(6,173)	(8,346)
At 30 June 2010, net of amortisation	871,549	32,507	19,895	923,951
At 30 June 2010				
Cost (gross carrying amount)	871,549	43,329	26,068	940,946
Accumulated amortisation	-	(10,822)	(6,173)	(16,995)
Net carrying amount	871,549	32,507	19,895	923,951

^Internally generated, including software costs

(ii) Description of the Groups' intangible assets & goodwill

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

The intangible asset, 'service concession assets', has been acquired through business combinations and purchases of assets. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over periods between 6 and 26 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

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

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

19. IMPAIRMENT TESTING OF GOODWILL

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

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

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

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

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2011 based on the financial budgets for FY2012 approved by senior management, as well as forecasts covering a further four-year period. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2010: 3%).

The pre tax discount rate applied to cash flow projections is 12.29% (2010: 11.52%). The post tax discount rate is 9.5% (2010: 9.0%).

United Kingdom

The recoverable amount of the United Kingdom business is also determined based on a value in use calculation using cash flow projections as at 30 June 2011 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 9.24% (2010: 8.75%). The post tax discount rate applied to cash flow projections is 8.0% (2010:7.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2010: 2%).

France

The recoverable amount of the French business is also determined based on a value in use calculation using cash flow projections as at 30 June 2011 based on financial budgets approved by senior management covering a three-year period.

The pre-tax discount rate applied to cash flow projections is 6.4% (2010: 7.8%). The post tax discount rate applied to cash flow projections is 5.8% (2010: 7.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the three-year period is 0.5% (2010: 2.5%).

19. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

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

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

	Australia/Indonesia		UK		France		Total	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Carrying amount of goodwill	554,172	555,033	183,217	217,868	104,895	98,648	842,284	871,549

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2011 & 30 June 2010

- 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 25% - 33% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

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

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

20. NON-CURRENT RECEIVABLES

	2011 $000	2010 $000
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital (v)	22,014	25,090
Receivable from the Government for plant and equipment	2,864	3,398
Rental property bonds receivables	1,983	1,325
Other	2,426	67
	29,287	29,880

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that the receivable is impaired. No allowance for impairment loss (2010: nil) has been provided on the basis that the receivables are not yet past due nor considered impaired.

(ii) Fair values

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

(iii) Interest rate risk

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

(iv) Credit risk

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

(v) Terms & conditions

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

21. TRADE & OTHER PAYABLES

	2011 $000	2010 $000
Trade payable	227,285	230,020
Sundry creditors and accrued expenses	167,344	166,203
Employee and director entitlements	140,312	133,750
Other payables	2,420	3,234
	537,361	533,207

21. TRADE & OTHER PAYABLES (CONTINUED)

(i) Fair values

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

(ii) Interest rate, foreign exchange & liquidity risk

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

22. INTEREST BEARING LOANS & BORROWINGS (CURRENT)

		2011 $000	2010 $000
Secured:			
- Loan – bondholders	(i)	2,916	2,691
- Lease liabilities	(ii)	5,572	3,459
- Loan – insurance funding	(iii)	-	2,567
- Bank loan	(iv)	5,415	8,888
		13,903	17,605

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

(ii) Lease liabilities are effectively secured by the leased asset (refer note 29 and note 24).

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

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

(a) Fair values

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

(d) Defaults & breaches

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

23. PROVISIONS

	2011 $000	2010 $000
Current		
Restructuring provision	6,730	7,765
Unfavourable contracts	4,384	5,682
Insurance provision	124,341	114,475
	135,455	127,922
Non-current		
Non-current employee and Director entitlements	93,568	85,065
Deferred lease provision	110,328	101,232
Unfavourable contracts	23,173	32,811
Other provisions	3,277	3,354
	230,346	222,462
Total	365,801	350,384

23. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable Contracts $000	Other $000	Total $000
At 1 July 2010	101,232	7,765	114,475	38,493	3,354	265,319
Acquisition of subsidiary	-	20	202	-	18	240
Arising during the year	26,976	220	16,797	-	432	44,425
Utilised during the year	-	(515)	(5,984)	(5,612)	-	(12,111)
Exchange differences	(17,880)	(57)	(380)	(5,324)	(233)	(23,874)
Unused amounts reversed	-	(703)	(769)	-	(294)	(1,766)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2011	110,328	6,730	124,341	27,557	3,277	272,233
Current 2011	-	6,730	124,341	4,384	-	135,455
Non-current 2011	110,328	-	-	23,173	3,277	136,778
	110,328	6,730	124,341	27,557	3,277	272,233
Current 2010	-	7,765	114,475	5,682	-	127,922
Non-current 2010	101,232	-	-	32,811	3,354	137,397
	101,232	7,765	114,475	38,493	3,354	265,319

(b) Nature & timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of acquisitions in the current and prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition;
- land rich duties payable; and
- costs expected to be incurred with the disposal of facilities during 2011 and 2012.

Insurance provision

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

Deferred lease provision

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

Unfavourable contracts

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

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

		2011 $000	2010 $000
Unsecured liabilities:			
- Bank loans	(i)	1,138,401	1,221,438
Secured liabilities:			
- Lease liabilities	(ii)	21,984	31,688
- Loan – bondholders	(iii)	23,563	26,480
- Loan – subordinated bonds	(iv)	43,278	43,232
		1,227,226	1,322,838

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

(ii) Lease liabilities are effectively secured by the leased asset (refer note 29).

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

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

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

(a) Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 4.61% to 5.23% (2010: 4.91% to 5.46%) for Australia, 0.77% to 1.24% (2010: 0.71% to 3.86%) for UK, 6.00% to 7.20% (2010: 6.93% to 7.10%) for Indonesia, and 1.13% to 2.03% (2010: 0.77% to 3.36%) for France respectively.

	2011		2010	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	1,143,816	1,194,365	1,230,326	1,141,827
Lease liabilities	27,556	26,243	35,147	34,162
Bondholders	26,479	28,792	29,171	31,314
Subordinated bonds	43,278	59,906	43,232	56,962
	1,241,129	1,309,306	1,337,876	1,264,265

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

	2011 $000	2010 $000
Current		
Fixed and floating charge		
Receivables	2,916	2,762
Total current assets pledged as security	2,916	2,762
Non-current		
Finance lease		
Leased assets	68,936	53,511
Fixed and floating charge		
Receivables	22,014	25,090
Total non-current assets pledged as security	90,950	78,601
Total assets pledged as security	93,866	81,363

(d) Defaults & breaches

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

25. ISSUED CAPITAL, RETAINED EARNINGS & RESERVES

	2011 $000	2010 $000
25.1 Ordinary Shares		
(a) Issued & paid up capital		
202,081,252 ordinary shares fully paid		
(30 June 2010: 202,081,252 ordinary shares fully paid)	713,523	713,523

(b) Movements in share issue	Number of shares	$000
At 1 July 2009	175,255,862	447,774
Issued during the period		
- Share Placement (DRP)	759,627	8,121
- Share Placement	22,000,000	221,100
- Share Purchase Plan	4,065,763	39,987
Transaction costs		(3,459)
At 1 July 2010 and 30 June 2011	202,081,252	713,523

25. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)
25.1 Ordinary Shares (continued)

(c) Terms & conditions of issued capital

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

25.2 Cash Flow Hedges Reserve

Nature & Purpose
This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The credit to equity during the year to 30 June 2011 represents an increase in forecast long term interest rates.

25.3 Share Based Payment Reserve

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

25.4 Vested Employee Equity

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

25.5 Convertible Adjustable Rate Equity Securities (CARES)

	2011 $000	2010 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid		
(30 June 2010: 2,600,000 CARES shares fully paid)	252,165	252,165

(b) Terms & conditions of CARES

Issuer	**Ramsay Health Care Limited**
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	$100 per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: 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.

25. ISSUED CAPITAL, RETAINED EARNINGS & RESERVES (CONTINUED)
25.5 Convertible Adjustable Rate Equity Securities (CARES) (continued)
(b) Terms & conditions of CARES (continued)

Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during 20 business days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 shares.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meeting of Ramsay except in limited circumstances.

25.6 Treasury Shares

	2011 $000	2010 $000
1,319,666 ordinary shares		
(30 June 2010: 749,729)	18,474	8,081

Nature & Purpose

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

25.7 Capital Management

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

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

Refer to note 25.5 for further information on the existing CARES (2,600,000).

During 2011, dividends of $111,835,000 (2010: $91,655,000) were paid. For the year ended 30 June 2011 fully franked ordinary dividends of 52.0c (2010: 43.5c) per share were declared (Interim dividend of 22.5c, Final dividend of 29.5c). These dividends represented a payout ratio of approximately 50% of Core Earnings per Share of 101.1c. Management's target for dividends for 2012 – 2015, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 1.93 times (2010: 2.4 times) for the year ended 30 June 2011.

Additionally under the current senior debt facility which was executed in November 2007, the Group has committed funding until the expiry of the facility in November 2012. As such, the group has to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $000	2010 $000
Current assets		
Interest rate derivatives contracts – cash flow hedges	823	1,313
Non – current assets		
Interest rate derivatives contracts – cash flow hedges	635	-
Current liabilities		
Interest rate derivatives contracts – cash flow hedges	9,182	15,719
Interest rate derivatives contracts – fair value through the income statement	-	532
	9,182	16,251
Non - current liabilities		
Interest rate derivatives contracts – cash flow hedges	13,029	17,472
Interest rate derivatives contracts – fair value through the income statement	-	371
	13,029	17,843

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group

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

(i) Interest rate swaps – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 5.01% (2010: 4.91%). Interest bearing loans in British Pound of the Group currently bear an average variable interest rate of 0.83% (2010: 0.71%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 1.53% (2010: 1.27%).

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar, British Pound and Euro interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 76% (2010: 64%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 4.55% and 5.69% (2010: 4.08% and 5.68%) and the variable rate is the 90-day bank bill swap bid rate, which at reporting date was 5.00% (2010: 4.92%). The British Pound interest rate swap contracts fixed interest rate range between 3.02% and 5.46% (2010: 5.44%) and the variable rate is the 90-day London inter-bank offered rate, which at reporting date was 0.93% (2010: 0.73%). The Euro interest rate swap contracts fixed interest rate range between 2.015% and 2.020% (2010: 2.48% to 2.51%) and the variable rate is the 90 day Euro zone inter-bank deposit rates, which at balance date was 1.55% (2010: 0.77%).

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

	2011 $000	2010 $000
0-1 years	400,000	106,024
1-2 years	369,491	306,243
2-3 years	70,000	374,804
3-5 years	185,821	3,465
	1,025,312	790,536

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

Movement in interest rate swaps cash flow hedge reserve:

	2011 $000	2010 $000
Opening balance	(22,252)	(25,379)
Recognised in interest expense	(25,519)	(25,769)
Credited to equity	36,609	30,236
Related income tax	(3,327)	(1,340)
Closing balance	(14,489)	(22,252)
Loss on cash flow hedge ineffectiveness recognised immediately in the income statement	(76)	(89)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2011 is a GBP borrowing of £117,000,000 (2010: £117,000,000) which has been designated as a hedge of the net investments in the UK subsidiaries. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net loss on the hedge of the net investment of $34,372,000 (2010: net loss $27,018,000) was recognised in equity during the year.

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

(b) Interest rate risk

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

(c) Credit risk

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

27. SHARE BASED PAYMENT PLANS

27.1 Recognised share-based payment expenses

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

	2011 $000	2010 $000
Expense arising from equity-settled share based payment transactions	5,720	3,250
Total expense arising from share-based payment transactions (note 5 (d))	5,720	3,250

27. SHARE BASED PAYMENT PLANS (CONTINUED)

27.2 Executive Performance Rights Plan (Equity)

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

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

	2011		2010	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	822,701	$8.42	654,850	$8.24
- granted	575,000	$12.89	347,000	$8.72
- vested	(165,701)	$6.50	(179,149)	$7.44
- forfeited	-	-	-	-
Balance at end of year	1,232,000		822,701	
Exercisable at end of year	-		-	

The following table summarises information about rights held by specified executives as at 30 June 2011:

Number of Rights	Grant Date	Vesting Date	Weighted Average Fair Value
142,166	20-Dec-08	31-Aug-11	$9.05[1]
167,834	20-Dec-08	31-Aug-11	$9.15[1]
158,666	20-Oct-09	30-Sep-12	$7.58[1]
188,334	20-Oct-09	30-Sep-12	$9.68[1]
249,334	17-Nov-10	30-Sep-13	$10.61[1]
285,666	17-Nov-10	30-Sep-13	$14.36[1]
10,000	29-Jun-11	30-Sep-13	$14.30[1]
20,000	29-Jun-11	30-Sep-13	$16.70[1]
10,000	29-Jun-11	25-Aug-11	$17.70[1]
1,232,000			

[1] *Fair value at grant date*

Fair Values of Performance Rights (Equity)

The fair value of each performance right is estimated on the date of grant using a Monte Carlo or Black Scholes model with the following weighted average assumptions used for grants made on 30 December 2008, 20 October 2009, 17 November 2010 and 29 June 2011.

	Granted 29-Jun-11	Granted 17-Nov-10	Granted 20-Oct-09	Granted 30-Dec-08
Dividend yield	3.25%	3.10%	3.80%	3.68%
Expected volatility	20% to 40%	22% to 30%	30% to 35%	20% to 25%
Historical volatility	25%	25%	35%	35%
Risk-free interest rate	4.6% to 4.7%	5.1% to 5.2%	5.2% to 5.4%	3.39% to 3.14%
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.

27.3 Retention rights to receive ordinary shares

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

Number of Rights	Grant Date	Vesting Date	Weighted Average Fair Value
600,000	1 Jul 2008	1 Jul 2013	$8.84[1]

[1] *Fair value at grant date*

28. DIRECTORS & EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

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

(ii) Executives

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

There were no changes of the key management personnel after reporting date.

(b) Compensation of Key Management Personnel

	2011 $	2010 $
Non-Executive Directors		
Short term	1,242,500	1,106,875
Post employment	236,890	217,957
	1,479,390	1,324,832
Executive Directors		
Short term	5,041,141	3,825,446
Post employment	30,398	28,922
Performance/Incentive/Retention rights	2,587,392	1,802,696
	7,658,931	5,657,064
Executives		
Short term	2,339,812	1,893,203
Post employment	30,398	28,922
Performance/Incentive/Retention rights	855,533	463,225
	3,225,743	2,385,350
Total		
Short term	8,623,453	6,825,524
Post employment	297,686	275,801
Performance/Incentive/Retention rights	3,442,925	2,265,921
	12,364,064	9,367,246

28. DIRECTORS & EXECUTIVES DISCLOSURES (CONTINUED)

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

During the financial year, performance rights were granted as equity compensation benefits under the long-term incentive plan to certain key management personnel as disclosed above. Performance rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan. The performance rights vest in accordance with the performance criteria described in the Directors Report. No exercise price is payable upon their vesting. Hedging of Performance Rights is forbidden.

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

30 June 2010	Vested	Granted	Grant Date	Fair Value $ (Note 27)	First Test Date	Second TSR Test Date	Last TSR Test & Expiry Date
Directors							
C. Rex[1]	48,387	-	31/10/06	$7.44	30/6/09	31/12/09	30/6/10
C. Rex[1]	-	27,500	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
C. Rex[2]	-	27,500	20/10/09	$9.68	30/6/12	N/A	N/A
B. Soden[1]	31,682	-	31/10/06	$7.44	30/6/09	31/12/09	30/6/10
B. Soden[1]	-	25,000	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
B. Soden[2]	-	25,000	20/10/09	$9.68	30/6/12	N/A	N/A
Executives							
C. McNally[1]	23,041	-	31/10/06	$7.44	30/6/09	31/12/09	30/6/10
C. McNally[1]	-	17,500	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
C. McNally[2]	-	17,500	20/10/09	$9.68	30/6/12	N/A	N/A
D. Sims[1]	11,521	-	31/10/06	$7.44	30/6/09	31/12/09	30/6/10
D. Sims[1]	-	20,000	20/10/09	$7.58	30/6/12	31/12/12	30/6/13
D. Sims[2]	-	20,000	20/10/09	$9.68	30/6/12	N/A	N/A

[1] Equity based performance rights subject to satisfaction of relative TSR performance condition

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

28. DIRECTORS & EXECUTIVES DISCLOSURES (CONTINUED)

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

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

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

(e) Shareholdings of Key Management Personnel

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

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

29. EXPENDITURE COMMITMENTS

	Note	2011 $000	2010 $000
(a) Finance leases & hire purchase commitments - Group as lessee			
- Within one year		4,126	5,441
- After one year but not more than five years		12,019	15,574
- After more than five years		25,420	29,619
Total minimum lease payments		41,565	50,634
- Less: future finance charges		(14,009)	(15,487)
- Present value of minimum lease payments		27,556	35,147
Total lease liability accrued for:			
Current			
- Finance leases	22	5,572	3,459
Non-current			
- Finance leases	24	21,984	31,688
		27,556	35,147

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and twenty five years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2010: 4.0% to 7.4%). The security over finance leases is disclosed in note 22 and 24.

	Note	2011 $000	2010 $000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		92,811	100,680
- After one year but not more than five years		376,325	419,443
- After more than five years		2,094,085	2,577,664
Aggregate lease expenditure contracted for at reporting date		2,563,221	3,097,787
Amounts provided for:			
- deferred lease – non-current	23	110,328	101,232
- unfavourable contract - current	23	4,384	5,682
- non-current	23	23,173	32,811
		137,885	139,725
Amounts not provided for:			
- rental commitments		2,425,336	2,958,062
Aggregate lease expenditure contracted for at reporting date		2,563,221	3,097,787

Operating leases have lease terms of between one and twenty seven years and an average implicit interest rate of 8.9% (2010: 8.9%). Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

	2011 $000	2010 $000
(c) Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date but not provided for, payable:		
- Within one year	104,956	26,555
- After one year but not more than five years	19,700	-
	124,656	26,555

29. EXPENDITURE COMMITMENTS (CONTINUED)

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

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

(e) Guarantee and indemnity in relation to a hospital

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

30. SUPERANNUATION COMMITMENTS

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

31. DEFINED BENEFIT PENSION PLAN

The Group has a number of defined benefit plans. The defined benefit plans in the UK and Australia are only open to existing employees who have always been on the plan. They are not open to new employees. During this year the decision was made to wind up the UK plans.

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

	Pension Plans	
	2011 $000	2010 $000
Net benefit expense (recognised in employee benefits)		
Current service cost	726	703
Interest cost on benefit obligation	1,077	764
Expected return on plan assets	(236)	(239)
Net actuarial (gains)/losses recognised in the period	(214)	518
Past service cost	-	9
Net benefit expense (note 5) (recognised in superannuation expense)	1,353	1,755
Actual return on plan assets	769	598

	2011 $000	2010 $000	2009 $000	2008 $000
Net (liability) included in the Statement of Financial Position				
Present value of defined benefit obligation	(23,600)	(18,423)	(10,636)	(10,304)
Fair value of plans assets	4,537	4,098	3,990	5,236
Net (liability) - non-current	(19,063)	(14,325)	(6,646)	(5,068)

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

	Pension Plans	
	2011 $000	2010 $000
Opening defined benefit obligation	18,423	10,636
Acquisition of subsidiary	1,341	5,691
Current service cost	726	703
Interest cost	1,077	764
Actuarial assessment of value required to wind up UK plans	3,444	-
Benefits paid	(150)	(634)
Actuarial losses on obligation	1,418	1,745
Past service costs	-	9
Exchange differences on foreign plans	(2,679)	(491)
Closing defined benefit obligation	23,600	18,423

31. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plans 2011 $000	Pension Plans 2010 $000
Opening fair value of plans assets	4,098	3,990
Expected return	238	238
Contributions by employer	402	460
Benefits paid	-	(433)
Actuarial losses	533	269
Exchange differences on foreign plans	(734)	(426)
Fair value of plans assets	4,537	4,098

The Group expects to contribute $856,000 to its defined benefit pension plans in 2012.

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

	Pension Plans 2011 (%)	Pension Plans 2010 (%)
Equities	0 - 69	0 - 68
Bonds	0 - 21	0 - 24
Property	0 - 6	0 - 6
Other	0 - 14	0 - 14

	Pension Plans 2011 $000	Pension Plans 2010 $000
Actuarial losses recognised in the statement of comprehensive income	885	1,476
Cumulative actuarial losses recognised in the statement of comprehensive income	3,223	2,338

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

	Pension Plans 2011 (%)	Pension Plans 2010 (%)
Discount rate	4.5 - 7.6	4.5 - 9.0
Expected rate of return on assets	0.0 - 6.5	0.0 - 6.3
Future salary increases	2.0 - 10.0	2.0 - 10.0
Future pension increases	0.0 - 3.7	0.0 - 3.4

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

32. AUDITORS' REMUNERATION

	2011 $	2010 $
Amounts received or due and receivable by the Auditors for:		
Audit of financial statements	2,329,289	1,932,922
Other audit related services	59,839	309,339
Total audit	2,389,128	2,242,261
Other services		
Taxation	1,199,931	931,821
Other	58,002	182,474
Total Other Services	1,257,933	1,114,295
	3,647,061	3,356,556

33. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility & Working Capital Facility

On 20 November 2007 the Ramsay Group entered into a Syndicated Facility Agreement (SFA). The SFA has two A$ tranches with a total commitment of A$1,385,000,000 and a separate pounds sterling tranche with a commitment of £260,000,000. The SFA matures in November 2012.

The total amounts drawn down under the SFA as at 30 June 2011 were A$770,000,000 (2010: A$760,000,000) and £200,000,000 (2010: £219,000,000).

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

As at 30 June 2011, the undrawn commitment was A$615,000,000 (2010: A$625,000,000) and £60,000,000 (2010: £41,000,000).

(ii) Bilateral Facilities

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

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

Under the bilateral facilities as at 30 June 2011 the total outstanding was A$10,411,636 (2010: A$8,187,556) and £4,734,624 (2010: £8,973,280). The undrawn commitment across the 2 bilateral facilities as at 30 June 2011 was together A$21,088,364 (2010: A$23,312,444) and £8,365,376 (2010: £4,126,720).

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

(iii) Indonesian Bank Loan

On 8 February 2010 PT Affinity Health Indonesia entered into a one-year revolving credit facility with PT ANZ Panin Bank with a total facility of IDR 81,610,000,000. On 4 February 2011, this facility agreement was amended whereby the term of the facility was extended to 8 February 2013 and as at 30 June 2011 an amount of IDR 81,610,000,000 (2010: 67,596,500,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with ANZ Panin Bank. The total facility limit is IDR 163,220,000,000 and as at 30 June 2011 an amount of IDR 128,220,000,000 (2010: IDR 158,315,239,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 2.5%.

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

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities core term debt facility, bilateral capex facilities and other term debt facilities were refinanced on 6 September 2010 under a new club facility arrangement provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2011 was €40,000,000 and the undrawn commitment was €45,000,000. The new debt facilities have a maturity of five years and 50% of the loans are term loans with the remainder being repayable as a bullet on maturity. The new debt facilities are secured against certain assets of the Ramsay Santé group.

(v) Ramsay Santé subordinated bonds

Ramsay Santé issued to its shareholders a securitised loan in the form of bonds amounting to €11,458,036 on 15 December 2005, €11,247,717 on 14 June 2007, €13,908,483 on 23 July 2009 and €18,000,000 on 2 October 2009.

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

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

The bonds are due to mature up to 9 years following their respective subscription dates.

The bonds are reimbursable upon maturity at their nominal value, namely 1 euro per bond.

As at 30 June 2011, an amount of €54,614,236 (2010: €54,614,236) and accrued interest of €15,059,985 (2010: €9,968,460) was outstanding in respect of these bonds. As at 30 June 2011, Predica, the non-controlling interest held €26,477,000 (2010: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €5,486,359 (2010: €3,186,354).

(vi) Other Interest Bearing Loans

At 30 June 2011 a loan to bondholders of $26,479,013 (2010: $29,170,666) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 20).

34. RELATED PARTY TRANSACTIONS

Subsidiaries of Ramsay Health Care Limited

The consolidated financial statements include the financial statements of Ramsay Health Care Limited and the subsidiaries listed in the following table.

	Country of Incorporation	Beneficial Percentage Held 2011 %	Beneficial Percentage Held 2010 %
Ramsay Health Care Limited has the following investments in controlled entities:			
RHC Nominees Pty Limited and its controlled entity: ^	Australia	100%	100%
Health Care Developments Unit Trust	-	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care Investments Pty Limited:			
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
RHC Finance Limited	Cayman Islands	100%	100%
Ramsay Aged Care Holdings Pty Limited and its controlled entity ^:	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited and its controlled entities: ^	Australia	100%	100%
Linear Medical Pty Limited and its controlled entity: ^	Australia	100%	100%
Outcome Medical Pty Limited	Australia	70%	70%
Newco Enterprises Pty Limited and its controlled entity: ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited and its controlled entity:^	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 and its controlled entity: ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited #	UK	100%	100%
Directly controlled by Benchmark Healthcare Pty Limited			
Donvale Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Donvale Private Hospital Unit Trust	-	100%	100%
The Benchmark Hospital Group Pty Limited and its controlled entities: ^	Australia	100%	100%
Beleura Holdings Unit Trust	-	100%	100%
Dandenong Valley Private Hospital Pty Limited and its controlled entity: ^	Australia	100%	100%
Dandenong Valley Private Hospital Unit Trust	-	100%	100%
Benchmark – Surrey Pty Limited and its controlled entity: ^	Australia	100%	100%
Surrey Hospital Unit Trust	-	100%	100%
Benchmark – Peninsula Pty Limited and its controlled entity:^	Australia	100%	100%
Peninsula Hospital Unit Trust	-	100%	100%
Benchmark – Donvale Pty Limited and its controlled entity: ^	Australia	100%	100%
Chelsea Hospital Unit Trust	-	100%	100%
Benchmark – Windermere Pty Limited and its controlled entity: ^	Australia	100%	100%
Windermere Hospital Unit Trust	-	100%	100%
Benchmark – Beleura Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Hospital Unit Trust	-	100%	100%
Beleura Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
Beleura Properties Unit Trust	-	100%	100%

 # Audited by other member firms of Ernst & Young, and other audit firms

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

	Country of Incorporation	Beneficial Percentage Held 2011 %	Beneficial Percentage Held 2010 %
Directly controlled by AH Holdings Health Care Pty Limited:			
Affinity Health Care Holdings Pty Limited and its controlled entities: ^	Australia	100%	100%
PT Affinity Health Indonesia #	Indonesia	92%	92%
Affinity Health Holdings Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Directly controlled by Affinity Health Pty Limited:			
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited and its controlled entity: ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited	Australia	50%	50%
Votraint No. 664 Pty Limited ^	Australia	100%	100%
Votraint No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited and its controlled entities: ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
Directly controlled by AME Hospitals Pty Limited:			
AME Trust	-	100%	100%
AME Trading Trust	-	100%	100%
AME Properties Pty Limited and its controlled entity: ^	Australia	100%	100%
AME Property Trust	-	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited and its controlled entities: ^	Australia	100%	100%
Glengarry Hospital Unit Trust No.1	-	100%	100%
Glengarry Hospital Unit Trust No.2	-	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited and its controlled entity: ^	Australia	100%	100%
Hallcraft Unit Trust	-	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Directly controlled by C&P Hospitals Holdings Pty Limited:			
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited and its controlled entities: ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Health Care Trust No. 1	-	90%	90%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited and its controlled entities:^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%

Audited by other member firms of Ernst & Young, and other audit firms

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

	Country of Incorporation	Beneficial Percentage Held 2011 %	Beneficial Percentage Held 2010 %
Directly controlled by HCoA Hospital Holdings (Australia) Pty Limited:			
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
HOAIF Pty Limited ^	Australia	100%	100%
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited and its controlled entities: ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Directly controlled by Australian Hospital Care Pty Limited:			
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1998 Pty Limited and its controlled entities: ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited and its controlled entities: ^	Australia	100%	100%
Masada Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited and its controlled entity: ^	Australia	100%	100%
Australian Hospital Unit Trust	-	100%	100%
Australian Hospital Care (Pindara) Pty Limited and its controlled entity: ^	Australia	100%	100%
Pindara Private Hospital Unit Trust	-	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Directly controlled by Alpha Healthcare Pty Limited:			
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited and its controlled entity: ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited and its controlled entities: ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Directly controlled by Alpha Pacific Hospitals Pty Limited:			
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%

 # Audited by other member firms of Ernst & Young, and other audit firms

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)
Subsidiaries of Ramsay Health Care Limited (continued)

	Country of Incorporation	Beneficial Percentage Held 2011 %	Beneficial Percentage Held 2010 %
Directly controlled by Ramsay Health Care Australia Pty Limited:			
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Directly controlled by Ramsay Health Care (UK) Limited:			
GHG 2008 10A (BVI Property Holdings) Limited and its controlled entity:	British Virgin Islands	100%	100%
Ramsay UK Properties Limited (formerly GHG 2008 10A Properties Limited)	UK	100%	100%
Ramsay Health Care Holdings UK Limited #	UK	100%	100%
Ramsay Santé SA#	France	57%	57%
Directly controlled by Ramsay Health Care Holdings UK Limited: #			
Independent British Healthcare (Doncaster) Limited #	UK	100%	100%
Ramsay Diagnostics UK Limited #	UK	100%	100%
Ramsay Health Care UK Operations Limited # and its controlled entity:	UK	100%	100%
Ramsay Health Care Leasing UK Limited #	Guernsey	100%	100%
Directly controlled by Ramsay Santé SA:			
Centre Médico-Chirurgical du Val de Notre Dame SA#	France	96%	96%
Centre Médico-Chirurgical et Obstetrical d'Evry SAS# and its controlled entities:	France	100%	100%
La Clinique du Mousseau SAS#	France	55%	55%
Polyclinique de Villeneuve Saint Georges SA# and its controlled entity:	France	99%	99%
SCI de la Polyclinique de Villeneuve Saint Georges#	France	70%	70%
Clinique de la Muette SAS#	France	100%	100%
Clinique Lambert SAS# and its controlled entity:	France	100%	100%
SA Clinique de la Montagne#	France	51%	51%
Hôpital Privé de Versailles SAS#	France	100%	100%
SA Clinique Convert	France	100%	-
Société Civile Immobilière la Garenne Lambert#	France	100%	100%
GIE Santé Finance et Pilotage#	France	100%	100%

 # Audited by other member firms of Ernst & Young, and other audit firms

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Equity Instruments of Directors

The beneficial and direct interest of each Director in the equity of the Company as at 30 June 2011 was as follows:

Director	Ordinary Shares				Convertible Adjustable Rate Equity Securities (CARES)				Performance Rights[2]	
	2011		2010		2011		2010		2011	2010
	Direct	Indirect[1]	Direct	Indirect[1]	Direct	Indirect[1]	Direct	Indirect[1]	Direct	Direct
P.J. Ramsay	-	73,149,269	-	73,149,269	-	-	-	-	-	-
M.S. Siddle	152,564	-	152,564	-	-	-	-	-	-	-
C.P. Rex	334,819	2,196	270,607	2,196	-	5,334	-	5,334	255,000	92,306
B.R. Soden	96,658	4,133	68,958	4,133	-	2,000	-	3,335	170,000	72,700
A.J. Clark	82,000	-	82,000	-	-	1,400	-	1,200	-	-
P.J. Evans	7,209	-	7,209	-	-	-	-	-	-	-
I.P.S. Grier	58,116	-	133,116	-	-	-	-	-	-	-
R.H. McGeoch	-	74,231	-	74,231	-	257	-	257	-	-
K.C.D. Roxburgh	48,500	31,000	57,676	21,738	-	-	-	-	-	-

[1] Shares in which the director does not have a direct interest including shares held in director related entities and shares held by family members.

[2] The terms and vesting conditions over these rights are as disclosed in note 27.

Mr Ramsay has a relevant interest in 73,149,269 (2010: 73,149,269) shares held by Paul Ramsay Holdings Pty Limited and is a director of that Company. Mr Siddle, Mr Clark and Mr Evans are also directors of Paul Ramsay Holdings Pty Limited.

The Managing Director, Mr Rex, is employed under a five year Executive Service Agreement (ESA) which commenced on 1 July 2008. In accordance with the terms of the ESA, Mr Rex has been granted equity based retention rights to receive 600,000 ordinary shares, subject to his continuing in employment as Managing Director until 1 July 2013.

In accordance with the terms of his ESA the company will withhold 50% of Mr Rex's STI bonus (after applicable tax) to purchase shares in the company on market. These shares will be purchased within 5 business days of the cash bonuses being paid (2010: 15 September 2010). These shares may not be sold or transferred before the earlier of termination or 3 years.

Movements in Directors' equity holdings

During the year until the date of this report:

- Mr Rex acquired 21,906 ordinary shares on market in respect of the STI bonus, and 50,000 ordinary shares through the Executive Performance Rights Plan.
- Mr Soden acquired 45,000 ordinary shares through the Executive Performance Rights Plan, and sold 1,335 CARES, indirectly on market.
- Mr Clark indirectly acquired 200 CARES on market.
- Mr Grier sold 75,000 ordinary shares on market.
- Mr Roxburgh sold 9,176 ordinary shares and indirectly acquired 9,262 ordinary shares on market.

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

Transactions with Directors of Ramsay Health Care Limited & the Group

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

Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at cost recovery plus a 5% margin. Total amount outstanding at 30 June 2011 is $50,705 (2010:nil).

During the year costs of $13,491 (2010: $57,540) were charged by and an amount of $13,491 (2010: $62,675) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

- Entities associated with Mr Grier

During the year costs of nil (2010: $120,000) were charged by and an amount of $10,000 (2010: $110,000) was paid to a company related to Mr Grier for services rendered to the Group.

35. 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.

36. CLOSED GROUP

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the entities in the table of subsidiaries in note 34, (identified by ^) from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, these entities entered into a Deed of Cross Guarantee on 22 June 2006 or have subsequently been added as parties to the Deed of Gross Guarantee by way of Assumption Deeds dated 24 April 2008, 27 May 2010 and 24 June 2011. The effect of the deed is that Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Ramsay Health Care Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

36. CLOSED GROUP (CONTINUED)

The consolidated Income Statement and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

	Closed Group 2011 $000	Closed Group 2010 $000
Consolidated Income Statement		
Profit from operations before income tax	261,820	209,565
Income tax expense	(81,363)	(62,687)
Net profit for the year	180,457	146,878
Retained earnings at the beginning of the year	307,740	200,510
Actuarial gain/(loss) on defined benefit plan	(105)	193
Retained earnings adjustments for addition of entities into the class order	(1,662)	51,814
Dividends provided for or paid	(110,746)	(91,655)
Retained earnings at the end of the year	375,684	307,740
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	148,404	95,801
Trade receivables	317,500	331,392
Inventories	68,055	69,381
Derivative financial instruments	823	1,313
Other current assets	21,609	20,560
	556,391	518,447
Assets classified as held for sale	1,150	4,350
Total Current Assets	557,541	522,797
Non-current Assets		
Other financial assets	421,052	423,640
Goodwill and intangibles	583,648	591,627
Deferred tax asset	26,799	28,522
Property, plant and equipment	1,441,166	1,355,924
Other non-current assets	15,605	14,556
Total Non-current Assets	2,488,270	2,414,269
TOTAL ASSETS	3,045,811	2,937,066
LIABILITIES		
Current Liabilities		
Trade and other payables	415,267	395,289
Interest-bearing loans and borrowings	86	2,727
Provisions	127,951	117,335
Derivative financial instruments	8,948	15,719
Income tax payable	36,370	36,206
Total Current Liabilities	588,622	567,276
Non-current Liabilities		
Interest-bearing loans and borrowings	940,822	958,207
Other creditors	17	1,000
Pension liability	140	37
Derivative financial instruments	13,029	17,472
Provisions	95,524	87,508
Total Non-current Liabilities	1,049,532	1,064,224
TOTAL LIABILITIES	1,638,154	1,631,500
NET ASSETS	1,407,657	1,305,566
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(18,474)	(8,082)
CARES (Convertible Adjustable Rate Equity Securities)	252,165	252,165
Retained earnings	375,684	307,740
Other reserves	84,759	40,220
TOTAL EQUITY	1,407,657	1,305,566

37. PARENT ENTITY INFORMATION

	2011 $000	2010 $000
Information relating to Ramsay Health Care Limited		
Current assets	1,099,874	1,118,700
Total assets	1,241,566	1,262,366
Current liabilities	(39,892)	(39,225)
Total liabilities	(39,892)	(39,225)
Issued capital	(713,523)	(713,523)
Other equity	(488,151)	(509,618)
Total shareholders' equity	(1,201,674)	(1,223,141)
Net profit for the year after tax	84,589	327,870

As a condition of the class order (set out in note 36), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. Refer to note 36 for further information.

additional information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 12 September 2011.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	10,714	5,521,876	2.73
1,001 – 5,000	9,243	20,498,223	10.15
5,001 – 10,000	1,071	7,432,752	3.68
10,001 – 100,000	422	9,200,695	4.55
100,001 and over	44	159,427,706	78.89
Totals	**21,494**	**202,081,252**	**100.00**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 458 holders, for a total of 2,294 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

	Name	Number of fully paid Ordinary Shares	% of Issued Capital
1.	Paul Ramsay Holdings Pty Limited	73,149,269	36.20
2.	J P Morgan Nominees Australia Limited	19,867,951	9.83
3.	HSBC Custody Nominees (Australia) Limited	17,779,925	8.80
4.	National Nominees Limited	17,284,583	8.55
5.	Citicorp Nominees Pty Limited	6,270,838	3.10
6.	Cogent Nominees Pty Limited	4,882,160	2.42
7.	UBS Nominees Pty Limited	1,840,244	0.91
8.	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	1,836,945	0.91
9.	Argo Investments Limited	1,353,443	0.67
10.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	1,083,160	0.54
11.	J P Morgan Nominees Australia Limited (Cash Income A/c)	1,034,149	0.51
12.	Australian Foundation Investment Company Limited	1,000,000	0.49
13.	Equity Trustees Limited (SGH20)	1,000,000	0.49
14.	Australian Executor Trustees Limited	999,666	0.49
15.	AMP Life Limited	865,640	0.43
16.	Custodial Services Limited (Beneficiaries Holdings A/c)	818,319	0.41
17.	Citicorp Nominees Pty Limited (CFSIL CFS WS Australian Share A/c)	792,349	0.39
18.	Australian Reward Investment Alliance	768,651	0.38
19.	Questor Financial Services Limited (TPS RF A/c)	698,031	0.35
20.	RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	581,804	0.29
	Totals	**153,907,127**	**76.16**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 12 September 2011:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	73,149,269	36.20

(e) Voting Rights

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

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,582	938,747	36.11
1,001 – 5,000	198	391,391	15.05
5,001 – 10,000	19	126,625	4.87
10,001 – 100,000	15	555,738	21.37
100,001 and over	2	587,499	22.60
Totals	**3,816**	**2,600,000**	**100.00**

ADDITIONAL INFORMATION (CONTINUED)

(g) Less than marketable parcels of CARES

There were no holdings of CARES in less than marketable parcels at the date of this report.

(h) 20 Largest CARES Holders

	Name	Number of fully paid CARES	% of Issued Securities
1.	J P Morgan Nominees Australia Limited	472,499	18.17
2.	Australian Foundation Investment Company Limited	115,000	4.42
3.	Citicorp Nominees Pty Limited	94,643	3.64
4.	National Nominees Limited	67,282	2.59
5.	RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	61,816	2.38
6.	Questor Financial Services Limited (TPS RF A/c)	54,559	2.10
7.	RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	49,196	1.89
8.	J P Morgan Nominees Australia Limited (Cash Income A/c)	37,771	1.45
9.	Cogent Nominees Pty Limited	31,374	1.21
10.	Australian Executor Trustees Limited (No 1 A/c)	27,603	1.06
11.	RBC Dexia Investor Services Australia Nominees Pty Limited (GSENIP A/c)	27,489	1.06
12.	Argo Investments Limited	25,000	0.96
13.	Sandhurst Trustees Limited (DMP Asset Management A/c)	23,817	0.92
14.	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	18,500	0.71
15.	Edsgear Pty Limited	12,500	0.48
16.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	12,252	0.47
17.	Peroda Nominees Pty Limited (Berman Super Fund A/c)	11,936	0.46
18.	UBS Wealth Management Australia Nominees Pty Limited	9,969	0.38
19.	M F Custodians Limited	9,936	0.38
20.	RBC Dexia Investor Services Australia Nominees Pty Limited (GSAM A/c)	9,475	0.37
	Totals	**1,172,617**	**45.10**

(i) On-Market Buy-Backs

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

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