People caring for people

RAMSAY
HEALTH CARE

1964
2014

Celebrating 50 years of people caring for people

Ramsay Health Care Limited

Annual Report 2014

Annual General Meeting 2014

The 2014 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am, Thursday, 13 November 2014.
The full venue details are:

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

Indicative Key Dates for 2015

Results Release Dates:

Interim Results – Thursday, 26 February 2015
Preliminary Final Results – Thursday, 27 August 2015

Dividend Payment Dates – Ordinary Shares:

Interim Dividend: Thursday, 26 March 2015 (Record Date: 10 March 2015)
Final Dividend: Thursday, 24 September 2015 (Record Date: 8 September 2015)

Dividend Payment Dates – CARES:

Monday, 20 April 2015 (Record Date: 2 April 2015)
Tuesday, 20 October 2015 (Record Date: 2 October 2015)

Annual General Meeting 2015

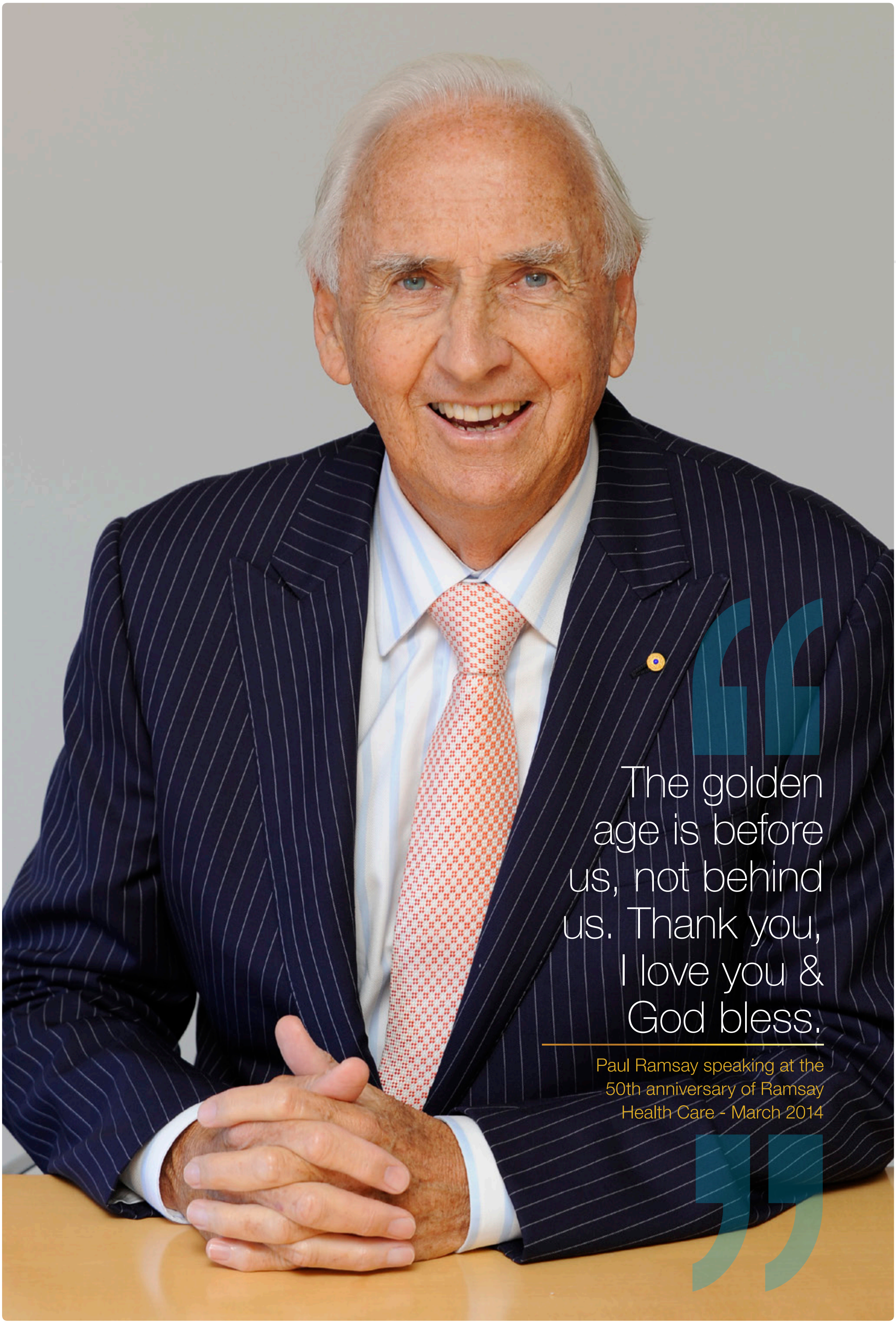
The 2015 Annual General Meeting of Ramsay Health Care Limited will be held on Thursday, 12 November 2015 (venue & time to be advised)

For more information

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

www.ramsayhealth.com.au

Contents



> The golden age is before us, not behind us. Thank you, I love you & God bless.

Paul Ramsay speaking at the 50th anniversary of Ramsay Health Care - March 2014

Tribute to Paul Ramsay AO

RAMSAY HEALTH CARE MOURNED THE SAD & SUDDEN PASSING OF PAUL RAMSAY AO, FOUNDER, CHAIRMAN & MAJOR SHAREHOLDER, ON 1 MAY 2014.

An Australian entrepreneur, Mr Ramsay was known for his establishment of private hospitals; expanding regional television services; property development; and as a major benefactor to a range of educational, cultural, artistic and sporting organisations.

This year was the 50th anniversary of the opening of Paul's first private hospital in Sydney, Australia. From these early beginnings, he went on to establish Ramsay Health Care, which is today, not only the largest private hospital operator in Australia, but a global hospital group ranked in the top 5 hospital companies in the world.

In addition to healthcare Mr Ramsay was also heavily involved in the media industry. In 1985 he was the largest radio operator in the UK. He was one of the initiators of television aggregation in Australia and built stations across the country, which today form part of the PRIME7 Television Network. Mr Ramsay was Chairman of the Prime Media Group for almost 30 years until relinquishing this role in April 2014.

The Paul Ramsay Group owned a number of investments in digital advertising technology, property and agriculture.

For his services to the community, Mr Ramsay was conferred an Officer of the Order of Australia in June 2002.

Mr Ramsay was known by his close friends, family and people who have worked with him, and for him, as a true gentleman and a humble but proud Australian. Under his good guidance, Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to "The Ramsay Way" philosophy: People caring for people.

In passing, as in life, Mr Ramsay is a significant benefactor leaving the bulk of his estate to be of enduring benefit to the Australian community through the already established Paul Ramsay Foundation. The Foundation will receive the benefit of the vast majority of his controlling shareholding in Ramsay Health Care Limited, which will largely be retained in trust for the Foundation

It is the intention of the Foundation to remain a significant long term shareholder of Ramsay Health Care Limited.

Mr Ramsay will be greatly missed by his family, friends, colleagues, staff and doctors and anyone that knew him, throughout the world.

Celebrating 50 years...

In the beginning

IN 1964, PAUL RAMSAY, FOUNDER & CHAIRMAN OF RAMSAY HEALTH CARE, PURCHASED A GUESTHOUSE CALLED WARRINA HOUSE ON SYDNEY'S NORTH SHORE & CONVERTED IT INTO A PSYCHIATRIC HOSPITAL IN THE EARLIEST DAYS OF THE PRIVATE HOSPITAL INDUSTRY IN AUSTRALIA.

1964

For the first 14 years, Ramsay Health Care expanded its psychiatric hospital business, building Evesham Clinic in 1967, Lynton Private Hospital in 1972 and Northside Clinic in 1973. Of these hospitals, Evesham Clinic (now known as Northside Cremorne) and Northside Clinic, are still in operation today and regarded amongst Sydney's most respected private psychiatric hospitals.

1978 – 1980

In 1978 and 1979 Ramsay Health Care diversified into the medical/surgical business and built its first surgical hospitals: Baringa Private Hospital in Coffs Harbour opened in 1978 and Albury Wodonga Private Hospital opened in Albury in 1979. They were important hospitals in their regions and today continue to provide valuable healthcare services to their respective communities.

1980s

During the 1980s Ramsay Health Care expanded its psychiatric business. It acquired East Terrace Psychiatric Clinic in Adelaide in 1982 and soon opened South Australia's first purpose-built psychiatric clinic, The Adelaide Clinic, in 1988. In 1986, Ramsay opened New Farm Clinic in Brisbane. By this time, Ramsay Health Care had several successful psychiatric hospitals and had developed a strong profile in mental health care providing valuable input to the industry through representation on lobby groups and associations.

During this period, Ramsay Health Care also purchased two hospitals in Tamworth – Allambie and Tamara Private Hospitals. Very soon after this the Company set about building an extension to Tamara Private Hospital which included two new operating theatres, a recovery unit, high dependency unit, more beds and a new x-ray area.

1994 & 1995

These years were arguably the turning points for Ramsay Health Care. The Company was successful in its bid to privatise two former repatriation hospitals – Hollywood Hospital in Perth and Greenslopes Hospital in Brisbane. These large metropolitan-based medical/surgical hospitals provided a major boost to the Company's existing portfolio of regional medical/surgical hospitals. It also launched the Company into medical teaching and research as both Hollywood and Greenslopes hospitals had affiliations with university departments of medicine. The subsequent success of these privatisations demonstrated Ramsay's health management expertise.

1997

By 1997 Ramsay Health Care employed 2000 staff in 11 hospitals and admitted 70,000 patients each year. In September of this year, Ramsay floated on the Australian Stock Exchange becoming a public company. In its prospectus, the Company invited Australians to "participate in one of Australia's largest and most successful private health care groups". In the ensuing year, Ramsay exceeded prospectus forecasts for revenue and profit.

1998

The Company proved its ability to design, finance, construct and operate major projects through the successful development of North Shore Private Hospital which opened in July 1998. Collocated with Royal North Shore in Sydney, North Shore Private became the benchmark for five star hospital care in Australia.

When completed, North Shore Private comprised 164 beds. Today the hospital has grown into a 272 bed facility and has stood the test of time as one of Sydney's premier private hospitals.

AT LISTING ON ASX - 1997:

11	2000	1351	70,000/yr

2001 – 2006

This was a busy acquisition period. Ramsay Health Care acquired several large hospital groups as the private hospital sector in Australia consolidated.

In 2001 Ramsay Health Care successfully acquired Alpha Healthcare and its eight hospitals (Westmead, Berkeley Vale, Southern Highlands, Lawrence Hargrave, Figtree, Hunters Hill and Mt Wilga Private Hospitals and Wentworth Private Clinic – later to become known as Northside West Clinic). The Alpha Healthcare acquisition expanded Ramsay's presence in New South Wales and also provided the Company with a strong rehabilitation portfolio.

In 2004 Ramsay Health Care acquired Benchmark Healthcare (including Peninsula, Beleura, Mitcham, and Donvale Private Hospitals). This acquisition brought the total number of hospitals in the Ramsay Health Care group to 35.

Finally, in April 2005, Ramsay embarked on its largest acquisition yet, purchasing Affinity Healthcare (formerly Mayne Health) and began to integrate this hospital business in August 2005 after selling off 14 ex-Affinity hospitals to Healthscope as instructed by the ACCC. This transaction brought the portfolio of hospitals owned and operated by Ramsay Health Care to 69. The Affinity acquisition would be a "company transforming acquisition" and made Ramsay the largest private hospital operator in Australia.

151 30,000+ 14,500 1.4 million/yr

AS AT JUNE 2014

2007

In 2007 Ramsay Health Care realised its offshore expansion plans acquiring Capio UK, the fourth largest operator of private hospitals in the United Kingdom. Today the Company operates 36 healthcare facilities in the United Kingdom and has established a strong reputation in this region.

2010

In 2010 Ramsay Health Care purchased a 57% interest in Group Proclif SAS (Proclif), a leading private hospital operator based in France. Proclif was a leading operator of private hospitals in the greater Paris region managing nine acute hospitals in the fields of medicine, surgery and obstetrics with approximately 1000 beds and day places. Ramsay launched in France with these nine hospitals under the name Ramsay Santé.

2011

In May 2011 Ramsay Santé purchased a further hospital in France – Clinique Convert – in the Rhône Alpes region.

2013

In June 2013 Ramsay Santé purchased Clinique de l'Union in Toulouse. This 500+ bed hospital is regularly rated in the top three hospitals in France. By this time the Company had 10 hospitals in France.

In July 2013 Ramsay Health Care entered a joint venture arrangement with Malaysian multinational conglomerate Sime Darby Berhad. The new joint venture combined Sime Darby's portfolio of healthcare assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, under a new jointly owned company, Ramsay Sime Darby Health Care Sdn Bhd. The deal marked Ramsay's first step into Asia since acquiring its Indonesian hospitals in 2005. The new joint venture is expected to provide a platform for further acquisition in the Asian health care sector.

In November 2013, back in Australia, Ramsay Health Care opened the Sunshine Coast University Private Hospital – Ramsay Health Care's first new built hospital since it opened North Shore Private Hospital in 1997. The 200 bed Sunshine Coast University Private Hospital treats private and public patients under a five year agreement with Queensland Health.

In December 2013 Ramsay Santé finalised the acquisition of Medipsy, a psychiatric hospital group, from Générale de Santé. Medispy was a leading operator of private psychiatric hospitals in France with 30 hospitals and more than 2600 beds. Following the finalisation of this deal, Ramsay Santé operates 40 hospitals in France and is the third largest independent operator of hospitals in that country.

2014

In June 2014 Ramsay Health Care announced its French division Ramsay Santé, had acquired a controlling interest in Générale de Santé (GdS) which, when completed, will significantly expand Ramsay's French portfolio. The acquisition of GdS and its 61 hospitals (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) will make Ramsay Santé the largest private hospital operator in France and places Ramsay Health Care in the top 5 private hospital operators in the world.

of people caring for people

Financial highlights

Revenue

$4.9 billion

17.6%

Group revenue **up** 17.6% on previous year

EBIT

$580.4 million

19.6%

Group earnings before interest & tax **up** 19.6% on previous year

Core Net Profit

$346.2 million

19.0%

Core Net Profit after tax **up** 19.0% on previous year

Core Earnings Per Share

163.9 cents

20.6%

Core earnings per share **up** 20.6% on previous year

Dividend, Fully Franked

85.0 cents

20.6%

Full year dividend (fully franked) **up** 20.6% on previous year

Operational highlights

- Excellent operating performance across global portfolio
- Acquired hospitals in France (Medipsy – December 2013) & Asia (JV with Sime Darby – July 2013)
- Announced conditional agreement to purchase the largest private hospital group in France, Générale de Santé, in June 2014
- Approved $172 million in brownfield capacity expansions at Australian hospitals in fiscal year 2014
- Opened Sunshine Coast University Private Hospital in December 2013
- Successfully completed first year of operations of Peel Health Campus
- Launched free employee share plan in July 2013

2014 FINANCIAL YEAR SUMMARY OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE	2014 ($ millions)	2013 ($ millions)	Increase
Operating Revenue	$4,909.3	$4,174.5	17.6%
EBITDAR	$888.9	$736.8	20.6%
EBITDA	$746.9	$627.7	19.0%
EBIT	$580.4	$485.3	19.6%
Core NPAT(1)	$346.2	$290.9	19.0%
Core EPS (cents per share)(2)	163.9¢	135.9¢	20.6%
Final dividend - fully franked (cents per share)	51.0¢	41.5¢	22.9%
Full year dividend - fully franked (cents per share)	85.0¢	70.5¢	20.6%
Margins			
EBITDAR	18.1%	17.6%	+46 bps
EBITDA	15.2%	15.0%	+18 bps
EBIT	11.8%	11.6%	+20 bps

(1) CORE NPAT IS BEFORE NON-CORE ITEMS.

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

Chairman's Report

Michael Siddle
CHAIRMAN

THIS YEAR WAS A SIGNIFICANT YEAR FOR RAMSAY HEALTH CARE IN MANY WAYS. WE CELEBRATED THE COMPANY'S 50TH ANNIVERSARY SINCE THE ESTABLISHMENT OF OUR FIRST HOSPITAL IN SYDNEY IN 1964; WE MOURNED THE DEATH OF OUR FOUNDER & CHAIRMAN PAUL RAMSAY; & WE SIGNED A DEAL TO ACQUIRE THE LARGEST PRIVATE HOSPITAL OPERATOR IN FRANCE - GENERALE DE SANTE.

Paul passed away on 1 May 2014 - 50 years after starting Ramsay Health Care. He was a pioneer of private hospitals in Australia, opening his first private hospital in Mosman, Sydney - a mental health facility with just 16 beds. From here he went on to establish several more psychiatric hospitals in Sydney, Adelaide and Melbourne as well as regional medical/surgical hospitals in Coffs Harbour, Albury and Tamworth. These hospitals still operate today and are all major employers and industries in their respective regions.

During the nineties, Ramsay Health Care won the tender to privatise two repatriation hospitals located in Queensland and Western Australia, a major achievement at the time. Paul's father flew in World War I and he was a great admirer and always respectful of veterans and the contribution they made to their country. The operation of these two veteran hospitals and Ramsay's care of veterans was very dear to him.

At the time of his death, Paul was Chairman of a global hospital company, operating 69 hospitals in Australia and 151 facilities throughout the world. But size never mattered to him. His motto, which has permeated the whole organisation over the decades, was always: 'Look after the patients; look after the staff; and the rest will follow'. He was a major believer in loyalty, humility and love. He fostered a strong staff culture; good patient outcomes and developed strong relationships with all stakeholders.

During his life, Paul had been a generous benefactor to dozens of charities and worthy causes and, so it came as little wonder, that in death he bequeathed $3 billion to charity - the biggest single donation in Australia's history. Thanks to this incredible act of generosity, the bulk of Paul's estate will now be of enduring benefit to the Australian community.

Paul will forever be remembered for his major contribution to healthcare in Australia and the legacy he has left, which will be of enduring benefit to the Australian community through the Paul Ramsay Foundation. It is the intention of the Paul Ramsay Foundation to remain a significant long term shareholder of Ramsay Health Care and that the Directors of this Foundation (myself, Ramsay Health Care Deputy Chairman Peter Evans and Non-Executive Director Tony Clark) are aligned with Ramsay's growth strategy.

Paul will forever be remembered for his contribution to private health care and hospitals in Australia. He was a wonderful person, a true gentleman and a great friend to many of us. He will be greatly missed by everyone.

It was fortunate that he was present for the 50th anniversary celebrations of the Company in March 2014. In celebrating our 50th anniversary we have had the opportunity to remember that Ramsay Health Care is not an overnight success story. The excellent position the Company is in today is thanks to our achievements over 50 years and can be attributed to our focused strategy, good management philosophy, and our emphasis on people and culture. Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to 'The Ramsay Way'.

We recognise that our people are our most important asset and, in acknowledgement of the important contribution they make to the Company, the Board was delighted to launch a free share plan in July 2013. In June 2014, the Board re-extended the offer of free shares and top up shares. Approximately 1300 new employees clicked over the three years and received the $1000 free share offer in 2014 and 12,500 employees who already received the free share offer in 2013, received a $500 share top-up in 2014. This share plan is designed to give employees the opportunity to have an ownership interest in our Company and, at the same time, to recognise the vital role they play in our organisation.

For the year ended 30 June 2014 Directors are pleased to announce a fully-franked final dividend of 51.0 cents, up 22.9% on the previous corresponding period, taking the full year dividend to 85.0 cents fully franked, up 20.6% on the prior year.

> The excellent position the Company is in today is thanks to our achievements over 50 years & can be attributed to our focused strategy, good management philosophy, & our emphasis on people & culture.

The Board remains focused on growing the business through both brownfield developments and acquisitions overseas. We were pleased this year to approve another $172 million in brownfield developments in our Australian hospitals which will assist with the growing demand being experienced in this country.

We have been pursuing our expansion programme overseas and in 2014 in our joint venture there with Crédit Agricole Assurances, we purchased 30 psychiatric hospitals in France from Générale de Santé in December 2013 and, in June 2014, signed a deal to acquire the rest of Générale de Santé's assets bringing our total portfolio in France to 101 hospitals.

With the completion of this deal with Générale de Santé later in 2014, Ramsay will become the largest private hospital operator in France - a country that has similar demographics and demand for healthcare as the rest of the developed world.

Over the last decade the Ramsay Health Care management team has proven not only to be good hospital operators in Australia, but also overseas. The Board is confident that, under the guidance of this strong management team, Ramsay Health Care will be successful in France as we have been in Australia.

I am extremely proud to succeed in the footsteps of Paul Ramsay as Company Chairman. Having worked with Paul for 46 years and having served as both Chief Executive Officer and Deputy Chairman of Ramsay for many years, I have significant knowledge of the business and the private hospital industry. Together with Deputy Chairman Peter Evans, who has also been with the Company over 40 years, our aim will be to ensure continuity at the highest level and the ongoing excellent performance of this great Company.

I would like to thank the Ramsay Board and management team for their ongoing commitment to Ramsay Health Care, but most of all, to the staff and doctors who work in our hospitals right across the world. Thank you for looking after our patients and upholding the company motto of 'People caring for people'.

MICHAEL SIDDLE | CHAIRMAN

Managing Director's Report

Christopher Rex
MANAGING DIRECTOR

FOR THE YEAR ENDED 30 JUNE 2014, RAMSAY HEALTH CARE, ANNOUNCED A GROUP CORE NET PROFIT AFTER TAX (CORE NPAT) OF $346.2 MILLION – A 19.0% INCREASE ON THE PREVIOUS CORRESPONDING PERIOD.

Group Core NPAT delivered Core Earnings Per Share (Core EPS) of 163.9 cents for the year, a 20.6% increase on the 135.9 cents recorded a year ago and ahead of the upgraded guidance announced to the market in February 2014.

The Company's reported net profit after tax (after deducting non-core items) of $303.8 million was up 14.0% on the prior year.

50th Year Landmark

2014 marks the 50 year anniversary of Ramsay Health Care which was established by Paul Ramsay in Sydney and today is one of the largest private hospital operators in the world. Paul passed away in May this year but he will forever be remembered for his major contribution to healthcare in Australia and the legacy he has left, which will be of enduring benefit to the Australian community through the Paul Ramsay Foundation.

It is pleasing that it is the intention of the Paul Ramsay Foundation to remain a significant long term shareholder of Ramsay Health Care and that the Directors of this Foundation are aligned with Ramsay's growth strategy.

Under Paul's guidance Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to 'The Ramsay Way' culture that he established. We will continue to operate the Company according to these values.

In particular, we maintain a strong focus on safety and risk management for both our staff and patients. Quality and risk programs introduced right across Ramsay Health Care hospitals continue to have a positive impact on incident rates, severity of incidents and incidents directly related to our own systems and processes. Risk management is high on the Board's agenda and, as a result, incident rates remain extremely low across the Company.

In addition, I am extremely pleased to see that we continued to achieve record-breaking lows in long term injury frequency rates (LTIFRs) in 2014. Staff safety is extremely important and ensuring that our employees can work in a safe environment has been a major focus for the Company and shows in the extremely low LTIFRs recorded in 2014.

Strategy & Operations

The outstanding results, achieved in the 50th year of the Company's operations, are a reflection of the strength of our growth strategy.

We are successfully delivering on our stated growth strategy - focusing on hospitals; reinvesting in our facilities; pursuing public/private opportunities; and making prudent acquisitions.

Ramsay Health Care is now a truly global operator with a geographically diverse portfolio of hospitals across five countries and the impending acquisition of Générale de Santé (GdS) cements our position in the top five private hospital operators in the world.

While the Company has successfully delivered on its growth strategy it has remained focused on its existing business and ongoing investment in its Australian hospitals through its capacity expansion programme which continues to produce strong results.

During the year, Ramsay's Australian and Asian business achieved outstanding revenue growth of 10.5% and EBIT growth of 14.8%. Operating margins for the Australian business continue to grow.

Ramsay's European operations were solid contributors to the overall Company performance in 2014.

Ramsay's UK business performed strongly with EBIT growing 11.1% to £35.3 million. NHS admissions continue to grow and costs have been managed well as is evidenced again by the increase in EBITDAR margins from 25.5% to 25.7%.

In France, Ramsay Santé had an excellent year with EBIT increasing by 85% to €26.2 million due to the continued improvement of the existing operations coupled with the contribution from the Clinique de l'Union (acquired in June 2013) and the Medipsy psychiatric facilities (acquired mid December 2013).

Both of these results demonstrate clearly the excellent growth opportunities that exist in European markets for experienced hospital operators.

Acquisitions

On 1 July 2013 Ramsay commenced its joint venture with Sime Darby Berhad. The new joint venture which combines Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, has been successfully integrated.

> Ramsay Health Care is now a truly global operator with a geographically diverse portfolio of hospitals across five countries & the impending acquisition of Générale de Santé (GdS) cements our position in the top five private hospital operators in the world.

In a major development for the Company, we announced the acquisition of a controlling interest in Générale de Santé (GdS) in June 2014 which, when completed, will significantly expand Ramsay's French portfolio.

The acquisition of GdS and its 61 hospitals (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) makes us the largest private hospital operator in France and will positively contribute to future earnings growth for the Company.

This acquisition will make us the leading player in a country that has a strong, well-respected health system with a growing demand for health care services.

Ramsay will debt fund its equity interest in GdS and the transaction is expected to be EPS accretive immediately.

Brownfields Capacity Expansion

In the last financial year Ramsay Health Care approved a further $172m for capacity expansions in Australia.

In particular, brownfield developments approved at major hospitals including St George, Lake Macquarie, Pindara, Beleura and Peninsula Private Hospitals, are expected to drive admissions growth in these key strategically located hospitals into the future.

We have a quality portfolio of hospitals that are strategically located in high growth areas and, over the past decade, we have demonstrated our success in expanding these hospitals to meet demand.

We anticipate ongoing growth in demand will continue to drive substantial capital investment in these facilities well into the future.

In FY14 Ramsay opened the Sunshine Coast University Private Hospital which has a public services contract for five years with Queensland Health. In its first six months of operation the hospital admitted over 6,500 patients.

During the year, we recontracted with the Victorian state government to operate the Mildura Base Hospital until 2020.

Peel Health Campus, a public hospital in WA purchased in June 2013, has been successfully integrated into the Group and we are looking forward to further development of both public and private facilities at this campus in the near future.

Ramsay's strong balance sheet and strong cash flow generation provides us with the flexibility to fund the increasing brownfield capacity expansion programme, future acquisitions and ongoing working capital needs.

Outlook

Brownfield developments and prudent acquisitions, the hallmarks of Ramsay's growth strategy, the Company in 2015 while we also maintain focus on improving the performance of our existing hospitals.

With the finalisation of the GdS acquisition expected in September 2014, we look forward to becoming the premier private operator in France and integrating GdS into our operations.

Ramsay Health Care has now established a strong position in a number of overseas markets. We are unique in our ability to manage hospitals across borders and cultures and this expertise is invaluable as we continue to canvas further opportunities in new and existing markets.

We also look forward to producing increased benefits from our successful capacity expansion programme in Australia given the continuing strong demand for health services in this country.

I would like to take this opportunity to thank the Board, the Executive management team, and all our staff and doctors in hospitals across the world for your support and contribution to this Company. There have been many people who have contributed to the success of Ramsay Health Care over the past 50 years and I thank you all for your significant contributions to what is today, one of Australia's greatest companies and one that I am extremely proud to lead.

CHRISTOPHER REX | MANAGING DIRECTOR

Hospitals & facilities

Includes day surgery centres, treatment centres, rehabilitation & psychiatric units.

France*

*Prior to acquisition of Général de Santé announced in June 2014. Completion expected in FY15.

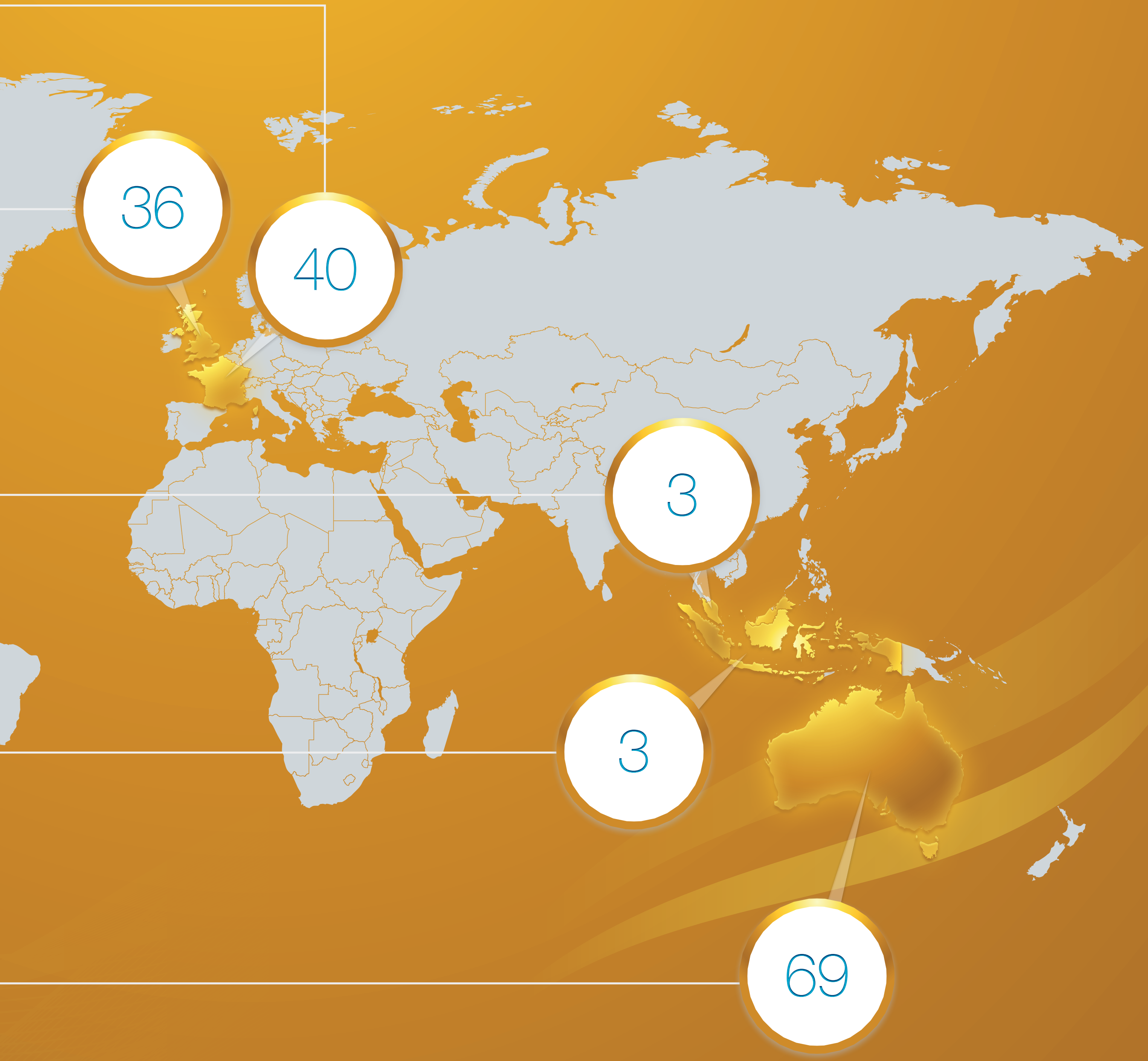
United Kingdom

Malaysia

Indonesia

Australia

Celebrating 50 years of people caring for people



Board of Directors

Paul Ramsay AO

CHAIRMAN – Appointed 26/05/75

(Deceased 1 May 2014)

Mr Paul Ramsay was Chairman of the Company since its inception and also Chairman of the Paul Ramsay Group of Companies until he passed away on 1 May 2014.

Mr Ramsay was involved with health care from 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 developed Ramsay Health Care into the largest Australian private hospital owner with extensive operations overseas. In 2002, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organizations.

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

- Prime Media Group Limited, as Chairman (Appointed April 1985, Resigned April 2014)

Michael S Siddle

CHAIRMAN – Appointed 27/05/14
(Appointed as a Director 26/5/75)

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

Mr Siddle is a director and former 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.

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

Mr Siddle is also a trustee of the Paul Ramsay Foundation.

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)

Peter J Evans

FCA MAICD

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

Mr Peter Evans was appointed as Deputy Chairman of the Company on 27 May 2014, having formerly served as a Non-Executive Director since his appointment to the Board in 1990. Mr Evans began working with Ramsay Health Care in 1969. He is a Chartered Accountant who was in public practice for over 20 years with predecessor firms of KPMG. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for 45 years. Mr Evans is Chairman of both the Company's Audit and Risk Management Committees and a member of the Remuneration Committee.

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

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

- Prime Media Group Limited (Appointed March 1991)

Christopher P Rex

MANAGING DIRECTOR – Appointed 01/07/08

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

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

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

Mr Rex is the current President of the Australian Private Hospitals Association (APHA), the peak body representing private hospitals in Australia. He is also a Director of the Football Federation Australia, the governing body of football in Australia.

Bruce R Soden
B.Comm CA FAICD

GROUP FINANCE DIRECTOR

– Appointed 02 /01/97

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

Since listing and under Mr Soden's financial leadership, Ramsay's enterprise value has grown from under $400 million in 1997 to in excess of $11 billion currently.

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

Prior to being appointed Group Finance Director in 1997, Mr Soden was Finance Director and Chief Financial Officer of Ramsay's operating entities. Prior to that he spent four years based in New Orleans as Director and Senior Vice President of Ramsay Health Care Inc, a listed US health care company.

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

Anthony J Clark AM
FCA FAICD

NON-EXECUTIVE DIRECTOR

– Appointed 06/10/98

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

Mr Clark is also a trustee of the Paul Ramsay Foundation.

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) (Resigned October 2013)
- Sphere Minerals Limited (Appointed November 2010)

Board of Directors…continued

I Patrick S Grier AM MAICD

NON-EXECUTIVE DIRECTOR

– Appointed 01/07/08

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

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

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

Mr Grier is Chairman of Estia Health Pty Ltd and is also a member of the Skin Cancer Network Advisory Board. He was previously Chairman of the Domain Principal Group.

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

- Prime Media Group Limited (Appointed June 2008)

Rod H McGeoch AO LLB MAICD

NON-EXECUTIVE DIRECTOR

– Appointed 03/07/97

Mr Rod McGeoch is a past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 40 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Mr McGeoch is also a past Chairman of Sky City Entertainment Group Limited.

Currently Mr McGeoch is Chairman of Vantage Private Equity Group Limited and Mediaworks Limited in New Zealand, and is also Deputy Chairman of the Sydney Cricket & Sports Ground Trust. Mr McGeoch also holds a number of honorary positions. In 1990 he was awarded Membership of the Order of Australia for services to Law and the Community and in 2013, also awarded an Officer of the Order of Australia for distinguished service to the Community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games. Mr McGeoch is Co-Chairman of the Australian New Zealand Leadership Forum and is also a director of Destination NSW. In January 2013, Mr McGeoch was appointed Consul General of Luxembourg in Australia.

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

- Sky City Entertainment Group Limited (Appointed September 2002)
- BGP Holdings Plc Malta and BGP Investment S.a.r.l Luxembourg (Appointed November 2009) (Currently Chairman)

Kerry C D Roxburgh B.Comm MBA MESAA

NON-EXECUTIVE DIRECTOR

– Appointed 03/07/97

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

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

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

He is also a member of the Advisory Board of AON Insurance.

In 2000 he completed a 3 year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), becoming its non-executive Chairman until June 2007, when it was acquired by the ANZ Bank. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group (now HSBC Australia Ltd) where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant.

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

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

John D C O'Grady LLB FAICD

GROUP GENERAL COUNSEL & COMPANY SECRETARY – Appointed 23/01/07

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

Mr O'Grady heads up the Legal Services team within the Group and has responsibility for coordinating Risk Management throughout the Group. He also provides input into all major acquisitions of the Ramsay Group globally and advises the Board and Executive on governance, risk management and legislative matters.

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, long-term sustainable growth and shareholder returns. The Board recognises the importance of good governance in achieving these corporate objectives, in discharging its responsibilities to all stakeholders and in executing the broader role of the Company as a good corporate citizen.

2014 Initiatives & Highlights

The Ramsay Health Care Performance and Sustainability Report, detailing the Company's performance in patient safety and quality, the environment, human resources, workplace health and safety and corporate governance, continues to demonstrate the Company's above-industry performance against all indicators. The Report can be accessed at **www.ramsayhealth.com.au/Performance-Report**.

Since 2011 the Company has been included in the FTSE4Good Index, an index which objectively measures the performance of companies that meet globally recognised corporate responsibility standards.

The Company's governance framework is designed to ensure that the Company is effectively managed, that statutory obligations are met and that the culture of personal and corporate integrity – The Ramsay Way – is reinforced. The Company remains steadfast in its commitment to maintaining the culture and principles of The Ramsay Way across all aspects of its business, despite the loss of the architect of the Ramsay Way, founder and Chairman Mr Paul Ramsay AO, on 1 May 2014.

This Statement outlines the Company's governance framework, policies and procedures as at 10 September 2014 (unless otherwise stated) in accordance with the 2nd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) applicable at the date of this report. The table at the end of this section indicates where specific Recommendations are addressed in this Statement.

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

Principle 1:
Lay solid foundations for management & oversight

The Board

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

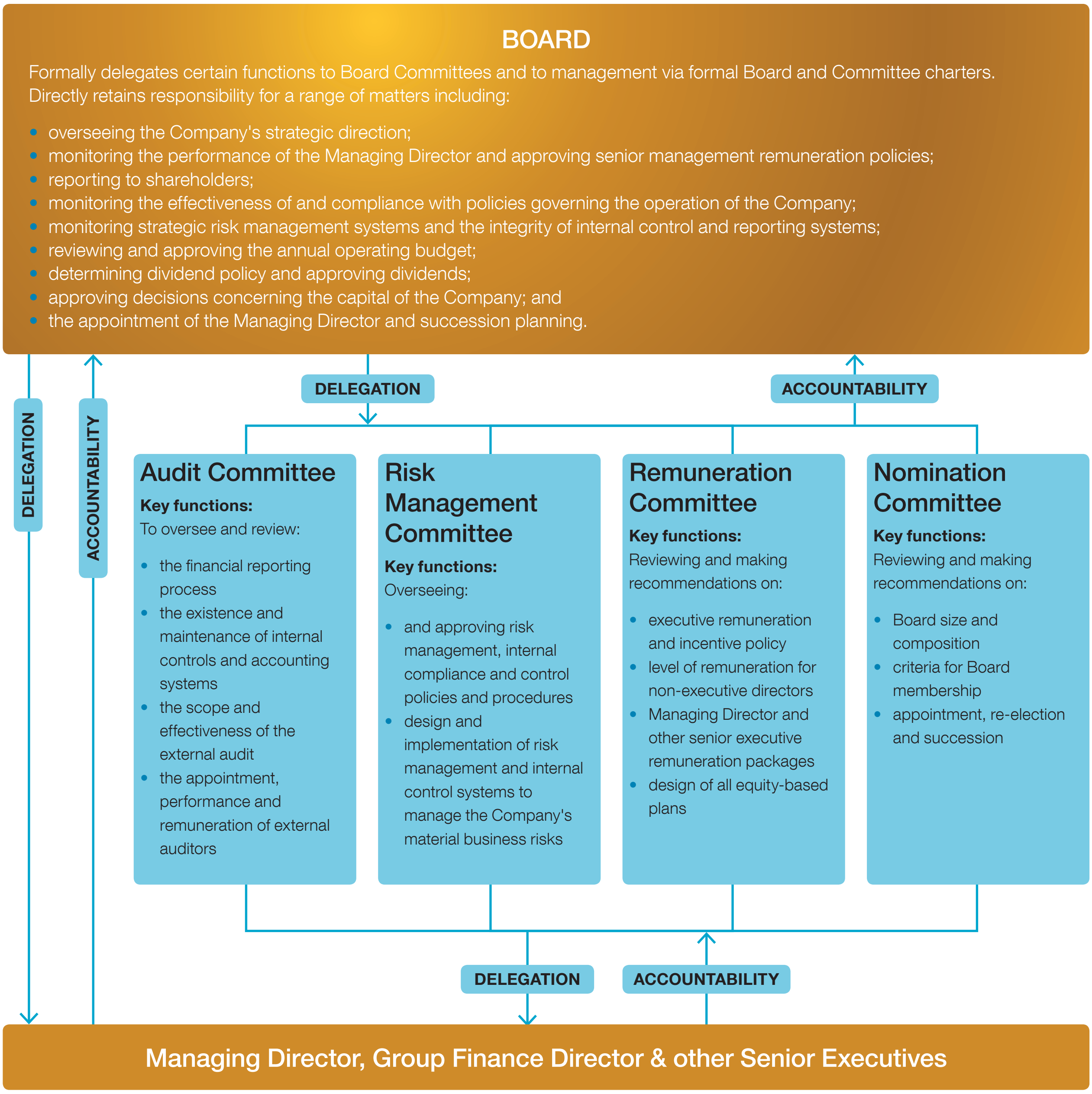
To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, the Company has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and to senior management. These are set out in the Board Charter and can be found in the Corporate Governance section of the Company's website.

A Statement of Delegated Authorities, which was most recently updated and approved by the Board in February 2014, is also in place and distributed internally. The Statement will continue to be reviewed as required, particularly with the continued expansion of the Company's global business.

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

Governance Framework

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



BOARD

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

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

Audit Committee

Key functions:
To oversee and review:

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

Risk Management Committee

Key functions:
Overseeing:

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

Remuneration Committee

Key functions:
Reviewing and making recommendations on:

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

Nomination Committee

Key functions:
Reviewing and making recommendations on:

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

Managing Director, Group Finance Director & other Senior Executives

Board Committees

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

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

Board Committee	Composition requirements	Membership
Audit Committee	Comprised of at least three members, all of whom are non-executive directors and a majority of whom are independent. Chaired by an independent non-executive director.	Mr Peter Evans (Chair), Mr Tony Clark AM and Mr Kerry Roxburgh.
Risk Management Committee	Comprised of at least three members, two of whom must be non-executive directors with at least one being a member of the Audit Committee. Chaired by an independent director. The Managing Director, Group Finance Director, Chief Operating Officer, Chief Risk Officer and Group General Counsel must also be members.	Mr Peter Evans (Chair), Mr Kerry Roxburgh, Mr Patrick Grier AM, Mr Christopher Rex, Mr Bruce Soden, Mr Craig McNally, Mr Danny Sims and Mr John O'Grady.
Remuneration Committee	Comprised of at least three members, all of whom are non-executive directors and a majority of whom are independent. Chaired by an independent non-executive director.	Mr Rod McGeoch AO (Chair), Mr Peter Evans and Mr Michael Siddle.
Nomination Committee	Comprised of at least three members, a majority of whom are independent non-executive directors. Chaired by an independent non-executive director.	Mr Rod McGeoch AO (Chair), Mr Kerry Roxburgh, Mr Paul Ramsay AO (until 1 May 2014) and Mr Michael Siddle (from 27 May 2014)

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

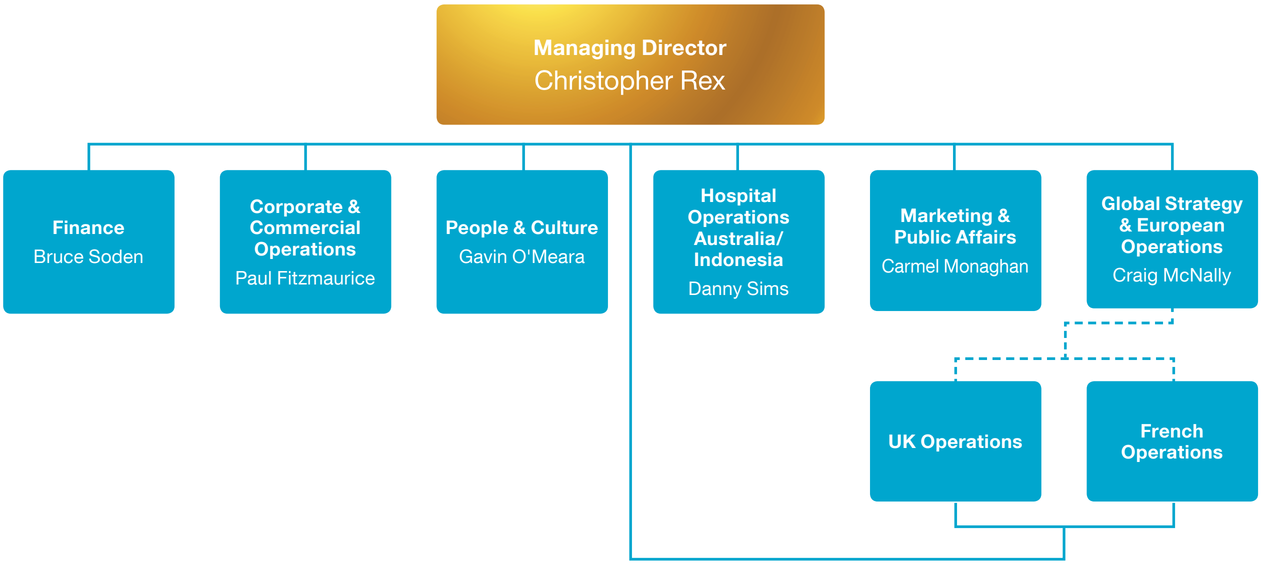
	Board	Audit Committee	Risk Management Committee	Remuneration Committee	Nomination Committee
	Attended (Held)	**Attended (Held)**	**Attended (Held)**	**Attended (Held)**	**Attended (Held)**
P.J. Ramsay AO	7 (8)[1]				1 (1)[1]
M.S. Siddle	10 (10)			4 (4)	2 (2)[2]
C.P. Rex	10 (10)		4 (4)		
B.R. Soden	10 (10)		4 (4)		
A.J. Clark AM	10 (10)	6 (6)			
P.J. Evans	10 (10)	6 (6)	4 (4)	4 (4)	
I.P.S Grier AM	10 (10)		4 (4)		
R.H. McGeoch AO	9 (10)			4 (4)	3 (3)
K.C.D Roxburgh	10 (10)	6 (6)	4 (4)		3 (3)

1 UNTIL DATE OF MR RAMSAY'S DEATH ON 1 MAY 2014
2 MR SIDDLE WAS APPOINTED TO THE NOMINATION COMMITTEE ON 27 MAY 2014

Senior executives

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

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



The Managing Director must consult with the Chairman or Deputy Chairman on any matters which the Managing Director considers are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board, regardless of value. The authorisation thresholds for the control of expenditure and capital commitments are established and defined in the Company's Statement of Delegated Authorities, which is regularly reviewed and updated as required to optimise the function and decision-making of the executive as the Company continues to grow and expand geographically, whilst maintaining appropriate oversight by the Board.

Subject to these policy limits and the directions of the Audit Committee, the Managing Director may sub-delegate the day-to-day running of the Company to the senior executive team.

The exercise of delegated authority by individual executives or managers is restricted to specific organisational functions and roles. An individual's delegation to incur financial commitments on the Company's behalf is restricted to routine operating expenditure and capped at a monetary limit according to that individual's position. Non-routine transactions or commitments also require the involvement or approval of specific senior executives or directors, for example in relation to: determining conditions of employment, the write-off of assets, instructing external advisers, property transactions, taxation payments, treasury transactions and dealings (contractual and otherwise) with other parties. The Statement of Delegated Authorities details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes that are required to be followed.

In general, commitments to capital expenditure or routine operating expenditure with direct or indirect exposure to the Company above the Managing Director's approval threshold of $3 million, ($4 million for rollover of existing contracts and $1 million for new, special or beyond-budget capital expenditure) must be submitted to the Board for approval.

Each of the Company's businesses in a country outside Australia must develop their own delegated authorities policy, which must be consistent with the Statement of Delegated Authorities. The authority delegated to any individual under such policies must not exceed the delegation level of the Chief Operating Officer (or equivalent operational manager for that country appointed by the Ramsay Managing Director) to whom that country reports under this policy.

Performance of senior executives

A combination of financial and non-financial key performance indicators (**KPIs**) are used to monitor senior executive performance. Details of the KPIs used for the Managing Director in FY2014 and examples of the KPIs for other senior executives are set out in the Remuneration Report.

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

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

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

Principle 2:
Structure the Board to add value

Board composition

The Board currently consists of two executive and six non-executive directors. Of those six non-executive directors, a majority (four) are independent directors. Details of the background, particular qualifications, expertise and period of service of each director are set out in the Board of Directors section of this Annual Report.

On 27 May 2014, following the passing of Chairman Mr Paul Ramsay AO, Mr Michael Siddle was appointed Chairman of the Board and Mr Peter Evans appointed Deputy Chairman.

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

As a general comment on the composition of its Board, the Company considers there is significant merit and benefit to shareholders in a stable and experienced Board. The Board has remained stable over a number of years, during which the Company has expanded its business substantially to become one of the world's largest private hospital operators while delivering sustained, long-term growth in revenue, earnings, net profit and dividends year-on-year for more than ten years. The Company has consistently outperformed the market, including the S&P ASX Healthcare Index in recent years (refer to the graph included in the Remuneration Report).

Director appointments

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

The Nomination Committee is also responsible for reviewing and making recommendations to the Board on its membership, including recommendations for the appointment and re-election of directors and where necessary, proposing candidates for consideration by the Board. The nomination and appointments of directors are made in accordance with the Company's Constitution and the Nomination Committee Charter, both of which are available on the Corporate Governance area of the Company's website. The Nomination Committee must have regard to the factors set out in the Nomination Committee Charter, including that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Board Diversity Policy (which was updated in May 2013 to encompass a broad range of diversity considerations).

The Board is cognisant of the need to renew its own membership, especially given the length of tenure of each of its current directors.

To address this the Chairman Mr Michael Siddle recently began, with the full support of the Board, the process of renewal by engaging an international search firm to consider board candidates for appointment.

The Board is seeking a candidate to address some of the gaps in its experience and diversity, taking into account its current composition and the Company's continued expansion overseas.

The Board expects to make an appointment in coming months and will consider making further appointments in the medium term.

An offer of a Board appointment must be made by the Chairman only after having consulted with all directors and with the approval of the Board as a whole. In accordance with the Company's Constitution a director appointed by the Board holds office until the conclusion of the next AGM, when he or she will be eligible for election.

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

Director independence

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

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

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2. The Company does not use prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

At the date of this Statement, Paul Ramsay Holdings Pty Limited continues to be the Company's largest shareholder. Mr Peter Evans (Deputy Chairman) and Mr Tony Clark AM are directors of Paul Ramsay Holdings Pty Limited. Messrs Evans and Clark are also trustees of the Paul Ramsay Foundation (together with Mr Siddle). As announced to the market on 2 May 2014, the Paul Ramsay Foundation will receive the benefit of the vast majority of Mr Ramsay's controlling shareholding in the Company, which will largely be retained on trust for the Foundation following Mr Ramsay's passing. The trustees of the Foundation have indicated that, in accordance with Mr Ramsay's will, the intention is for the Foundation to remain as a significant long term shareholder of the Company.

The Board has recently reviewed the independence of Mr Evans and Mr Clark AM given their role as directors of Paul Ramsay Holdings Pty Limited and as co-trustees of the Paul Ramsay Foundation. In assessing the impact of these roles on their exercise of independent judgement, the Board took into account the following factors:

- neither Mr Evans nor Mr Clark AM are members of the Board as nominees of Paul Ramsay Holdings Pty Limited;
- they are voted on to the Board of the Company by the shareholders generally and have been re-elected by a majority of other shareholders (i.e. excluding Paul Ramsay Holdings Pty Limited) on each occasion they have stood for re-election;
- neither are shareholders of Paul Ramsay Holdings Pty Limited;
- they do not receive any remuneration from Paul Ramsay Holdings Pty Limited other than directors' fees;
- they do not receive any remuneration from the Company other than directors' fees and Committee/chairmanship fees as disclosed in the Directors' Report;
- there are no related party transactions between the Company and Paul Ramsay Holdings Pty Ltd likely to create any conflict between their duties as a director to both companies;
- in practice, they both make their own decisions on how to vote at meetings of the Board, and do so acting in the best interests of the Company's shareholders generally and without direction from Paul Ramsay Holdings Pty Limited;
- Mr Evans and Mr Clark AM are independent of management; and
- their role as trustees of the Paul Ramsay Foundation is fiduciary in nature and in that capacity they have no personal interest which would affect their independence as directors of the Company.

Having regard to all of these factors, the Board holds the view that Mr Evans' and Mr Clark's relationship with Paul Ramsay Holdings Pty Ltd and their roles as co-trustees of the Paul Ramsay Foundation will not interfere with, and should not be perceived to interfere with, the independent exercise of their judgement.

In the case of Mr Kerry Roxburgh and Mr Rod McGeoch AO, the Board does not consider there to be any relationships that could materially interfere with or could reasonably be perceived to materially interfere with their ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

The remaining directors are regarded by the Board as not independent for the reasons outlined below. In each case, the Board is satisfied that the director makes a valuable contribution to the work of the Board and has particular skills and experience that enhance the effectiveness of the Board.

- The Managing Director, Mr Christopher Rex – as a current executive of the Company, Mr Rex is not independent.
- The Group Finance Director, Mr Bruce Soden – as a current executive of the Company, Mr Soden is not independent.
- The Chairman of the Board, Mr Michael Siddle – Mr Siddle has had a long association with the Company and Mr Paul Ramsay AO and was formerly the Chief Executive Officer of the Company. For this reason, he is not considered to be independent. However, Mr Siddle has considerable knowledge and experience in the management of the Company and private hospitals generally and of property development. Mr Siddle was for many years the Deputy Chairman of the Board and, in order to ensure continuity and stability of this highly successful Board, has been appointed Chairman of the Company following the passing of Mr Paul Ramsay AO. Given this highly relevant and valuable experience, the Board considers that the interests of the shareholders are best met by the continued contribution of Mr Siddle.
- Mr Patrick Grier AM – Mr Grier is not considered to be independent as he was previously Managing Director of the Company and there was not a period of more than three years between ceasing that appointment and serving as a non-executive director on the Board (although more than twice that period has now passed since Mr Grier was employed as Managing Director). Despite the continuity of Mr Grier's involvement as an executive and then a non-executive director, the Board considers that Mr Grier's experience, skills and standing add significant value to the Board's ability to deal with issues and developments in the health care sector and the market.

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

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

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

Access to independent advice

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

Evaluating Board, Committee & director performance

During the 2014 financial year, the Board undertook a formal, structured evaluation that involved each director completing a confidential questionnaire covering the role, composition, behaviours and processes of the Board. The results of the questionnaires and an analysis of those results were reported to the Board by the Company Secretary. A similar evaluation process was undertaken by each of the Board Committees during the financial year.

In addition, a 360-degree review of the Audit Committee was undertaken, with members of senior management and the external auditor completing the evaluation as well as each of the Committee Members. A 360-degree review of the Risk Management Committee was also undertaken, with each of the senior managers who chair the RMC Subcommittees and attend each RMC meeting completing the evaluation, as well as the Ramsay Internal Audit Manager and each of the Committee Members.

Results of the evaluations consistently indicated that the perception of the role, the composition, function, procedures, working style, behaviours and administration of the Board and each of the Board Committees are highly effective and that the Board and each of the Committees are performing extremely well.

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

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

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

Principle 3:
Promote ethical & responsible decision-making

Code of conduct

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

- the practices necessary to maintain confidence in the Company's integrity;
- their legal obligations from time to time and the reasonable expectations of the shareholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct, which is available in the Corporate Governance section of the Company's website, is the subject of periodic review to ensure that it covers all relevant issues and sets standards consistent with Ramsay's commitment to ethical and responsible behaviours.

Employees are encouraged to report any concerns regarding serious misbehaviour including theft, fraud, bribery, breach of policies, dishonesty, harassment, bullying, unlawful discrimination, unethical or negligent behaviour, workplace safety hazards and medical negligence through the Ramsay Whistleblower Programme. The programme has been implemented in all Ramsay facilities in Australia, the UK and Indonesia and includes an independent hotline service operated by Deloitte to encourage anonymous disclosures by providing a mechanism by which employees may confidentially register complaints with an organisation independent of the Company and which will in turn refer complaints to senior managers of the Company for investigation. All reports are monitored by the Whistleblower Committee, which reports to the Audit Committee. A similar programme is in progress of implementation in the more recently acquired French facilities.

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

Bribery & corruption

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

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

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

Equivalent policies are in the process of implementation across all businesses within the Group. In addition, questions specifically addressing bribery and corruption have been added to internal control questionnaires in each of the Company's businesses.

Securities trading policy

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

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

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

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

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

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

Sustainability

Central to the Ramsay Way and the Company's desire to retain its status as one of the world's most sustainable organisations is its commitment to the environment. The Company has in place an Environmental Sustainability Policy, setting out the principles underpinning the Company's commitment towards environmental sustainability which are intended to form part of, and to support, all Ramsay activities. The Company's Environmental Management System (EMS) aims to implement the Policy and procedures developed under it, and to establish individual roles, a reporting structure and a programme for monitoring and auditing performance.

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

The Company has been included in the FTSE4Good Index since 2011. Further details of the Company's environmental indicators can be found in the Company's Performance and Sustainability Report, published on the Company's website. The Performance and Sustainability Report also details the Company's performance using indicators of patient safety and quality, workplace health and safety, human resources and governance and social indicators.

Diversity

The Company is proud of the considerable diversity that exists throughout the organisation. The Company has in place very comprehensive and well-developed Workplace Diversity Guidelines for Employees, includes diversity criteria in its Recruitment and Selection Guidelines, and has had a Diversity Policy in place since May 2010. Both the Guidelines and the Diversity Policy were updated in 2013 for consistency with legislative changes and to specifically pick up a broader range of diversity factors such as age, sexual orientation, race, disability, ethnicity and cultural background.

The Company has again been assessed in 2014 as compliant with the *Workplace Gender Equality Act 2012* and has received recognition for its progressive employee programmes, including its national wellness framework and initiatives for supporting and retaining older employees in the workplace.

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

The representation of women throughout the organisation is generally exceptional. In 2014 women comprised 84% of employees throughout the Group and, similarly to 2013, occupied 78% of senior management positions and 25% of senior executive[1] positions in the Group. There are currently no female directors on the Board.

The Diversity Policy provides for the Board to develop an appointment process for future directors that takes diversity of background into account in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields.

The Company has identified the need for a female perspective on the Board (particularly in light of the fact that women represent approximately 84% of the Group's overall workforce and a substantial proportion of its clinicians and patients) and therefore intends, all other things being equal, that the next appointee to the Board will preferably be a woman. As the Company's business continues to expand across geographical boundaries, the Board is also cognisant of the need to consider Board candidates with international experience.

The Diversity Policy requires that the selection process for Board appointments, (as currently under consideration by the Board), must involve the following steps (including where the Company engages an external recruitment agency to identify and assess candidates):

- a short-list identifying potential candidates for the appointment must be compiled and must include at least one female candidate; and
- if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.

The Diversity Policy also covers senior executive appointments and requires the Managing Director to have reference to the Policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the senior executive team and to assess the application of this Policy to the senior executive recruitment process.

In order to facilitate greater gender diversity in 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.

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[1] 'SENIOR EXECUTIVE' POSITIONS ARE THOSE REPORTING DIRECTLY TO THE MANAGING DIRECTOR

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 performance against these objectives will be reviewed annually by the Board. Updates on the Company's progress against those objectives during FY2014 and the measurable objectives set for FY2015 by the Nomination Committee and adopted by the Board are set out in the tables below.

PERFORMANCE AGAINST MEASURABLE OBJECTIVES

Measurable Diversity Objective	Timeframe	Progress in FY2014	Relevance for FY2015
Establish and maintain partnership/sponsorship/membership with an external body promoting a women's leadership initiative.	Ongoing	The Company joined the Diversity Council in 2011. Diversity Council resources continue to be disseminated to, and used by the HR team to build tools and guidelines in a broad range of areas.	The Company plans to maintain its membership with the Diversity Council of Australia.
Expand the scope of the Ramsay Succession Planning programme to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles.	Ongoing	The Succession Planning process has been ongoing for all hospital management teams. The bi-annual Future Leaders Programme is currently the Company's main initiative to identify and develop high potential female (and male) managers. Ramsay Health Care intends to continue with facilitation of the Future Leaders Programme every 2 years to identify high potential female managers.	The next Future Leaders Programme will be held in 2016.
Implement an internal mentoring programme which aims to increase opportunities for Ramsay female employees in management or professional positions and from the Ramsay Future Leaders programme to have access to senior managers and (for women in senior management) directors.	Ongoing	The biennial Ramsay Future Leaders Programme seeks to identify high potential female managers to ensure commencement of formal and informal mentoring and executive coaching, and provide opportunities for leadership development. The Future Leaders Programme has again been held in 2014, with women comprising 10 of the 12 participants. The Company offers tailored professional development opportunities to senior management including access to mentoring and executive coaching.	The next Future Leaders programme will be held in 2016. The mentoring programme will continue in FY2015.
Aim to increase the percentage of women in senior management positions (those positions in, or directly reporting to, the Ramsay Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	Ongoing	78% of all senior management positions are currently held by women and 25% of all senior executive positions are held by women (same as FY2013).	The Company will continue to seek opportunities for high calibre female managers in senior management positions in FY2015.
Develop and implement online Diversity (including discrimination, bullying and harassment) training module for all senior managers.	Ongoing	A comprehensive online training module for managers is now available which covers discrimination, equal opportunity, bullying, harassment and sex-based harassment. The training module was announced to all managers in December 2013 and completion every two years is mandatory.	Compliance will be monitored in FY2015.
Annual review of flexible and part-time work arrangements to endeavour to ensure that roles are appropriate to maintain career development.	Ongoing	The Flexible Work Practices Policy was recently updated to reflect changes in legislation. New policy and guidelines were released to all Ramsay workplaces with a strong message of support, encouraging managers to consider requests for flexibility wherever practicably possible. The number of part-time workers and flexible arrangements continues to increase each year.	A full review of flexible working arrangements and part-time work arrangements will be undertaken in FY2015.
To engage an external consultant to assist identifying potential candidates, including a balance of male and female candidates, for the next Board position.	Ongoing	Part of the Board renewal process.	Relevant for FY2015

Principle 4:
Safeguard integrity in financial reporting

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

The Audit Committee Charter (available on the Company website) takes into account the roles and responsibilities of the Audit Committee, the Company's internal audit structure (which has developed in recent years with the appointment of a General Manager - Audit & Risk and an in-house internal audit team) as well as contemporary governance practices. The Audit Committee Charter includes details on the appointment and oversight of the external auditor.

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

Principle 5:
Make timely & balanced disclosure

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

The Company has a Continuous Disclosure Policy, which takes into account the changes to ASX Guidance Note 8. The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of senior executives for achieving compliance. More specifically, the Policy:

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

Principle 6:
Respect the rights of shareholders

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

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

The Communications Policy establishes internal protocols and authorisations for communications with media (including media inquiries and releases at Company and facility level), disclosure of corporate and confidential information and communications with shareholders and investors. The Policy is to be read in conjunction with the Continuous Disclosure Policy described above, which deals with the disclosure of price-sensitive information.

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

- financial reports, market reports and ASX releases are posted on the Investor Centre on the Company's website;
- shareholders are sent email alerts via the Company's share registry manager facility, which is provided by Boardroom Pty Limited;
- an investor email inquiry facility has been established to ensure timely responses by the Company Secretary or the Group Finance Director to all investor questions;
- correspondence from the Chairman is sent to shareholders for significant events (including via the Company's website and email alerts); and
- participation by shareholders at the AGM is actively encouraged.

Principle 7:
Recognise & manage risk

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

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

The Company's risk management framework

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

The Risk Management framework:

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

Risk Management Committee

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

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

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

Risk Sub-Committees

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

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

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

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

Division of risk management responsibilities & functions

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

BOARD

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

Risk Management Committee

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

Audit Committee

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

Senior Managers

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

Managing Director/Group Finance Director

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

Role of management with respect to risk management

The Board has required management to design and implement a risk management and internal control system to manage the material business risks to the Group. This has been done through several mechanisms including, but not limited to:

- Engagement of an external consultant to conduct external reviews of the Framework implementation and also internal reviews through an interview and workshop programme involving members of the Board, senior managers and selected facility managers. The purpose of the review process was to identify strategic risks presenting a material business risk to the Group and to assess the effectiveness of control systems in place to manage the risks identified. Resulting reports from those consultants, profiling the risks identified and suggesting strategies to develop and progress the Risk Management Framework, have been used to guide developments in the Framework implementation and in amendments to the Framework and Charter as required.
- Detailed internal control questionnaires are completed annually by all major divisions in relation to financial and other key risk areas.
- Specialist risk Sub-Committees have been established within the Company: the Clinical Governance Risk Sub-Committee; the Operational, Property & Environment Risk Sub-Committee and the Workforce, Safety & Culture Sub-Committee, each of whom report to the RMC at each of its regular meetings and as otherwise required.
- The Company's internal audit function conducts a series of audits in accordance with a risk-based plan that is agreed with management and the Audit Committee. The results of these reviews are reported to the Audit Committee and RMC by the General Manager, Audit & Risk.
- A high level review of the Company's procurement processes was undertaken in 2013 by the Company's insurance brokers, in conjunction with Ramsay internal audit, to identify potential risks to the Company arising from these processes and make any recommendations on how identified risks may be addressed. The results of this review were reported to the Audit Committee and RMC by the General Manager, Audit & Risk. The review found that the Company's processes were sound from a risk perspective, with only a few very minor recommendations made and implemented.
- Other material and emerging risks that are identified by the Company's executive are also reported directly to the Managing Director through the Chief Risk Officer.

Risk reporting during FY2014

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

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

Principle 8:
Remunerate fairly & responsibly

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

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

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

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

Ramsay's policy is to reward executives with a combination of fixed, performance-based and equity-based incentives. To drive improvements in shareholder value, a significant proportion of remuneration for executive directors and senior executives is 'at risk' based on delivery of returns to shareholders. Conversely, to preserve independence and impartiality, no element of non-executive director remuneration is 'at risk' (i.e. it is not based on the performance of the Company). Non-executive directors receive Board and Committee fees that are set having regard to the responsibilities and risks of the role and market competitiveness. However, to create alignment between non-executive directors and shareholders, non-executive directors are encouraged to hold shares in the Company (purchased by the non-executive director on-market). Most of the non-executive directors have acquired shares in the Company and hold them in their own right.

The Company's Securities Trading Policy prohibits hedging arrangements, dealing in derivatives or any other arrangements that vary the economic risk related to the Company's securities. This includes hedging or arrangements that have the effect of limiting the economic risk in connection with unvested securities issued under an employee or director option or share plan.

For details of the Company's remuneration structure, please refer to the Remuneration Report.

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations

	ASX Principle	Reference[2]	Compliance
Principle 1	**Lay solid foundations for management & oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	1	Yes
Principle 2	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors	2	No. The Board currently has an equal number of independent and non-independent directors. However, as set out in section 2: • the majority of the Non-Executive Directors are independent; and • the Company is satisfied that the Board operates independently of management and is highly effective in promoting the best interests of shareholders as a whole.
2.2	The chair should be an independent director	2	No As set out in section 2, the Company believes that the appointment of Mr Siddle as Chairman will ensure continuity and stability of this highly successful Board, given Mr Siddle's considerable knowledge and experience in the management of the Company, of private hospitals and of property development. The Board considers that the interests of the shareholders are best met by the ongoing contribution of Mr Siddle as Chairman.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1, 2	Yes
2.4	The board should establish a nomination committee.	1, 2	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1, 2	Yes
Principle 3	**Promote ethical & responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to the: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	3	Yes

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[2] ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations			
	ASX Principle	**Reference**[2]	**Compliance**
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	3	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	3	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior Executive positions and women on the Board.	3	Yes
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	3	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	1, 4	Yes
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members	1	Yes
4.3	The audit committee should have a formal charter.	1, 4	Yes
4.4	Companies should provide the information indicated in guide to reporting on Principle 4.	1, 4	Yes
Principle 5	**Make timely & balanced disclosure**		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	6	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	6	Yes
Principle 7	**Recognise & manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	7	Yes

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[2] ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

ASX Corporate Governance Council's Principles of Good Corporate Governance & Best Practice Recommendations

	ASX Principle	Reference[2]	Compliance
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that, the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	7	Yes
Principle 8	**Remunerate fairly & responsibly**		
8.1	The Board should establish a remuneration committee.	1, 8	Yes
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Chair • has at least three members	1	Yes
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	8	Yes
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	1, 8	Yes

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[2] *ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED*

Corporate directory

Directors

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

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

Group General Counsel & Company Secretary

John O'Grady

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

Registered Office

9th Floor, 154 Pacific Highway
St Leonards NSW 2065

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

Share Registry

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

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

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

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

Financial Report

FOR THE YEAR ENDED **30 JUNE 2014**

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

Contents

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2014.

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 (deceased 1 May 2014)
M.S. Siddle - Non-Executive Chairman (from 28 May 2014. Prior to this date, was the Deputy Chairman)
P.J. Evans - Non-Executive Deputy Chairman (from 28 May 2014. Prior to this date, was a Non-Executive Director)
C.P. Rex - Managing Director
B.R. Soden - Group Finance Director
A.J. Clark AM - Non-Executive Director
I.P.S. Grier AM - Non-Executive Director
R.H. McGeoch AO - Non-Executive Director
K.C.D. Roxburgh - Non-Executive Director

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

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

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

Director	Ordinary Shares	Ramsay Health Care Limited Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
M.S. Siddle	152,564	-	-
P.J. Evans	7,209	-	-
C.P. Rex	1,158,474	5,334	440,000
B.R. Soden	355,791	2,000	190,000
A.J. Clark AM	82,000	1,700	-
I.P.S. Grier AM	-	-	-
R.H. McGeoch AO	57,331	257	-
K.C.D. Roxburgh	79,500	-	-

Interests in Contracts or Proposed Contracts with the Company

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

OPERATING AND FINANCIAL REVIEW

Tribute to Paul Ramsay AO

On 1 May 2014, Paul Ramsay AO, Chairman, founder and major shareholder of Ramsay Health Care, passed away in his home town of Bowral. An Australian entrepreneur, Mr Ramsay was known for his establishment of private hospitals; expanding regional television services; property development; and as a major benefactor to a range of educational, cultural, artistic and sporting organisations.

This year was the 50th anniversary of the opening of Mr Ramsay's first private hospital in Sydney, Australia. From these early beginnings, he went on to establish Ramsay Health Care, which is today, not only the largest private hospital group in Australia, but a global hospital group.

Mr Ramsay was known by his close friends, family and people who have worked with him, and for him, as a true gentleman and a humble but proud Australian. Under his good guidance, Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to "The Ramsay Way" philosophy: *People Caring for People*.

Mr Ramsay will be greatly missed by his family, friends, colleagues, staff and doctors and anyone that knew him, throughout the world.

Principal Activities

The Ramsay Health Care Limited Group ("Ramsay" or "the Group") is a global hospital group operating 151 hospitals and day surgery facilities across Australia, the United Kingdom, France, Indonesia and Malaysia. The Group is committed to being a leading provider of health care services by delivering high quality outcomes for patients and ensuring long term profitability. Ramsay is well-respected in the health care industry for operating quality private hospitals and for its excellent record in hospital management, staff engagement and patient care.

Ramsay facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 14,500 beds, the Group employs over 30,000 staff, across five countries, and treats over 1.4 million patients per annum.

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

Ramsay maintains a decentralised management structure at all of its hospitals and day surgery facilities which allows managers to develop productive working relationships with doctors. This has assisted in attracting high calibre medical practitioners to work in its facilities. Ramsay takes a leadership role in shaping the world that we live in through its focus on the environment, good corporate governance and societal issues at large. In 2012 and 2013, Ramsay was recognised in the Global 100 Most Sustainable Corporations in the World. In 2013 it was one of only nine Australian companies to make this industry leading corporate sustainability index. Since 2011 Ramsay has been included in the FTSE4Good Index, an index which objectively measures the performance of companies that meet globally recognised corporate responsibility standards.

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

In November 2007, Ramsay Health Care acquired Capio UK and its portfolio of hospitals in England. Ramsay Health Care UK is now one of the leading providers of independent hospital services in the UK, with a network of 36 acute hospitals and day procedure centres providing a comprehensive range of clinical specialties to private and self-insured patients as well as to patients referred by the National Health Service (NHS).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Principal Activities (continued)

In March 2010, Ramsay Health Care purchased a 57% interest in Group Proclif SAS (Proclif), a leading private hospital operator based in France. Proclif changed its name to Ramsay Santé. This was the start of several acquisitions in France. Ramsay Santé currently has 40 hospitals in France. In June 2014, Ramsay Health Care announced its conditional acquisition of a controlling interest in Générale de Santé (GdS). The acquisition is expected to be completed in late September 2014. GdS is a leading operator of private hospitals in France comprising 75 facilities (including 61 hospitals) in the fields of medicine, surgery, obstetrics and rehabilitation. The addition of GdS will bring Ramsay's total portfolio in France to 115 facilities (including 101 hospitals), making it the largest private hospital operator in France.

In July 2013, Ramsay Health Care entered into a Joint Venture arrangement with Malaysian multinational conglomerate Sime Darby Berhad. The new joint venture combines Sime Darby's portfolio of healthcare assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, under a new jointly owned company, Ramsay Sime Darby Health Care Sdn Bhd. The deal marks Ramsay's first step into Asia since acquiring its Indonesian hospitals in 2005. The new joint venture is expected to provide a platform for further acquisition in the Asian health care sector.

Financial Performance

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

Summary of Statutory earnings	**2014** **$000**	**2013** **$000**	**% Change**
Revenue from services	4,909,314	4,174,535	17.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	694,284	599,098	15.9%
Earnings before interest and tax (EBIT)	517,822	452,092	14.5%
Net profit attributable to owners of the parent	303,759	266,404	14.0%

	2014	**2013**	**% Change**
Basic earnings per share (after CARES dividend)	144.1c	125.1c	15.2%
Diluted earnings per share (after CARES dividend)	143.0c	123.9c	15.4%

Ramsay's net profit attributable to the owners of the parent for the year ended 30 June 2014 was $303.8 million, a 14% increase on the previous corresponding period. Earnings per share is 144.1 cents for the year, a 15.2% increase.

The result was driven by strong performance across Ramsay's global portfolio, the acquisitions of hospitals in France (Medipsy) and Asia (JV with Sime Darby) as part of our global expansion strategy, and contributions from recently completed capacity expansions.

Operational Highlights – Australia / Asia

Ramsay's Australian and Asian business achieved revenue growth of 10.5% increasing to $3.8 billion and EBIT growth of 14.8% increasing to $480.2 million for the year ended 30 June 2014.

At the Australian hospital level, EBITDAR margins increased 30 basis points from 18.8% to 19.1%. The result was driven by strong revenue and admissions growth, a focus on cost control and an increased contribution from completed brownfield developments. The demand for health care and Ramsay's services continue to increase with an ageing and expanding population and the increased chronic disease burden which drives our investment in brownfield capacity expansion.

During the year the new $133 million Joondalup Private Hospital in Western Australia and the $47 million expansion of Greenslopes Private Hospital in Brisbane made positive contributions to earnings. Additionally, the Sunshine Coast University Private Hospital in Queensland opened in December 2013.

Operational Highlights – Europe

Ramsay's European operations were solid contributors to the overall Company performance in 2014.

Ramsay's UK business performed strongly with EBIT growing 11.1% to £35.3 million. NHS admissions continue to grow and costs have been managed well as is evidenced again by the increase in EBITDAR margins from 25.5% to 25.7%.

In France, Ramsay Santé had an excellent year with EBIT increasing by 85% to €26.2 million due to the continued improvement of the existing operations coupled with the contribution from the Clinique de l'Union (acquired in June 2013) and the Medipsy psychiatric facilities (acquired mid December 2013).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Position

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

	2014 $000	2013 $000	% Change
Total assets	4,550,799	4,063,752	12.0%
Total liabilities	(2,807,155)	(2,521,937)	11.3%
Net assets	1,743,644	1,541,815	13.1%

Ramsay's total assets increased by 12.0% due to the recognition of $171.7 million of goodwill in relation to the acquisition of Medipsy in France and an increase in property, plant and equipment of $174.7 million (net of depreciation) due to the brownfields development program and the acquisition of Medipsy. Additionally, Ramsay recognised its share of the Ramsay Sime Darby joint venture of $192.8 million which is equity accounted.

Total liabilities increased by 11.3% predominately due to the take up of $61.2 million of deferred consideration payable over the next 3 years to Sime Darby in relation to the Ramsay Sime Darby joint venture, $50.7 million of loans received from Ramsay Sante's outside equity interest to partially fund their share of the Medipsy acquisition and $67.4 million of creditors and accruals taken up in relation to the Medipsy acquisition.

The Group is in a net current liability position at 30 June 2014 (2013: net current asset position). Typically the Group receives cash from the provision of patient services ahead of cash paid out to suppliers. Any surplus cash is used to pay-down the non-current bank loans. In addition, the Group endeavours to hold minimum cash balances at any point in time to ensure the efficient use of our working capital. These business attributes, may result in a net current liability position.

Ramsay's net asset position increased by 13.1% which is largely attributable to the current year's profit after tax of $303.8 million less dividends paid of $166 million.

During the year Ramsay took the opportunity to access favourable debt markets and is pleased to have executed an extension of the existing debt facilities to 1 July 2017 and 1 May 2019 (for the 3 and 5 year facilities respectively) with improved pricing and terms.

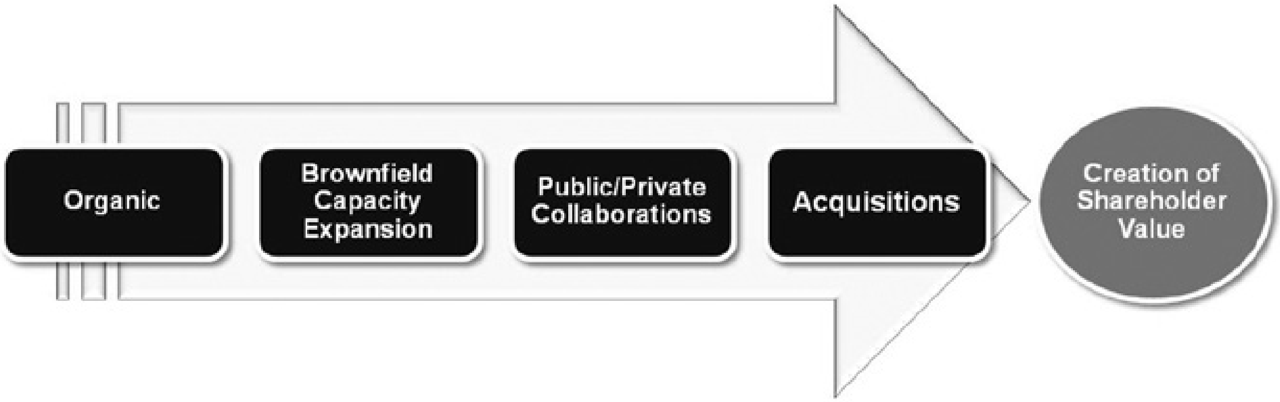
Cash Flow

Continuing strong operating cash flow and effective working capital management delivered a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

Ramsay's strong balance sheet and strong cash flow generation provides the Group with the flexibility to fund the increasing brownfield capacity expansion programme, future acquisitions and ongoing working capital needs.

Business Strategies and Prospects for Future Financial Years

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



OPERATING AND FINANCIAL REVIEW (CONTINUED)

Business Strategies and Prospects for Future Financial Years (continued)

Organic

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

Brownfield Capacity Expansion

Ramsay continues to invest in brownfield capacity expansion. Capacity expansions with a total value of $172 million were approved in FY2014 and have commenced / will commence in FY2015. In particular, brownfield developments approved at major hospitals include:

- St George Private Hospital: 3 operating theatres and additional beds
- Pindara Private Hospital: rehabilitation unit and operating theatres
- Beleura Private Hospital: 30 bed rehabilitation ward
- Lake Macquarie Private Hospital: emergency department and operating theatres
- Port Macquarie Private Hospital: operating theatres
- Northside West Clinic: 27 beds and consulting suites
- Peninsula Private Hospital: emergency department
- Masada Private Hospital: 30-bed rehabilitation unit
- Caboolture Private Hospital: day surgery
- Mitcham Private Hospital: 21-bed mental health unit extension
- Hillcrest Private Hospital: new mental health unit
- Dudley Private Hospital: operating theatres

Public / Private Collaborations

A key component of Ramsay's growth strategy is further involvement in the provision of public hospital services through "public / private collaborations". In December 2013, Ramsay's new Sunshine Coast hospital opened and is delivering both public and private services.

Peel Health Campus, a public hospital in Western Australia purchased in June 2013, has been successfully integrated into the Group and Ramsay is looking forward to further development of both public and private facilities at this campus in the near future.

Acquisitions

Ramsay's joint venture with Sime Darby Berhad (a listed Malaysian company) commenced on 1 July 2013. The deal combined Sime Darby's portfolio of health care assets in Malaysia with Ramsay's three hospitals in Indonesia under a new joint venture company known as "Ramsay Sime Darby Health Care". The aim of the joint venture is to build a quality portfolio of hospitals throughout Asia by leveraging off Ramsay's management expertise and Sime Darby's Asian networks. The joint venture has been successfully integrated and is operating to expectations with solid performance throughout the year.

In December 2013, Ramsay Santé acquired Medipsy from Générale de Santé. Medipsy is a leading provider of mental health in France with 30 hospitals. These hospitals are clustered in a number of core regions giving them strong local position. As a result of the Medipsy acquisition, Ramsay is now a leader in France in mental health.

In June 2014, Ramsay executed a conditional acquisition of a controlling interest in Générale de Santé (GdS) in France. When completed (expected late September 2014), this will significantly expand Ramsay's French portfolio. The acquisition of GdS and its 75 facilities (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) will make Ramsay the largest private hospital operator in France and will positively contribute to future earnings growth for the Company.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks

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

Australian government policy & regulation

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

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

Foreign country government policy & regulation

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

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

Acquisitions

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

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

Health funds

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

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

Relationships with Doctors

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

Reliance on Nursing

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

Insurance

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

Licences

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

Competition

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

Dividends

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

Final dividend recommended @ 51.0 cents per share (2013: 41.5 cents)	$103,061,000 (2013: $83,864,000)
Interim dividend paid during the year @ 34.0 cents per share (2013: 29.0 cents)	$68,708,000 (2013: $58,604,000)

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

Final dividend recommended @ $2.63 per security (2013: $2.73)	$6,846,000 (2013: $7,088,000)
Interim dividend paid during the year @ $2.62 per security (2013: $2.77)	$6,810,000 (2013: $7,190,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2013: 30%).

CORPORATE INFORMATION

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

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

The financial report of Ramsay Health Care Limited ('**the Company'**) for the year ended 30 June 2014 was authorised for issue on 9 September 2014 in accordance with a resolution of the Directors.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

PERFORMANCE RIGHTS (EQUITY)

At the date of this report there were 1,412,000 (2013: 1,352,000) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to Note 25 of the financial statements for further details of any rights outstanding as at 30 June 2014.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

REMUNERATION REPORT – Audited

Dear Shareholders

We are pleased to present you with the 2014 Remuneration Report.

This Remuneration Report focuses on demonstrating how our remuneration policies and practices are linked to the Company's performance, both from a structural perspective and in terms of remuneration outcomes.

The Report is similar in both substance and style to previous years. We are pleased that our Remuneration Report has consistently received positive feedback from shareholders and other stakeholders. We are committed to continuing to provide you with all the information you need to properly understand Ramsay's remuneration framework and outcomes for each financial year.

In FY2014, Ramsay continued to achieve strong financial results and deliver on its growth strategy. The acquisition of the 30 Medipsy psychiatric hospitals in France by Ramsay Santé is an example of this. Further, the potential acquisition, with Crédit Agricole Assurances, of 83% of the share capital of Générale de Santé is a major development for the Company which is expected to significantly enhance the Group's global portfolio and add value for shareholders.

The remuneration outcomes outlined in this Report reflect Ramsay's approach to rewarding executives for delivering strong performance and creating value for shareholders while exercising restraint with respect to fixed remuneration. As flagged in last year's remuneration report, a fixed remuneration increase for Executives and managers of 3% was implemented in FY2014.

Ramsay also recognises that it is its people who drive its success and is committed to maintaining remuneration arrangements that promote the retention of key executive talent and motivation of sustained high performance. The Employee Share Programme is a tangible way of recognising and rewarding our people and the contribution they make to the Group's success.

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

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

Yours sincerely

Rod H McGeoch AO
Chairman
Remuneration Committee
9 September 2014

REMUNERATION REPORT – Audited

The Directors present this Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (**Act**) for the Company and its controlled entities (**the Group**) for the year ended 30 June 2014 (**FY2014**). The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Act.

This Remuneration Report sets out the compensation arrangements in place for the key management personnel (**KMP**) of the Group for the purposes of the Act and the Accounting Standards (see table 1 below). KMP are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly. This includes the Managing Director and his direct reports (referred to collectively in this Report as **Executives**) and the other Directors of the Company.

Table 1 – Key Management Personnel for FY2014

Key Management Personnel			
Non-Executive Directors		**Executives**	
Name	**Position**	**Name**	**Position**
P.J. Ramsay AO[1]	Chairman	C.P. Rex	CEO and Managing Director (**Managing Director**)
M.S. Siddle[2]	Chairman	B.R. Soden	Group Finance Director
P.J. Evans[3]	Deputy Chairman		
A.J. Clark AM	Director	D.A. Sims	Chief Operating Officer – Australia/Indonesia
I.P.S. Grier AM	Director	C.R. McNally	Head of Global Strategy & European Operations
R.H. McGeoch AO	Director		
K.C.D. Roxburgh	Director		

1. *Paul Ramsay AO served as Chairman of the Company until his passing on 1 May 2014.*
2. *Mr Siddle served as Deputy Chairman of the Company from September 1997 to May 2014. He was appointed Chairman on 27 May 2014.*
3. *Mr Evans was appointed Deputy Chairman on 27 May 2014.*

The Remuneration Report is presented in the following sections:

Table 2 – 2014 Remuneration Report: Overview

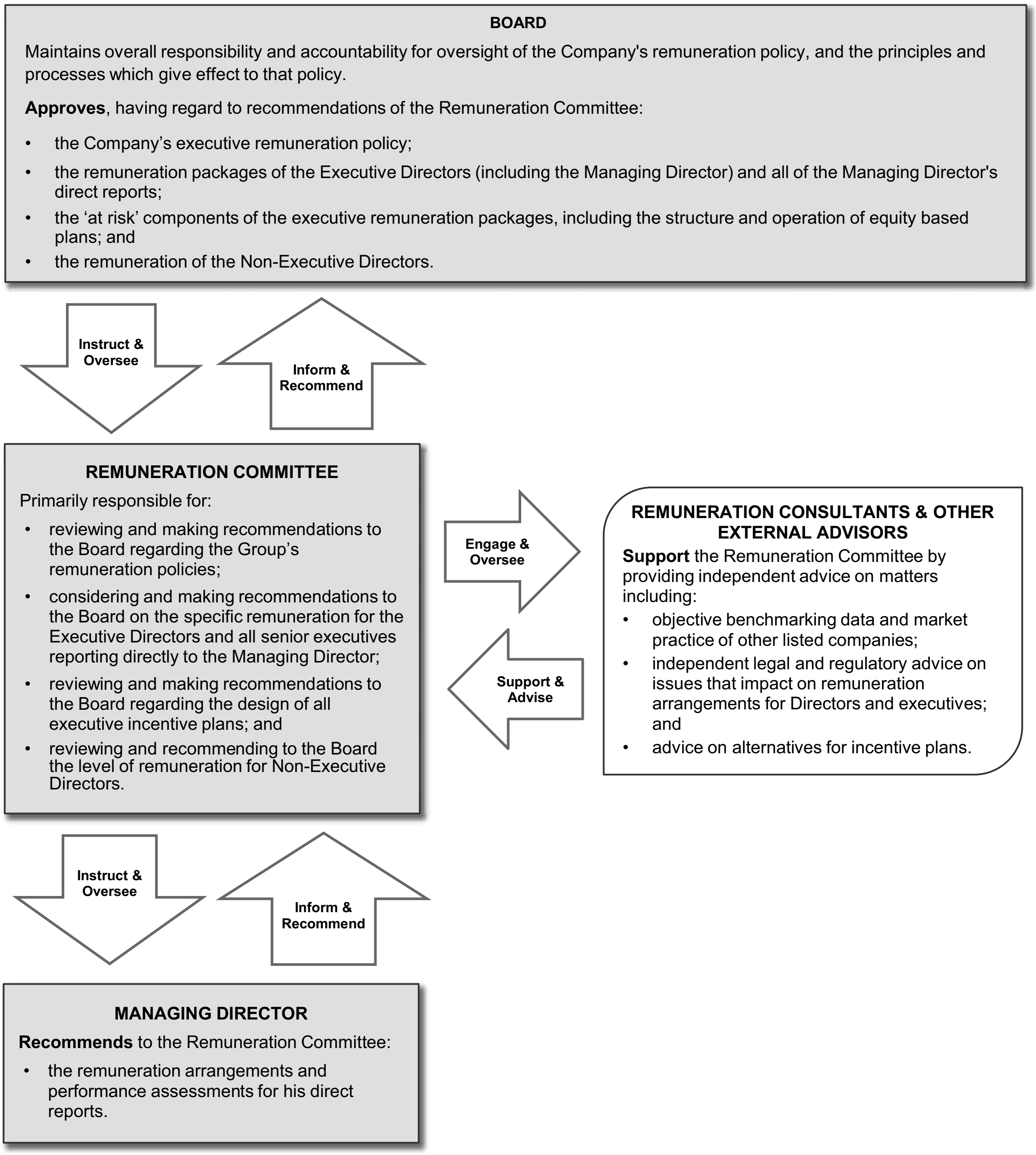
REMUNERATION REPORT – Audited

1. REMUNERATION GOVERNANCE

How we make decisions

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

Diagram 1 – Remuneration Processes



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 Managing Director) and all of the Managing Director's direct reports;
- the 'at risk' components of the executive remuneration packages, including the structure and operation of equity based plans; and
- the remuneration of the Non-Executive Directors.

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 all senior executives reporting directly to the Managing Director;
- reviewing and making recommendations to the Board regarding the design of all executive incentive plans; and
- reviewing and recommending to the Board the level of remuneration for Non-Executive Directors.

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.

MANAGING DIRECTOR

Recommends to the Remuneration Committee:

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

REMUNERATION REPORT – Audited

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:

- the 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
- the Remuneration Committee and the Board engage independent advisors from time to time to undertake detailed benchmarking analyses on executive remuneration.

Independence of the Remuneration Committee

In discharging its duties, a critical factor for any remuneration committee is that it is independent of management. Each of the 3 members of the Ramsay Remuneration Committee are Non-Executive Directors who are independent of management. The Remuneration Committee membership is currently comprised of Messrs. McGeoch, Siddle and Evans.

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

Engagement of remuneration consultants and other external advisors

To ensure that it has all relevant information at its disposal (including in respect of market practice and legal parameters), the Board seeks and considers advice from independent remuneration consultants and other external advisors where appropriate. The advice and recommendations of remuneration consultants and other external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by the Directors.

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

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

During FY2014, Godfrey Remuneration Group (**Godfrey**) and Egan Associates (**Egan**) provided the Company with remuneration recommendations and are therefore deemed to be remuneration consultants under the Act.

Godfrey and Egan's fees for providing the remuneration recommendations were $16,500 and $13,860 (including GST), respectively. Godfrey and Egan did not provide any other advice to Ramsay during FY2014 and accordingly the Company did not make any payments to Godfrey or Egan other than those disclosed above.

The recommendations that were provided by Godfrey and Egan, respectively in FY2014 were accompanied by a declaration that no undue influence had been applied by the members of the KMP to whom the recommendations related. The Board is satisfied that, in receiving the remuneration recommendations, the Protocols were complied with in all respects.

REMUNERATION REPORT – Audited

2. EXECUTIVE REMUNERATION POLICY

Guiding principles

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

Table 3 – Executive remuneration – guiding principles

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

Overview of Executive remuneration structure

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

Performance-based remuneration has two 'at risk' components:

- Short-term incentives (**STI**s) - an annual bonus linked to Company performance and achievement of strategic objectives; and
- Long-term incentives (**LTI**s) - equity grants tied to vesting conditions dependent on the satisfaction of challenging performance hurdles.

The relative mix of the three remuneration components is determined by the Board on the recommendation of the Remuneration Committee. The mix that applied for FY2014 is set out in the table below:

Table 4 – Relative mix of remuneration components for Executives for FY2014

	% of Total remuneration (annualised)		
	Fixed remuneration	Performance-based remuneration	
		Maximum STI Opportunity [1]	LTI Opportunity [2]
C.P. Rex	20%	20%	60%
B.R. Soden	27%	14%	59%
D.A. Sims	26%	13%	61%
C.R. McNally	26%	13%	61%

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

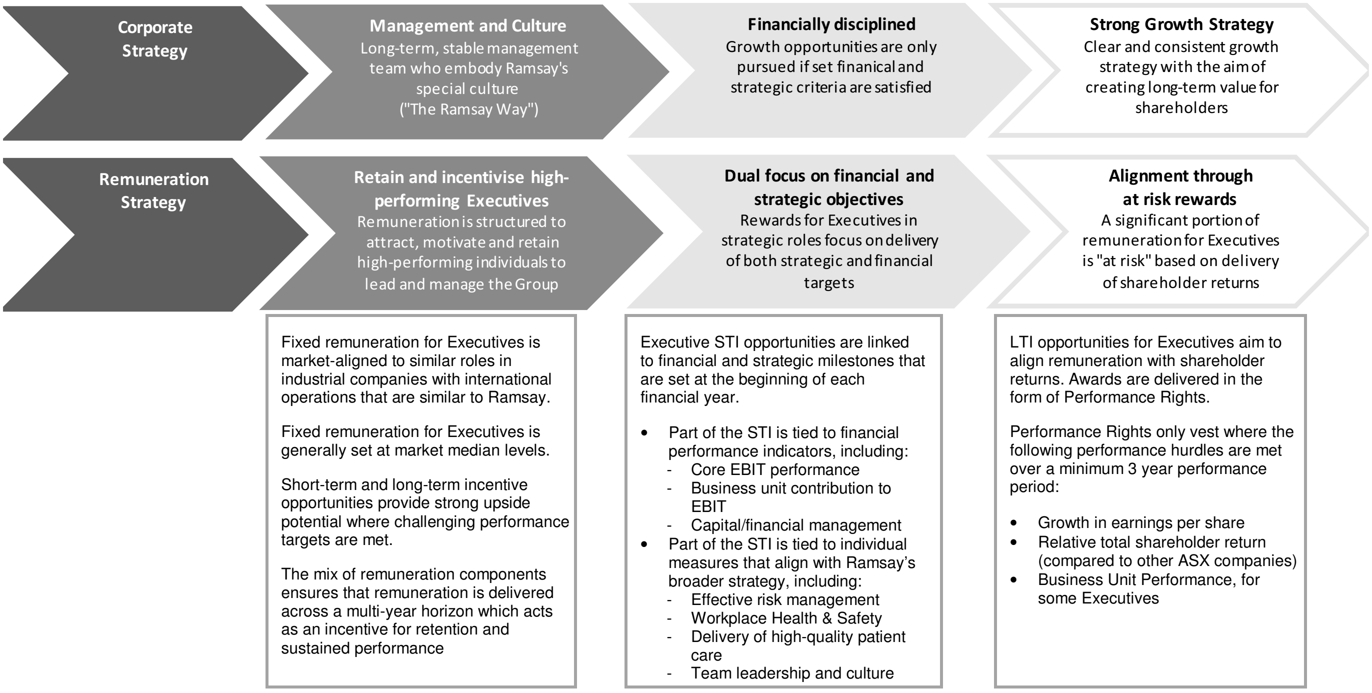
REMUNERATION REPORT – Audited

Supporting business objectives

Sustained performance over the long-term is the key focus of the Group and this sustained performance is achieved through the efforts of Ramsay staff across the Group under the stewardship of the Board and leadership of the Managing Director and other Executives.

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

Diagram 2 - Aligning Remuneration Structures to Corporate Strategy and Objectives



Corporate Strategy	**Management and Culture** Long-term, stable management team who embody Ramsay's special culture ("The Ramsay Way")	**Financially disciplined** Growth opportunities are only pursued if set finanical and strategic criteria are satisfied	**Strong Growth Strategy** Clear and consistent growth strategy with the aim of creating long-term value for shareholders
Remuneration Strategy	**Retain and incentivise high-performing Executives** Remuneration is structured to attract, motivate and retain high-performing individuals to lead and manage the Group	**Dual focus on financial and strategic objectives** Rewards for Executives in strategic roles focus on delivery of both strategic and financial targets	**Alignment through at risk rewards** A significant portion of remuneration for Executives is "at risk" based on delivery of shareholder returns

Fixed remuneration for Executives is market-aligned to similar roles in industrial companies with international operations that are similar to Ramsay.

Fixed remuneration for Executives is generally set at market median levels.

Short-term and long-term incentive opportunities provide strong upside potential where challenging performance targets are met.

The mix of remuneration components ensures that remuneration is delivered across a multi-year horizon which acts as an incentive for retention and sustained performance

Executive STI opportunities are linked to financial and strategic milestones that are set at the beginning of each financial year.

- Part of the STI is tied to financial performance indicators, including:
  - Core EBIT performance
  - Business unit contribution to EBIT
  - Capital/financial management
- Part of the STI is tied to individual measures that align with Ramsay's broader strategy, including:
  - Effective risk management
  - Workplace Health & Safety
  - Delivery of high-quality patient care
  - Team leadership and culture

LTI opportunities for Executives aim to align remuneration with shareholder returns. Awards are delivered in the form of Performance Rights.

Performance Rights only vest where the following performance hurdles are met over a minimum 3 year performance period:

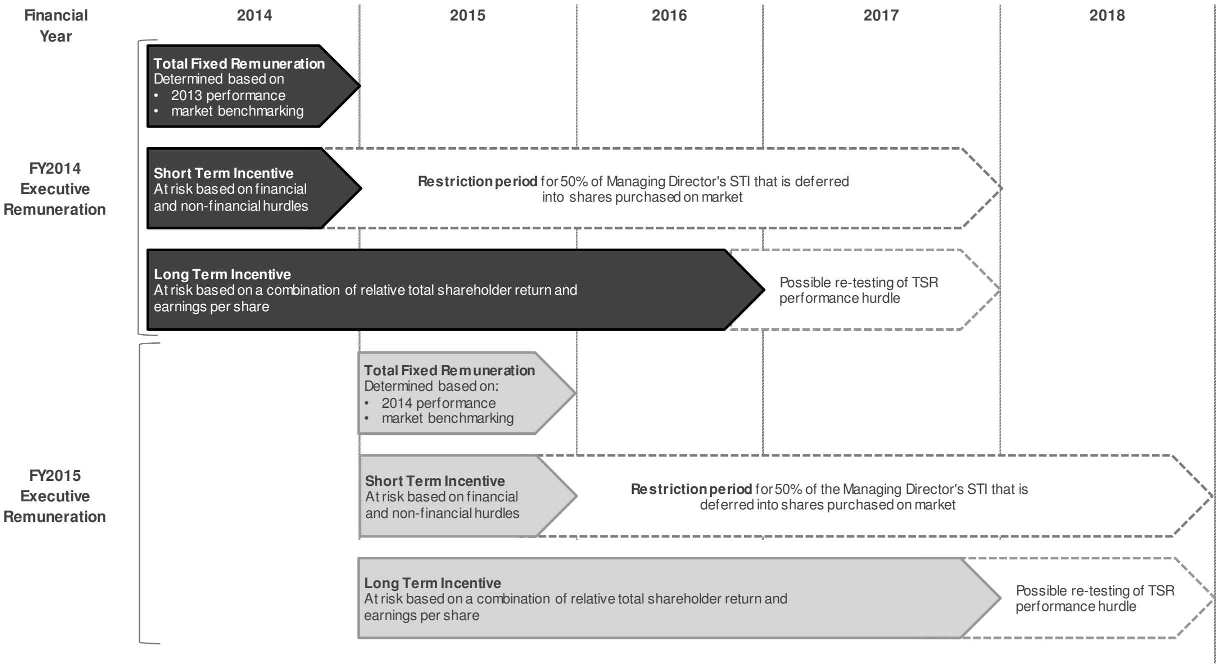
- Growth in earnings per share
- Relative total shareholder return (compared to other ASX companies)
- Business Unit Performance, for some Executives

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

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

REMUNERATION REPORT – Audited

Diagram 3 – Remuneration cycle for Executives



By staggering the delivery of benefits over a multi-year horizon, the Company ensures that Executives are retained and rewarded for delivering ongoing improvements in Group performance and are not focused on short-term results or behaviours that involve excessive risk, but are instead focused on achieving and maintaining sustained returns. Staggering the point at which rewards deliver value also supports the retention of high-performing Executives.

Aligning outcomes for shareholders and Executives

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

FY2014 remuneration outcomes

Details of the remuneration of Executives, prepared in accordance with statutory obligations and accounting standards, are set out in table 18 of this Report. However, the Board recognises that the statutory tables do not provide a clear indication of the actual value of remuneration earned by the Executives during the year.

Table 5 below summarises the actual reward outcomes for the Executives for FY2014, being the amounts the Executives became entitled to in FY2014 having satisfied any applicable performance hurdles. This includes their fixed remuneration for FY2014, the STIs that they earned based on FY2014 performance, the LTIs that vest based on multi-year performance up to and including FY2014, and any other payments received by them during the year (except in the case of Mr Rex, the value of his "one-off" retention rights benefit, which is explained in note 4 to this table).

As previously disclosed to the market[1], Mr Rex was granted 600,000 equity based retention rights on 1 July 2008. This grant was made as an incentive for Mr Rex to remain with the Company at least until 1 July 2013. These rights vested on 1 July 2013. It should be noted that:

1. The Company's share price on 1 July 2008 was $8.84 per share. The volume weighted average share price (VWAP) up to and including the vesting date of 1 July 2013 was $35.3895 per share. This is a 4-fold increase in the share price, which would have been shared with all other shareholders who held shares during this 5-year period.

2. This was an exceptional and 'one-off' grant of retention rights to secure Mr Rex's services. When Mr Rex's contract was renewed for another 3 years in 2013, no further retention rights were granted. All long term incentives granted to Mr Rex since then have been 'at risk', subject to performance hurdles and approved by shareholders at the Company's Annual General Meeting.

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[1] *Refer to the Company's ASX Release "Terms of Contract for new Managing Director and CEO, Mr Chris Rex" dated 25 February 2008.*

REMUNERATION REPORT – Audited

3. The cost of these retention rights have been amortised over the 5 years from 2008 to 2013 and have been fully disclosed in the Company's Remuneration Report each year.
4. The 600,000 shares which vested on 1 July 2013 were all purchased on market in a structured programme over a number of years since 2008.

The key difference between remuneration figures provided in table 5 compared to the statutory table (table 18) is that the statutory table requires the value of equity grants to be estimated and apportioned over the relevant vesting period, irrespective of whether those awards ultimately vest. By contrast, the actual reward outcomes table below only captures equity grants that vested based on performance and delivered value to the Executive in FY2014.

Table 5 – Remuneration, including actual reward outcomes of the Executives for FY2014

	Cash salary	STI [1]	LTI [2]	Superannuation	Other [3]	**Total**
C.P. Rex [4]	$2,163,000	$2,163,000	$5,202,885	$17,775	$15,863	$9,562,523
B.R. Soden	$1,360,000	$675,000	$2,601,443	$17,775	$35,087	$4,689,305
C.R. McNally	$800,000	$397,000	$1,907,725	$17,775	$23,993	$3,146,493
D.A. Sims	$800,000	$397,000	$1,907,725	$17,775	-	$3,122,500

1. *This figure represents the actual STI earned for performance in FY2014 (to be paid in FY2015). The Managing Director is obliged to accept half of his STI in cash (paid at the same time as for other Executives); the remaining amount of his STI earned is required to be invested in Company shares, which are subject to disposal restrictions for 3 years. STI payments are only finalised and made after the Auditors have signed the statutory financial statements in September 2014.*

2. *This figure represents the market value of the performance rights (**Performance Rights**) that vest based on multi-year performance up to and including FY2014. The market value is calculated by multiplying the number of vested rights by the 5-day volume weighted average share price (**VWAP**) up to and including the date of vesting. Performance Rights, including those granted in FY2014, that remained unvested as at 30 June 2014 do not appear in this table, as no actual value was realised by Executives from these Performance Rights during FY2014.*

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

4. *During the year, Mr Rex also received a one-off allocation of 600,000 shares on 1 July 2013, pursuant to his 2008 Executive Service Agreement, as previously disclosed to the market. Mr Rex, upon his appointment as Managing Director on 1 July 2008 received equity based retention rights which gave him an entitlement to receive 600,000 ordinary shares in the Company, conditional upon his continuing his employment as Managing Director until 1 July 2013. This condition having been fully satisfied, 100% of equity based retention rights granted vested on 1 July 2013. The market value of the shares allocated in respect of the vested retention rights was $21,233,700 based upon the 5-day volume weighted average share price (**VWAP**) up to and including the date of vesting (refer to Table 20).*

The remuneration outcomes for the Executives continue to align with the overall performance of the Group, which has remained strong throughout FY2014. The high levels of at-risk rewards earned in FY2014 reflect the Group's continuing strong performance, both in absolute terms and relative to its peers.

5 year history – alignment of performance and remuneration outcomes

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

REMUNERATION REPORT – Audited

Table 6 – Relative TSR Cumulative Performance

Financial Year	Share Performance				Earnings Performance (A$m)		Enterprise Value [3] (A$m)
	Closing share price (A$)	Dividend (cents/share)	TSR Percentile Ranking [1] (%)	Core EPS [2] (cents/share)	Core EBIT	Core NPAT	
2014	$45.50	85.0¢	96.81%	163.9¢	$580.4	$346.2	$10,817
2013	$35.81	70.5¢	96.55%	135.9¢	$485.3	$290.9	$8,485
2012	$22.61	60.0¢	88.89%	116.1¢	$438.8	$252.6	$5,725
2011	$18.18	52.0¢	95.83%	101.1¢	$395.5	$220.6	$4,948
2010	$14.05	43.5¢	95.59%	84.5¢	$333.8	$178.5	$4,254

1. *TSR percentile ranking against the comparator group (refer table 9) over the 3-year performance period up to the close of each relevant Financial Year, with exclusions and adjustments described in table 14.*

2. *Core EPS is calculated using earnings from continuing operations before specific items and amortisation of intangibles, as represented by non-core items (set out in note 2(a)) of the Financial Report). Since the introduction of Core EPS as an additional STI hurdle in FY2009, there have been no material divested operations for accounting purposes.*

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

STI performance outcomes

The Company's strong year-on-year performance has resulted in Executives receiving a substantial proportion of their available STI bonuses for FY2014 and the four preceding financial years. Table 7 below sets out the average proportion of the maximum bonuses that Executives received for each of the past 5 financial years.

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

Table 7 – Average proportion of STI awarded, FY2010-FY2014

Financial Year	2010	2011	2012	2013	2014
% of maximum STI awarded (average for Executives)	96%	100%	93%	97%	100%

LTI performance outcomes

Strong year-on-year performance has enabled the Company to outperform its peers over a long-term time horizon. Executives have derived significant value from their LTI grants over the past 5 years, consistent with the strong performance of the Company both on a stand-alone basis and compared to its peers.

The Company's sustained growth in EPS has resulted in full vesting of rights granted under the LTI programme that are tested against a 3-year aggregate EPS hurdle. This hurdle has been in place for grants made under the LTI programme since 2009, and has been relevant for grants that have vested in the 2011, 2012, 2013 and 2014 financial years. Table 8 provides further details.

REMUNERATION REPORT – Audited

Table 8 – EPS Performance

Financial Year	Aggregate 3-year [1] Minimum EPS Threshold (cents per share)	Aggregate 3-year [1] Maximum EPS Target (cents per share)	Actual Aggregate 3-year [1] EPS Achieved (cents per share)	EPS component Vesting under LTI programme
2014	362.0	393.8	415.9	100%
2013	301.1	334.6	353.1	100%
2012	255.0	283.4	301.7	100%

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

For FY2014 LTI grants, the Board and Remuneration Committee increased the threshold vesting level for Performance Rights tested against the EPS performance hurdle to 95% of the maximum EPS target, rather than 90% (as had previously been the case), making it more challenging for participants to achieve the minimum threshold level of vesting in relation to the EPS performance hurdle. For FY2015 LTI grants, the Board currently intends to maintain the increased threshold level of vesting in relation to the EPS performance hurdle.

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

Table 9 sets out the TSR results over the last three years. Further details of how the TSR hurdles are measured are set out in table 14.

Table 9 – TSR Performance

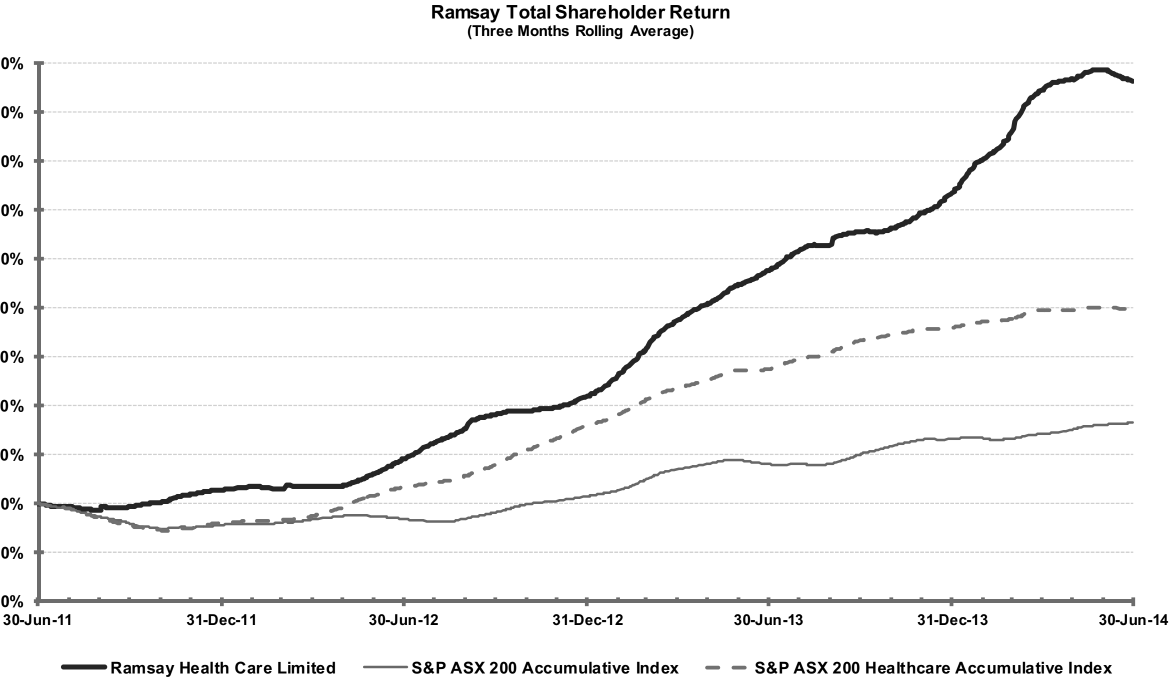
Testing date (30 June) [1]	TSR Percentile Ranking for Vesting to Commence	TSR Percentile Ranking for Full Vesting	Actual TSR Percentile Ranking Achieved	TSR Component Vesting under LTI programme
2014	50%	75%	96.81%	100%
2013	50%	75%	96.55%	100%
2012	50%	75%	88.89%	100%

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

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

REMUNERATION REPORT – Audited

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



Source: Orient Capital Pty Limited

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

Striking the balance between reward and restraint

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

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

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

This culture of reward and retention applies to all employees, not just those occupying the most senior positions. Consistent with its commitment to reward its loyal and hard-working employees, the Board determined that Ramsay was in a position to again make an offer under its general Employee Share Programme in 2014 (in respect of FY2015). A $1,000 free share offer was made to permanent Australian employees who qualified for the first time with 3 years of continuous service with the Group and, for those employees who satisfy this criteria and participated in the programme in 2013, a $500 free share "top-up" offer was made. An offer to acquire up to $5,000 of Ramsay shares under a salary sacrifice plan was also made to employees in senior management roles. All shares in both the free share offer and the salary sacrifice plan were purchased on market. No new shares were issued by the Company for either of these employee share plans. Participants in the Executive Performance Rights Plan are ineligible to participate in the Employee Share Programme.

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

REMUNERATION REPORT – Audited

Management of Risk linked to Remuneration Framework

One of the key factors to the Board's approach to setting Executive remuneration is to discourage excessive risk taking or short term thinking by Executives. Ramsay's Executive remuneration framework is structured in a way that encourages strategic decision-making and behaviours that align with the Group's long-term interests. Key features of the remuneration framework which discourage excessive risk taking include the use of strategic goals as part of the STI key performance indicators, an LTI with performance hurdles that utilise a combination of internal and external measures, and a prohibition on hedging unvested equity awards. The introduction of changes to the Executive Performance Plan in FY2014 (refer to the section below table 17) further reinforces the link between the remuneration framework and management of risk. This approach to management of risk is consistent with the robust approach to risk management that Ramsay adopts across all aspects of its business (refer to the Corporate Governance Statement of this Annual Report for further details of the risk management framework).

3. EXECUTIVE REMUNERATION: IN DETAIL

Remuneration components

Fixed remuneration

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

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

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

Executive remuneration levels are market-aligned by comparison to similar roles in ASX-listed industrial companies with international operations of similar size to Ramsay in terms of enterprise value and revenue.

Even though the Company continues to perform strongly, the Board and Remuneration Committee's practice is to set fixed remuneration for Executives at median market levels and exercise restraint in its approach to Executive fixed salary increases. Fixed remuneration for all Executives (including the Managing Director) was increased by a modest 3% for FY2014. The restraint exercised in respect of fixed remuneration has meant that STI opportunity levels, which are directly connected to fixed remuneration, have also only increased modestly in recent years.

The Board is satisfied, after receiving independent advice in FY2013 from Godfrey regarding fixed remuneration for executives, and having given due consideration to the level of fixed remuneration paid by the companies in the comparator group (consisting of 20 companies, with 10 companies having enterprise value and revenue higher than the Group's, and 10 companies having enterprise value and revenue lower than the Group's), that the fixed remuneration of the Executives (including the Managing Director) is fair and reasonable.

REMUNERATION REPORT – Audited

Short-term Incentive (STI)

Table 10 – Summary of STI Programme

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

Table 11 – Financial and Non-Financial KPIs for Executives FY2014

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

What are the key performance indicators (KPIs)?

Managing Director

The KPIs for the Managing Director's FY2014 STI are set out in the table below.

Table 12 – FY2014 KPIs for the Managing Director

	Target KPIs (60%of total maximum STI opportunity)	***Stretch KPIs (40% of total maximum STI opportunity)***
Financial	• Financial performance to budget *(30%)	• Core NPAT above FY2014 budget** (20%)
Non-financial	• Strategy, leadership & culture (18%) • International strategy (6%) • Discretionary criteria (6%)	Discretionary criteria (20%) including (but not limited to): • long term planning strategies; • workplace health & safety; • succession planning; • effective risk management; • stakeholder management; • promotion of the "Ramsay Way" and culture; • management of relationship with joint venture partners; and • major acquisitions.

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

** Full vesting of the financial component of the Managing Director's stretch KPIs will only occur where Core NPAT exceeds the FY2014 budget by 6% or more.

Other Executives

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

Examples of the FY2014 *financial* KPIs used for Executives other than the Managing Director include:

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

Examples of the FY2014 *non-financial* KPIs used for Executives other than the Managing Director include:

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

REMUNERATION REPORT – Audited

Why were the KPIs chosen?	Underpinning the KPIs are the Company's objectives of: • delivering safe, high quality clinical care for our patients; • providing a safe working environment for our people; and • generating value for shareholders. A combination of financial and non-financial KPIs have been chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will ultimately drive future growth and returns for shareholders. The financial KPIs were chosen to provide measureable financial performance criteria strongly linked to year-on-year shareholder returns. Non-financial KPIs were chosen to encourage the achievement of personal business goals consistent with the Group's overall objectives including the delivery of safe, high quality patient care, safe working environment, strategic growth, the retention of a professional workforce and the development of new business initiatives.
What is the methodology for evaluating performance?	Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual Executives. Financial KPIs are assessed quantitatively against predetermined benchmarks. Non-financial KPIs are assessed quantitatively where possible. For example, the WH&S KPI for the Managing Director is assessed based on the year-on-year change in the Lost Time Injury Frequency Rate. The Medipsy (30 psychiatric clinics in France) and potential Générale de Santé acquisition are examples of satisfaction of the 'strategic acquisitions' KPI. Where quantitative assessment is not practicable, qualitative performance appraisals are undertaken by the Board. Where available, the Board draws on the outcomes of 360-degree feedback reviews in making these assessments, which are periodically conducted by Ramsay in conjunction with an external consultant. Any extraordinary or unanticipated factors which may have affected the Company's performance during the year are considered and where necessary, the relevant performance measure is adjusted.
Who assesses STI performance?	The Remuneration Committee assesses the Managing Director's performance against his KPIs and stretch KPIs and makes a recommendation to the Board for final determination. The Managing Director assesses the performance of all other Executives and makes recommendations to the Remuneration Committee for consideration, which in turn makes recommendations to the Board for final determination.
In what form is the STI delivered?	All STI awards are delivered as a cash payment to Executives, with the exception of the Managing Director. Half of the Managing Director's STI award is paid in cash, with the remaining 50% (less any applicable tax) applied towards the purchase on-market (and at the prevailing market price) of ordinary shares in the Company. The shares acquired cannot be dealt with by the Managing Director until the earlier of his ceasing employment with the Group or 3 years from the date the shares are acquired. The restrictions on trading these shares have been imposed to further strengthen the link between the Managing Director's remuneration and shareholder interests.
What if an Executive ceases employment?	If an Executive ceases employment with the Company before STI targets are achieved, then they will generally not be entitled to receive any STI bonus. However, if cessation of employment is due to illness, disability or death or is a Company-initiated termination other than for cause (for example redundancy), the Executive may receive a pro-rata STI payment for the portion of the performance period they were employed by the Company based on their performance over that period.
What STI awards did Management earn in FY2014?	STI payments for FY2014 are set out in table 13 below.

REMUNERATION REPORT – Audited

STI payments for FY2014

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

An evaluation was undertaken by the Remuneration Committee of the Managing Director's performance against his target KPIs and his 'stretch' KPIs for FY2014. The Group's financial performance in FY2014 was outstanding, with Core EPS and Core NPAT exceeding the previous year by 20.6% and 19.0% respectively. As a result, the Managing Director's financial target KPIs were satisfied in full. In relation to the financial component of the Managing Director's 'stretch' KPIs, Core NPAT was above the threshold set for full vesting. For the non-financial target and 'stretch' KPIs (set out in table 12 above), the Remuneration Committee determined that these had all been met in full. As a result, the Remuneration Committee recommended that the Managing Director receive 100% of his total STI opportunity. The recommendations of the Remuneration Committee were accepted and approved by the Board.

The Managing Director conducted an evaluation of the performance of each of the Executives against their individual FY2014 KPIs and discussed the results of these evaluations with the Remuneration Committee. As each of the Executives either met or exceeded their individual KPIs for FY2014, the Remuneration Committee recommended to the Board that each of the Executives receive 100% of their STIs for FY2014. This recommendation was accepted and approved by the Board.

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

Table 13 shows the actual STI bonus amounts to be paid to the Executives for their performance in FY2014.

Table 13 – STI bonuses for Executives FY2014 – to be paid in FY2015

Executive	Minimum potential STI Bonus	Maximum potential STI bonus	Actual STI for FY2014, to be paid in FY2015 subject to target KPIs	Actual STI for FY2014, to be paid in FY2015 subject to 'stretch' KPIs	Actual STI awarded as % of Maximum STI
C.P. Rex [1, 2]	Nil	2,163,000	1,297,800	865,200	100%
B.R. Soden	Nil	675,000	675,000	Not applicable	100%
D.A. Sims	Nil	397,000	397,000	Not applicable	100%
C.R. McNally	Nil	397,000	397,000	Not applicable	100%

1. *For Mr Rex, 60% of his maximum bonus is awarded where target KPI performance levels are achieved. The remaining 40% of his maximum bonus only becomes available where performance meets or exceeds 'stretch' KPI levels, in which case some or all of the remaining 40% of the STI may be awarded based on performance against stretch KPI levels.*
2. *As Mr Rex exceeded target performance levels for FY2014 and also succeeded in meeting the 'stretch' targets, his total FY2014 STI award is 100% of the total maximum STI available for the financial year] Mr Rex's FY2014 STI award is comprised of a cash payment (50%) and a portion (50%, less taxes) used to purchase restricted shares. The maximum potential value of Mr Rex's FY2014 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.*

Long-term Incentive (LTI)

Table 14 – Summary of LTI Programme

What is the purpose of the LTI programme?	The purpose of the LTI programme is to align Executive reward with shareholder wealth by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
Who participates in the LTI programme?	Participation in the LTI programme is only offered to a small number of senior executives who are able to significantly contribute to the generation and preservation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. All the Executives participate in the LTI programme.

How is reward delivered under the LTI programme?	LTI grants are delivered in the form of equity-based Performance Rights under the Company's Executive Performance Rights Plan (**Plan**). Each Performance Right is an entitlement to receive a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a minimum 3-year period.
Do participants pay for the Performance Rights?	Performance Rights are offered at no cost to the LTI participants.
What rights are attached to the Performance Rights?	Performance Rights do not carry voting or dividend rights, however shares allocated upon vesting of Performance Rights will carry the same rights as other ordinary shares.
What restrictions apply?	The Company prohibits hedging of Performance Rights. In addition, all shares allocated on vesting and exercise of Performance Rights can only be dealt with in accordance with the Company's Securities Trading Policy. Participants may elect to have the shares they received under the Plan held in trust, in which case further restrictions on dealing apply.
What are the performance hurdles?	Grants to most Senior Executives are split into two equally weighted components with vesting linked to two independently-applied performance conditions: • one component is tested against a relative Total Shareholder Return (**TSR**) hurdle; and • the remaining component is tested against an Earning Per Share growth (**EPS**) hurdle. For certain other participants, grants of Performance Rights are subject to a third Business Unit Performance hurdle. This additional hurdle only applies for participants who have direct responsibility and control over a discrete business unit (e.g divisional and business unit heads). Grants subject to a Business Unit Performance hurdle are split into three, equally weighted components: • one component is tested against the relative TSR hurdle; • another component is tested against the EPS hurdle; and • the remaining component is tested against the Business Unit Performance hurdle. Diagram 4 below demonstrates the way in which these performance conditions interact and the times at which an LTI grant is tested and has the opportunity to vest.
How is the relative TSR hurdle measured?	**Relative TSR hurdle** The relative TSR hurdle is determined by measuring and ranking the Company's TSR relative to the TSRs of a comparator group of companies. The Board has determined that, for LTI grants made on or after 1 July 2011, the most appropriate comparator group is comprised of companies in the S&P/ASX 200 index as at the start of the performance period, excluding companies in sectors having different drivers of operating performance being those in the real estate, financial and resources industries. For the FY2011 LTI grant (which vested in FY2014), the comparator group comprised the S&P/ASX 200 index at the start of the 3-year performance period, excluding companies in the real estate, finance and resources sectors. Broad industry groups are used for the purposes of assessing relative TSR performance because there are too few Australian healthcare companies of similar size to Ramsay for TSR comparison purposes. Comparator groups may be adjusted where appropriate as a result of mergers, insolvencies, takeovers or other corporate reconstructions during the performance period. Performance Rights tested against the relative TSR hurdle vest on a sliding scale as set out in the table below:

Table 15 – TSR vesting schedule

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 50th 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) based on performance over the extended period.

As the comparator group used for assessing the Company's TSR is comprised of companies from a broad range of sectors, the Directors believe that the measurement of the Company's TSR performance on the first test may not necessarily reflect the Company's true relative TSR performance. For example, the Company's share price may be significantly impacted by unexpected market forces external to the Company. Accordingly, the Board adopts the approach that re-testing after 6 and 12 months (if necessary) affords a fairer opportunity for assessing the Company's TSR performance over a multi-year period.

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

How is the EPS hurdle measured?

EPS hurdle

'EPS' is defined as core earnings per share from continuing operations before specific items and amortisation of intangibles, as represented by non-core items (set out in note 2a of the Financial Report).

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

These targets are set annually by the Board to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook, as well as the performance achieved for the prior financial year. In setting EPS targets, the Board aims to strike an appropriate balance between making the targets achievable and motivating exceptional performance.

The Board believes that this approach is better aligned to shareholders' interest than setting a 3-year target in advance which may become unrealistically high or unrealistically low as market conditions change over the 3-year period. The annual targets are then aggregated to provide the threshold and maximum 3-year targets for vesting of Performance Rights.

No re-testing of the EPS hurdle is permitted.

What are the EPS Targets and Thresholds?

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

Table 16 – EPS hurdle vesting schedule

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

Due to their commercial sensitivity, the annual EPS hurdles and the extent to which the hurdles have been achieved are only disclosed retrospectively. The Company is able to disclose that for the year ended 30 June 2014 the maximum EPS target was set at 151.8 cents per share and the threshold EPS target was 95% of this target (144.2 cents per share). This threshold was higher than the previous years of 90%.

The EPS achieved in FY2014 was 163.9 cents per share.

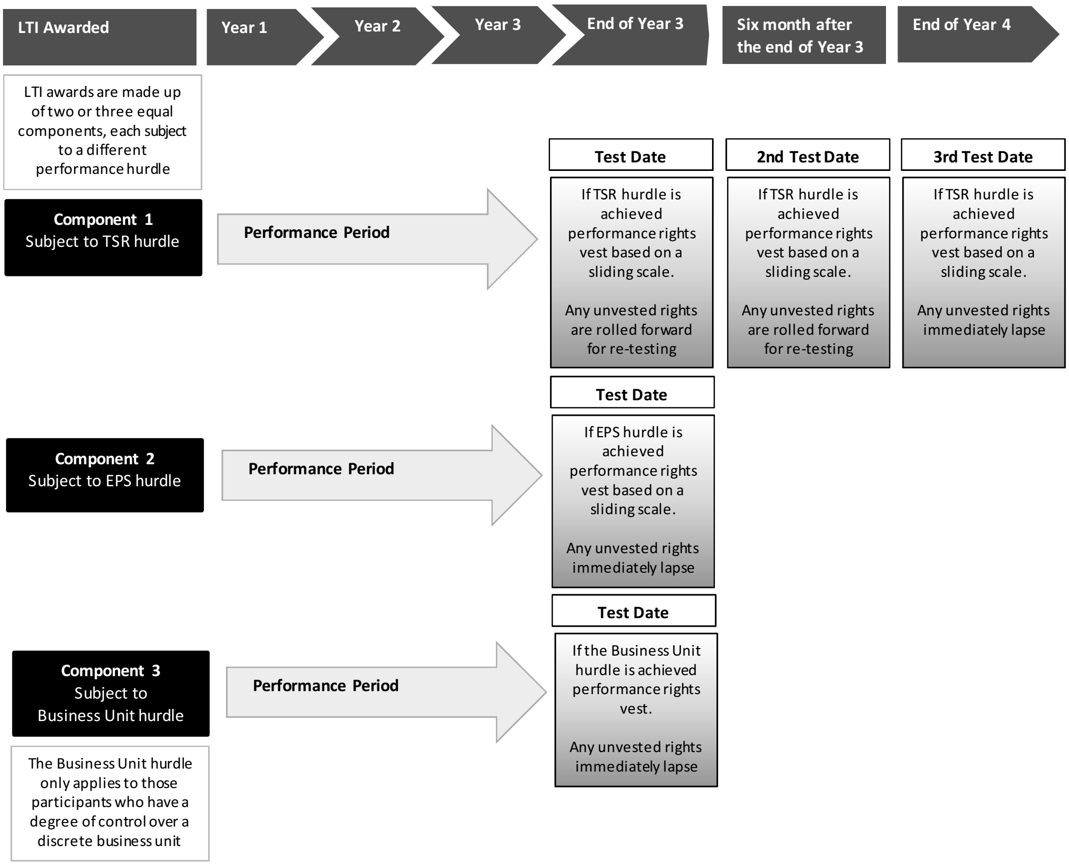
REMUNERATION REPORT – Audited

Why have the performance hurdles been chosen?	The TSR hurdle has been chosen because it provides a direct link between Executive reward and shareholder return (relative to the Company's peers). Participants will not derive any value from their TSR Performance Rights unless the Company's performance is at least at the median of the comparator group for the performance period. The EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings and is linked to shareholder returns and the Company's overall strategic objectives. The Business Unit Performance measure is an additional hurdle only applied for those participants who have direct responsibility and control over the performance of discrete parts of the Group's business. The purpose of this additional hurdle is to help focus the efforts of these participants on continually improved performance of the business unit for which they are responsible. Diagram 4 below demonstrates the operation of the performance hurdles noted above.
What if an Executive ceases employment?	If an Executive ceases employment with the Company before the performance conditions are tested, then the unvested Performance Rights will generally lapse. If the Executive's cessation of employment is due to death, illness, disability or redundancy, or where the Board consents, some or all of the unvested Performance Rights held by the Executive may vest at the Board's discretion, having regard to pro-rata performance and the particular circumstances. All Performance Rights will lapse immediately if an Executive ceases employment within one year after the award date. Where an Executive acts fraudulently, dishonestly or is, in the Board's opinion, in breach of their obligations to the Company, then any unvested Performance Rights will lapse.
What happens in the event of a change in control?	In the event of a takeover or change of control of the Company, any unvested Performance Rights may vest at the Board's discretion, having regard to pro-rata performance and the circumstances leading to the change of control.
What Performance Rights were granted to the Executives in FY2014?	The grants made to the Executives are summarised in table 17 below. The Board, consistent with past practice, sources the underlying shares on-market for the Performance Rights that it is granting. In the interests of transparent corporate governance, the Company will be seeking shareholder approval for the proposed grants of Performance Rights to its Executive Directors, Mr Rex and Mr Soden, at the 2014 AGM.

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

REMUNERATION REPORT – Audited

Diagram 4 – Operation of LTI hurdles



LTI awards are made up of two or three equal components, each subject to a different performance hurdle

If TSR hurdle is achieved performance rights vest based on a sliding scale. Any unvested rights are rolled forward for re-testing

If TSR hurdle is achieved performance rights vest based on a sliding scale. Any unvested rights are rolled forward for re-testing

If TSR hurdle is achieved performance rights vest based on a sliding scale. Any unvested rights immediately lapse

If EPS hurdle is achieved performance rights vest based on a sliding scale. Any unvested rights immediately lapse

If the Business Unit hurdle is achieved performance rights vest. Any unvested rights immediately lapse

The Business Unit hurdle only applies to those participants who have a degree of control over a discrete business unit

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

Details of the Performance Rights granted under the LTI programme in FY2014 are set out below.

Table 17 – Performance Rights granted to Executives in FY2014

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	110,000	25.08	$2,758,800
	Core EPS	110,000	36.22	$3,984,200
		220,000		**$6,743,000**
B.R. Soden	TSR	47,500	25.08	$1,191,300
	Core EPS	47,500	36.22	$1,720,450
		95,000		**$2,911,750**
C.R. McNally	TSR	30,000	25.08	$752,400
	Core EPS	30,000	36.22	$1,086,600
		60,000		**$1,839,000**
D.A. Sims	TSR	30,000	25.08	$752,400
	Core EPS	30,000	36.22	$1,086,600
		60,000		**$1,839,000**

REMUNERATION REPORT – Audited

1. *These Performance Rights are subject to performance over a 3-year period from 1 July 2013 to 30 June 2016. As the Performance Rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, FY2014 Performance Rights have not yet been forfeited or vested.*
2. *The grants made to Executives constituted their full LTI entitlement for FY2014 and were made on 14 November 2013 subject to the terms summarised in Table 14.*
3. *The fair value per Performance Right was calculated by independent consultants PricewaterhouseCoopers as at the grant date of 14 November 2013. An explanation of the pricing model used to calculate these values is set out in note 25.2 to the Financial Report.*
4. *The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met).*

Changes to the LTI programme for FY2014

As foreshadowed in the Company's 2013 Remuneration Report, the following changes were made to the terms of LTI grants made from FY2014. While the main features of the LTI programme remained the same, the key changes that were made in light of developments in market practice included:

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

REMUNERATION REPORT – Audited

Total remuneration

Details of each Executive's remuneration for FY2014 (calculated in accordance with applicable Accounting Standards) are set out in table 18. All values are in A$ unless otherwise stated.

Table 18 – Executive remuneration for FY2014 and FY2013

Name	Short term			Post employment		Share based payment rights			Total $	Total performance related
	Salary & fees $	Non monetary [1] $	Accrued Bonus [2] $	Superannuation $	Accrued termination benefits $	Amortised cost of incentive share based rights $ [3]	Equity based retention rights [4] $	Percentage of remuneration		
C.P. Rex										
FY2014	2,163,000	15,863	2,163,000	17,775	-	4,733,083	-	52%	9,092,721	76%
FY2013	2,100,000	18,754	1,998,697	16,470	-	3,109,667	1,060,800	50%	8,304,388	74%
B.R. Soden										
FY2014	1,360,000	35,087	675,000	17,775	-	2,014,125	-	49%	4,101,987	66%
FY2013	1,320,000	32,692	656,000	16,470	-	1,355,667	-	40%	3,380,829	60%
C.R. McNally										
FY2014	800,000	23,993	397,000	17,775	-	1,278,958	-	51%	2,517,726	67%
FY2013	775,000	19,560	385,000	16,470	-	894,850	-	43%	2,090,880	61%
D.A. Sims										
FY2014	800,000	-	397,000	17,775	-	1,278,958	-	51%	2,493,733	67%
FY2013	775,000	-	385,000	16,470	-	894,850	-	43%	2,071,320	62%
Totals										
FY2014	**5,123,000**	**74,943**	**3,632,000**	**71,100**	**-**	**9,305,124**	**-**	**51%**	**18,206,167**	**71%**
FY2013	**4,970,000**	**71,006**	**3,424,697**	**65,880**	**-**	**6,255,034**	**1,060,800**	**46%**	**15,847,417**	**68%**

1. *This figure represents non-monetary benefits such as health insurance cover and motor vehicle running costs that do not form part of the Executive's cash salary.*
2. *The FY2014 amounts represent the Executive's accrued STI for the year. Accrued STI bonuses payable to Mr Rex are delivered 50% in cash and the other 50% is withheld (less applicable tax) to purchase on-market ordinary shares in the Company at market price.*
3. *In accordance with the requirements of the Accounting Standards, the remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. Performance Rights awarded under the LTI programme). The fair value is determined as at the grant date and is progressively allocated over the vesting period. The amount*

REMUNERATION REPORT – Audited

included as remuneration is not related to or indicative of the benefit (if any) that Executives may ultimately realise should the equity instruments vest. The fair value of the Performance Rights at the date of their grant has been determined in accordance with AASB 2 applying the Black-Scholes and Monte Carlo Simulation models. The assumption underpinning these valuations are set out in note 25.2 to the financial statements.

4. *As disclosed to the market previously, upon his initial appointment on 1 July 2008 as Managing Director, Mr Rex received a "one-off" grant of equity based retention rights which gave him an entitlement to receive 600,000 ordinary shares in the Company, conditional upon Mr Rex continuing his employment as Managing Director until 1 July 2013. This condition having been fully satisfied, 100% of equity based retention rights granted vested on 1 July 2013. In accordance with the Accounting Standards, the value of these rights has been apportioned over the 5-year vesting period, with one-fifth of the fair value (calculated as at the grant date) shown as remuneration for each year of the vesting period.*

REMUNERATION REPORT – Audited

Service agreement

Mr Christopher Rex

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

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

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

Duration	From 1 July 2013 to 30 June 2016 (3 years) (**the Term**). If neither party terminates the Executive Service Agreement before the Term expires, Mr Rex's employment will continue on the existing terms as summarised below.
Termination by Managing Director	12 months' notice in writing is required. Company may elect to make payment in lieu of notice. Where the termination date falls part way through a performance year, Mr Rex will forfeit his entitlement to any STI in respect of that performance year. All unvested equity instruments under the Company's LTI programme will be treated in accordance with the terms of grant (see table 14 for details of the cessation treatment for the LTI grant made in FY2014).
Termination for serious misconduct	No notice required. No further STI entitlement. All unvested equity instruments will lapse.
Other Company-initiated termination	12 months' notice. Company may elect to make payment in lieu of notice. Pro-rata STI entitlement based on performance up to the date of termination. All unvested equity instruments under the Company's LTI programme will be treated in accordance with the terms of grant (see table 14 for details of the cessation treatment for the LTI grant made in FY2014).
Restraint	The Executive Service Agreement contains restrictions on Mr Rex's ability to compete with any member of the Ramsay Group during his employment or within 6 months after the termination of his employment.

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

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

Other Executives

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

REMUNERATION REPORT – Audited

Other statutory disclosures

Table 20 below shows the movements (during FY2014 and up to the date of this Report) in equity granted to Executives as part of their remuneration.

Table 20 – Movement in Executive equity grants

	Date of grant	Number of rights granted	Vesting date [1]	Number of rights vested [2]	Value of rights vested [3] $	Number of rights forfeited / lapsed [4]	Value of rights forfeited / lapsed $
C.P. Rex							
Equity Settled Performance Rights	17-Nov-10	150,000	30-Aug-13	150,000	5,202,885	-	-
	17-Nov-11	210,000	29-Aug-14	210,000	10,861,767	-	-
	15-Nov-12	220,000	28-Aug-15	-	-	-	-
	14-Nov-13	220,000	31-Aug-16	-	-	-	-
Equity Based Retention Rights	1-Jul-08	600,000	1-Jul-13	600,000	21,233,700	-	-
B.R. Soden							
Equity Settled Performance Rights	17-Nov-10	75,000	30-Aug-13	75,000	2,601,443	-	-
	17-Nov-11	85,000	29-Aug-14	85,000	4,396,430	-	-
	15-Nov-12	95,000	28-Aug-15	-	-	-	-
	14-Nov-13	95,000	31-Aug-16	-	-	-	-
C.R. McNally							
Equity Settled Performance Rights	17-Nov-10	55,000	30-Aug-13	55,000	1,907,725	-	-
	17-Nov-11	55,000	29-Aug-14	55,000	2,844,749	-	-
	15-Nov-12	60,000	28-Aug-15	-	-	-	-
	14-Nov-13	60,000	31-Aug-16	-	-	-	-
D.A. Sims							
Equity Settled Performance Rights	17-Nov-10	55,000	30-Aug-13	55,000	1,907,725	-	-
	17-Nov-11	55,000	29-Aug-14	55,000	2,844,749	-	-
	15-Nov-12	60,000	28-Aug-15	-	-	-	-
	14-Nov-13	60,000	31-Aug-16	-	-	-	-

1. *This vesting date is an indicative date only. Vesting will occur once the Board has determined the extent to which the applicable performance hurdles have been met. Vesting will only occur after the announcement of the release of Ramsay's Full Year results for the previous financial year.*
2. *On vesting of each Performance Right, the holder received one fully-paid share in the Company, subject to disposal and other dealing restrictions, if held in the trust (refer table 14 of this Report).*
3. *The amount is based on the Company's 5-day VWAP on the date of vesting (as there is no exercise price payable in respect of Performance Rights).*

   The market value of each Performance Right on vesting was:
   - *$34.6859 on 30 August 2013*
   - *$51.7227 on 29 August 2014*

   The market value of each Equity Retention Right on vesting was:
   - *$35.3895 on 1 July 2013*
4. *The performance conditions applicable to Performance Rights which vested on 30 August 2013 and 29 August 2014 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.*

REMUNERATION REPORT – Audited

4. NON-EXECUTIVE DIRECTOR REMUNERATION

Guiding principles

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

Table 21 – Non-Executive Director remuneration – Guiding Principles

Principle	Explanation
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of $2,200,000 (including the superannuation guarantee levy) was approved by shareholders at the 2013 AGM.
Fees are set by reference to key considerations	The aggregate fee pool and the manner in which it is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board, having regard to: • the responsibilities and risks of the role; • the time commitment expected of Non-Executive Directors; • the fees paid by peer companies to Non-Executive Directors; and • the independent advice received from external advisors.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, no element of Non-Executive Director remuneration is performance-based or 'at risk'. However, to create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in the Company (purchased by the Non-Executive Director on-market).
Reviews of remuneration	The Remuneration Committee and the Board annually reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of good corporate governance.

Board & committee fees

Table 22 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	Fees, per annum, for FY2014: • **Board:** - Chairman - $347,288 - Deputy Chairman - $173,644 - Members - $138,915 • **Audit Committee:** - Chairman - $40,517 - Members - $26,047 • **Risk Management Committee:** - Chairman - $34,729 - Members - $23,153 • **Remuneration Committee:** - Chairman - $34,000 - Members - $17,000 • **Nomination Committee:** - Chairman – Nil - Members – Nil
Other fees/benefits	No additional fees for special duties or exertions were paid during FY2014. 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.

REMUNERATION REPORT – Audited

Post-employment benefits	Superannuation contributions are made on behalf of the Non-Executive Directors (at the FY2014 rate of 9.25%) which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was $17,775 per Director for FY2014. Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.

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

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

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

The value of the frozen benefits as at 30 June 2014, to which participating Non-Executive Directors are entitled upon retirement are set out below:

Table 23 – Frozen Non-Executive Directors' Retirement Benefits

Total Frozen Benefit 31 December 2009	Total Provision 30 June 2013	Total Bond Rate Adjustment	Total Provision 30 June 2014
$2,879,813	$3,297,826[1]	$81,759 [1]	$3,379,585

1. *Cumulatively an amount of $3,379,585 (2013: $3,297,826) has been provided as at 30 June 2014 and $81,759 (2013: $86,652) expensed in the current year.*

No retirement benefits were paid out in FY2014 or FY2013.

REMUNERATION REPORT – Audited

Total remuneration

Details of Non-Executive Directors' remuneration for FY2014 and FY2013 (calculated in accordance with applicable accounting standards) are set out in table 24.

Table 24 – Non-Executive Director Remuneration for FY2014 and FY2013

Director	Short-term benefits ($)		Post-employment benefits ($)		Total Fees $
	Fees	Non-monetary Benefits	Superannuation Contributions [1]	Retirement Benefits [2]	
P.J. Ramsay AO					
FY2014	289,407	-	14,812	21,771	325,990
FY2013	330,750	-	16,470	23,075	370,295
Current Non-Executive Directors					
M.S. Siddle (Chairman)					
FY2014	207,745	-	17,646	11,951	237,342
FY2013	179,156	-	16,124	12,666	207,946
P.J. Evans (Deputy Chairman)					
FY2014	234,581	-	17,775	15,097	267,453
FY2013	217,744	-	16,470	16,000	250,214
A.J. Clark AM					
FY2014	164,962	-	15,259	10,519	190,740
FY2013	171,246	-	- [3]	11,148	182,394
I.P.S. Grier AM					
FY2014	162,068	-	14,991	-	177,059
FY2013	154,350	-	13,892	-	168,242
R.H. McGeoch AO					
FY2014	172,915	-	15,995	10,199	199,109
FY2013	151,594	-	13,643	10,810	176,047
K.C.D. Roxburgh					
FY2014	188,115	-	17,401	12,222	217,738
FY2013	179,156	-	16,124	12,953	208,233
Totals					
FY2014	**1,419,793**	-	**113,879**	**81,759**	**1,615,431**
FY2013	**1,383,996**	-	**92,723**	**86,652**	**1,563,371**

1. *Superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation, capped to the then current statutory limit.*
2. *Amounts provided for by the Company during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from office. These amounts represent the bond rate adjustment for the year as set out in table 23.*
3. *During FY2013 Mr Clark opted to receive cash in lieu of what he would otherwise receive from the Company for his Superannuation Contributions ($14,140).*

REMUNERATION REPORT – Audited

5. ADDITIONAL STATUTORY DISCLOSURES

Loans to KMP and their related parties

There were no loans outstanding to KMP and their related parties, at any time in FY2014.

Other KMP transactions

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 arm's length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2014 is nil (2013: nil).

During the year costs of $100,139 (2013: $53,633) were charged to and an amount of $75,211 (2013: $68,810) was received from Paul Ramsay Holdings Pty Limited for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $33,736 (2013: $47,214) were charged by and an amount of $956 (2013: $47,214) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2014 costs of nil (2013: $19,128) were accrued for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limted, that had not yet been invoiced.

Equity Instruments of KMP

Table 25 – The movement during FY2014 in the equity of the Company held, directly, indirectly or beneficially, by each KMP, including their related parties is as follows:

	Held at 1 July 2013		**Received on Vesting of LTI / Retention Rights**		**Received as Remuneration**		**Other net change**		**Held at 30 June 2014**	
	Ord. Shares	*CARES*	*Ord. Shares*	*CARES*	*Ord. Shares*	*CARES*	*Ord. Shares*	*CARES*	*Ord. Shares*	*CARES*
Non-Executive Directors										
P.J. Ramsay AO [1]	73,149,269	-	-	-	-	-	(73,149,269) [1]	-	-	-
M.S. Siddle	152,564	-	-	-	-	-	-	-	152,564	-
P. J. Evans	7,209	-	-	-	-	-	-	-	7,209	-
A. J. Clark AM	82,000	1,700	-	-	-	-	-	-	82,000	1,700
I. P.S Grier AM	-	-	-	-	-	-	-	-	-	-
R.H. McGeoch AO	57,331	257	-	-	-	-	-	-	57,331	257
K.C.D. Roxburgh	79,500	-	-	-	-	-	-	-	79,500	-
Executive Directors										
C. P. Rex	483,873	5,334	750,000	-	14,601	-	(300,000)	-	948,474	5,334
B. R Soden	195,791	2,000	75,000	-	-	-	-	-	270,791	2,000
Executives										
D. A. Sims	115,550	-	55,000	-	-	-	(55,000)	-	115,550	-
C. R. McNally	236,047	-	55,000	-	-	-	-	-	291,047	-

1. *Passed away on 1 May 2014 and at the date of this report these shares are held by his estate.*

REMUNERATION REPORT – Audited

Table 26 – The movement during FY2014 in the number of rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Performance/ Retention/ Incentive Rights	Held at 1 July 2013	Granted / (Forfeited)	Exercised	Held at 30 June 2014	Vested during FY2014	Vested and exercisable at 30 June 2014
Non-Executive Directors							
P.J. Ramsay AO	N/A	-	-	-	-	-	-
M.S. Siddle	N/A	-	-	-	-	-	-
P. J. Evans	N/A	-	-	-	-	-	-
A. J. Clark AM	N/A	-	-	-	-	-	-
I. P.S Grier AM	N/A	-	-	-	-	-	-
R.H. McGeoch AO	N/A	-	-	-	-	-	-
K.C.D. Roxburgh	N/A	-	-	-	-	-	-
Executive Directors							
C. P. Rex	Performance	580,000	220,000	150,000	650,000	150,000	-
	Retention	600,000	-	600,000	-	600,000	-
B. R Soden	Performance	255,000	95,000	75,000	275,000	75,000	-
Executives							
D. A. Sims	Performance	170,000	60,000	55,000	175,000	55,000	-
C. R. McNally	Performance	170,000	60,000	55,000	175,000	55,000	-

DIRECTORS' MEETINGS

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

COMMITTEES

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

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

(c) : Designates the chairman of the committee

AUDITORS' INDEPENDENCE DECLARATION

The written Auditors' Independence Declaration in relation to the audit of the financial report has been included at page 74 and forms part of this report.

INDEMNIFICATION OF AUDITOR

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

ROUNDING

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

NON-AUDIT SERVICES

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

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

Tax services	$	883,000
Other services	$	845,000

Signed in accordance with a resolution of the Directors.

M.S. SIDDLE
Chairman

C.P. REX
Managing Director

Sydney, 9 September 2014

Building a better
working world

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

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

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

In relation to our audit of the financial report of Ramsay Health Care Limited for the financial year ended 30 June 2014, 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
9 September 2014

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

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

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 2014, 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 judgement, 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 2014 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 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
9 September 2014

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 2014 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 2014.

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

On behalf of the Board

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

Sydney, 9 September 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Revenue and other income			
Revenue from services	4	4,909,314	4,174,535
Interest income		2,053	4,257
Revenue - income from the sale of development assets		5,389	2,844
Other income - net profit on disposal of non-current assets	4	15,513	2,346
Total revenue and other income		**4,932,269**	**4,183,982**
Employee benefits costs	5	(2,511,982)	(2,066,031)
Occupancy costs	5	(314,497)	(260,972)
Service costs		(229,601)	(203,110)
Medical consumables and supplies		(1,180,337)	(1,048,837)
Depreciation, amortisation and impairment	5	(176,462)	(147,006)
Cost of goods sold - book value of development assets sold		(2,696)	(1,677)
Total expenses, excluding finance costs		**(4,415,575)**	**(3,727,633)**
Share of profit of joint venture	16	3,181	-
Profit from continuing operations before tax and finance costs		**519,875**	**456,349**
Finance costs	5	(77,135)	(69,695)
Profit before income tax from continuing operations		**442,740**	**386,654**
Income tax	6	(132,676)	(118,279)
Net profit for the year		**310,064**	**268,375**
Attributable to non-controlling interest		6,305	1,971
Attributable to owners of the parent		303,759	266,404
		310,064	268,375
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	144.1	125.1
Profit (after CARES dividend) from continuing operations	7	144.1	125.1
Diluted earnings per share			
Profit (after CARES dividend)	7	143.0	123.9
Profit (after CARES dividend) from continuing operations	7	143.0	123.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Net profit for the year		310,064	268,375
Items that will not be reclassified to net profit			
Actuarial loss on defined benefit plans	28	(1,166)	(1,481)
Items that may be subsequently reclassified to net profit			
Cash flow hedges			
(Loss)/Gain taken to equity	24	(6,229)	1,653
Transferred to Income Statement	24	8,223	9,424
Net loss on bank loan designated as a hedge of a net investment		(12,231)	(15,202)
Foreign currency translation		11,327	35,110
Income tax relating to components of other comprehensive income	6(g)	(633)	(3,327)
Other comprehensive income for the year, net of tax		**(709)**	**26,177**
Total comprehensive income for the year		**309,355**	**294,552**
Attributable to non-controlling interests		4,784	5,801
Attributable to the owners of the parent		304,571	288,751
		309,355	294,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $000	2013 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	167,230	272,251
Trade receivables	13	543,090	482,843
Inventories	14	124,005	112,565
Other current assets	15	55,983	39,606
		890,308	907,265
Assets classified as held for sale	11	-	73,100
Total current assets		**890,308**	**980,365**
Non-current assets			
Other financial assets		2,319	1,952
Investments in joint venture	16	192,815	-
Property, plant and equipment	17	2,144,837	1,970,127
Goodwill and intangible assets	18	1,175,009	986,661
Deferred tax asset	6	99,469	87,501
Non-current prepayments		12,876	10,653
Derivative financial instruments	24	536	2,270
Non-current receivables	13	32,630	24,223
Total non-current assets		**3,660,491**	**3,083,387**
TOTAL ASSETS		**4,550,799**	**4,063,752**
LIABILITIES			
Current liabilities			
Trade and other payables	20	833,473	643,997
Interest-bearing loans and borrowings	22	34,207	18,693
Derivative financial instruments	24	10,237	12,869
Provisions	21	40,097	38,839
Income tax payable	6	4,561	34,835
		922,575	749,233
Liabilities directly associated with assets classified as held for sale	11	-	46,068
Total current liabilities		**922,575**	**795,301**
Non-current liabilities			
Interest-bearing loans and borrowings	22	1,333,708	1,242,076
Provisions	21	484,769	431,017
Defined employee benefit obligation	28	21,204	10,833
Derivative financial instruments	24	6,202	7,296
Other creditors		5,805	5,446
Deferred tax liability	6	32,892	29,968
Total non-current liabilities		**1,884,580**	**1,726,636**
TOTAL LIABILITIES		**2,807,155**	**2,521,937**
NET ASSETS		**1,743,644**	**1,541,815**
EQUITY			
Issued capital	23	713,523	713,523
Treasury shares	23	(50,330)	(49,684)
Convertible Adjustable Rate Equity Securities (CARES)	23	252,165	252,165
Cash flow hedges	24	(10,914)	(12,255)
Share based payment reserve		48,276	33,026
Vested employee equity		(16,469)	(12,238)
Other reserves		(348)	(8,707)
Retained earnings		766,656	629,742
Parent interests		**1,702,559**	**1,545,572**
Non-controlling interests		**41,085**	**(3,757)**
TOTAL EQUITY		**1,743,644**	**1,541,815**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Balance at 1 July 2013 $000	Changes in Equity for the Year to 30 June 2014 Dividends $000	Shares purchased for executive performance share plan $000	Treasury shares vesting to employees in the year $000	Share based payment reserve $000	Share capital issue- Ramsay Santé $000	Acquisition/ Disposal of subsidiary/non-controlling interest $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2014 $000
Issued capital	713,523	-	-	-	-	-	-	-	713,523
Treasury shares	(49,684)	-	(30,596)	29,950	-	-	-	-	(50,330)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	-	252,165
Share based payment reserve	33,026	-	-	(25,719)	40,969	-	-	-	48,276
Cash flow hedges	(12,255)	-	-	-	-	-		1,341	(10,914)
Bank loan designated as a hedge of a net investment in a subsidiary	73,533	-	-	-	-	-	-	(12,231)	61,302
Foreign currency translation	(82,240)	-	-	-	-	-	8,215	12,375	(61,650)
Retained earnings	629,742	(166,172)	-	-	-	-	-	303,086	766,656
Vested employee equity	(12,238)	-	-	(4,231)	-	-	-	-	(16,469)
Owners of the parent	**1,545,572**	**(166,172)**	**(30,596)**	**-**	**40,969**	**-**	**8,215**	**304,571**	**1,702,559**
Non-controlling interests	**(3,757)**	**-**	**-**	**-**	**-**	**39,027**	**1,031**	**4,784**	**41,085**
Total equity	**1,541,815**	**(166,172)**	**(30,596)**	**-**	**40,969**	**39,027**	**9,246**	**309,355**	**1,743,644**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

		Changes in Equity for the Year to 30 June 2013						
	Balance at 1 July 2012 $000	**Dividends $000**	**Shares purchased for executive performance share plan $000**	**Treasury shares vesting to employees in the year $000**	**Share based payment reserve $000**	**Acquisition of Non-controlling Interest $000**	**Total comprehensive income for the year, net of tax $000**	**Balance at 30 June 2013 $000**
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(23,259)	-	(32,305)	5,880	-	-	-	(49,684)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	23,101	-	-	(3,026)	12,951	-	-	33,026
Cash flow hedges	(19,972)	-	-	-	-	-	7,717	(12,255)
Bank loan designated as a hedge of a net investment in a subsidiary	88,735	-	-	-	-	-	(15,202)	73,533
Foreign currency translation	(113,425)	-	-	-	-	-	31,185	(82,240)
Retained earnings	508,044	(143,353)	-	-	-	-	265,051	629,742
Vested employee equity	(9,384)	-	-	(2,854)	-	-	-	(12,238)
Owners of the parent	**1,419,528**	**(143,353)**	**(32,305)**	**-**	**12,951**	**-**	**288,751**	**1,545,572**
Non-controlling interests	**(13,327)**	**-**	**-**	**-**	**-**	**3,769**	**5,801**	**(3,757)**
Total equity	**1,406,201**	**(143,353)**	**(32,305)**	**-**	**12,951**	**3,769**	**294,552**	**1,541,815**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		4,874,853	4,129,637
Payments to suppliers and employees		(4,075,765)	(3,487,609)
Income tax paid		(164,158)	(121,109)
Finance costs		(73,418)	(70,510)
Net cash flows from operating activities	9	**561,512**	**450,409**
Cash flows from investing activities			
Purchase of property, plant and equipment		(245,664)	(265,574)
Proceeds from sale of property, plant and equipment		1,414	11,013
Interest received		2,053	4,257
Acquisition of investment in joint venture	9	(72,425)	-
Acquisition of business, net of cash received	10	(227,294)	(91,080)
Net cash flows used in investing activities		**(541,916)**	**(341,384)**
Cash flows from financing activities			
Dividends paid		(166,172)	(143,353)
Repayment of principal to bondholders		(3,423)	(3,160)
Repayment of finance lease - principal		(2,330)	(3,809)
Purchase of ordinary shares		(30,596)	(32,305)
(Repayment)/Proceeds of borrowings		(17,143)	164,189
Proceeds from outside equity interest loan		52,895	-
Proceeds from issue of shares to outside equity interest		39,027	-
Net cash flows used in financing activities		**(127,742)**	**(18,438)**
Net (decrease)/increase in cash and cash equivalents		(108,146)	90,587
Net foreign exchange differences on cash held		3,125	8,246
Cash and cash equivalents at beginning of year		272,251	173,418
Cash and cash equivalents at end of year	9	**167,230**	**272,251**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited (**'The Company'**) for the year ended 30 June 2014 was authorised for issue on 9 September 2014 in accordance with a resolution of the Directors.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2013.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2014 $000	2013 $000
(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit attributable to owners of the parent	303,759	266,404
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals [(a)]	22,910	21,640
- Amortisation - service concession assets	2,800	2,271
- Net profit on disposal of non-current assets	(15,160)	-
- Income from the sale of development assets	(5,389)	(2,844)
- Book value of development assets sold	2,696	1,677
- Acquisition, disposal, and development costs	33,880	10,466
- Impairment of non-current assets	6,742	-
- Introduction of employee share plan costs	14,067	-
- (Gain)/loss on interest rate hedge	-	(67)
Income tax on non-core items	(18,115)	(8,014)
Non-controlling interest in non-core items net of tax	(2,040)	(661)
	42,391	24,468
Core profit (segment result) after tax from continuing operations	346,150	290,872
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	346,150	290,872
Less: CARES Dividend	(13,898)	(15,508)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	332,252	275,364
Weighted average number of ordinary shares adjusted for effect of dilution	202,687,965	202,569,630
Core earnings per share from continuing operations	163.9c	135.9c

(a) Accounted for in accordance with *AASB 117 Leases* and *UIG 115 Operating Leases - Incentives*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

	2014 $000 Statutory consolidated Income Statement	2014 $000 Non-core items as listed at 2(a)(i)	2014 $000 Core (segment) consolidated Income Statement
Revenue and other income			
Revenue from services	4,909,314	-	4,909,314
Interest income	2,053	-	2,053
Revenue - income from the sale of development assets	5,389	(5,389)	-
Other income - net profit on disposal of non-current assets	15,513	(15,160)	353
Total revenue and other income	**4,932,269**	**(20,549)**	**4,911,720**
Employee benefits costs	(2,511,982)	14,067	(2,497,915)
Occupancy costs	(314,497)	22,910	(291,587)
Service costs	(229,601)	33,880	(195,721)
Medical consumables and supplies	(1,180,337)	-	(1,180,337)
Depreciation, amortisation and impairment	(176,462)	9,542	(166,920)
Cost of goods sold - book value development assets sold	(2,696)	2,696	-
Total expenses, excluding finance costs	**(4,415,575)**	**83,095**	**(4,332,480)**
Share of profit of joint venture	3,181	-	3,181
Profit from continuing operations before tax and finance costs	**519,875**	**62,546**	**582,421**
Finance costs	(77,135)	-	(77,135)
Profit before income tax from continuing operations	**442,740**	**62,546**	**505,286**
Income tax	(132,676)	(18,115)	(150,791)
Net profit for the year	**310,064**	**44,431**	**354,495**
Attributable to non-controlling interest	6,305	2,040	8,345
Attributable to owners of the parent	303,759	42,391	346,150
	310,064	**44,431**	**354,495**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Compliance with IFRS

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

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretation as of 1 July 2013:

- AASB 10 - *Consolidated Financial Statements*
- AASB 11 - *Joint Arrangements*
- AASB 12 - *Disclosure of Interests in Other Entities*
- AASB 13 - *Fair Value Measurement*
- AASB 119 - *Employee Benefits*
- AASB 2012 - 5 *Amendments to Australian Accounting Standards Arising from Annual Improvements 2009 - 2011 Cycle*
- AASB 2012 - 2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*
- AASB 2012 - 10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*
- AASB 2011 - 4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]
- AASB 2013 - 3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (Early Adoption)

The adoption of these Australian Accounting Standards and AASB Interpretations is described below.

AASB 10 Consolidated Financial Statements
This standard establishes a new control model that applies to all 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. The adoption of this new standard did not have a material impact on the financial position or performance of the Group.

AASB 11 Joint Arrangements
This standard uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. The adoption of this new standard did not have an impact on the financial position or performance of the Group.

AASB 12 – Disclosure of Interests in Other Entities
This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of this new standard did not have an impact on the financial position or performance of the Group. Additional disclosure has been included on information relating to subsidiaries.

AASB 13 – Fair Value Measurement
This standard establishes a single source of guidance on how to determine fair value of assets and liabilities when, fair value is required or permitted. The adoption of this new standard did not have a material impact on the financial position or performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(i) Changes in accounting policy (continued)

AASB 119 – Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard also changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The amendment has had no impact on the financial position or performance of the Group.

AASB 2012 - 5 Amendments to Australian Accounting Standards Arising from Annual Improvements 2009 - 2011 Cycle

This amendment makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: (1) Repeat application of AASB 1 is permitted and (2) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). This amendment has had no impact on the financial position or performance of the Group.

AASB 2012 - 10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

This amendment amends the following standards:

- AASB 10 Consolidation and related standards - clarifies the transition guidance, in particular that the assessment of control is to be made at the beginning of the period AASB 10 is adopted rather that prior periods;
- AASB 10 and related standards to defer the mandatory application by not-for-profit entities to annual reporting periods beginning on or after 1 January 2014; and
- Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 Service Concession Arrangements, to reflect changes made to the text of IFRSs by the IASB

This amendment did not have a material impact on the financial position or performance of the Group.

AASB 2011 - 4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The adoption of this amendment did not have any impact on the financial position or performance of the Group. Disclosures on individual KMP's equity holdings have been removed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	The Group is currently evaluating the impact of the new standard.	I July 2018

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
IFRS 15	Revenue from Contracts with Customers	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2017	The Group is currently evaluating the impact of the new standard.	1 July 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 -Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 -Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 -Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. ► IAS 16 & IAS 38 -Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 -Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The adoption of the annual improvements to IFRS will not have any impact on the financial report.	1 July 2014
Annual Improvements 2011-2013 Cycle	Annual Improvements to IFRS 2011-2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 -Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ► IAS 40 -Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	The adoption of the annual improvements to IFRS will not have any impact on the financial report.	1 July 2014

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates & assumptions (continued)

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

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

Taxation

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

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

(ii) Significant accounting estimates & assumptions

Impairment of goodwill and intangibles with indefinite useful lives

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

Medical malpractice provision

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

Defined employee benefit obligation

The cost of defined employee benefit obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount 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 are based on expected future inflation rates for the specific country.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

(g) Foreign currency translation

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

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

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

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

The functional currencies of the overseas subsidiaries are: British pounds for Ramsay Health Care (UK) Limited; and Euro for Ramsay Santé SA. As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

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.

(h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant & equipment (continued)

(i) Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Impairment losses are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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

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

(i) 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.

(j) 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.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill (continued)

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

Impairment losses recognised for goodwill are not subsequently reversed.

(k) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

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

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

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

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

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

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 30 June 2014 and 2013.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ii) Impairment of financial assets

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

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

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

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

iii) Financial liabilities

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group has not offset any financial assets and liabilities for the years ended 30 June 2013 and 2014.

(v) Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

(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) Cash & cash equivalents

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

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

(n) Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share-based payment transactions

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

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

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

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

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

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

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

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

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

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

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

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

(p) Leases

(i) Group as lessee

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

(ii) Group as lessor

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

(q) 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.

(r) Income tax

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

- 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.

(s) 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.

(t) Derivative financial instruments & hedging

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivative financial instruments & hedging (continued)

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

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

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

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

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

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(ii) Bank loan designated as a hedge of a net investment
The bank loan designated as a hedge of a net investment in a foreign operation, is accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument (Bank Loan) relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income Statement.

(u) Investment in a joint venture

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Investment in a joint venture (continued)

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

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

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

(v) Intangible assets

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

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

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

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

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

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

(w) Service concession assets

Service concession assets represent the Group's rights to operate hospitals under Service Concession Arrangements. Service concession assets constructed by the Group are recorded at the fair value of consideration received or receivable for the construction services delivered. Service concession assets acquired by the Group are recorded at the fair value of the assets at the date of acquisition. All service concession assets are classified as intangible assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) 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.

(z) 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.

(aa) Business combinations

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Other post-employment benefits

The Group has a defined employee benefit obligation in France arising from local legislative requirements.

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

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

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

(ac) Fair value measurement

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes: 13, 20, 22 and 24.

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

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

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

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

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
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The level of debt is disclosed in Note 30.

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

	2014 $000	2013 $000
Financial Assets		
Cash and cash equivalents	167,230	272,251
Financial Liabilities		
Bank Loans	(409,030)	(395,783)
Net exposure	(241,800)	(123,532)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in Note 24, with a net negative fair value of $12,460,000 (2013: negative: $17,895,000) 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 2014, after taking into account the effect of interest rate swaps, approximately 65% (2013: 67%) of the Group's borrowings are at a fixed rate of interest.

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

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

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

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
AUD				
+ 60 basis points (2013: + 120 basis points)	(955)	(2,513)	7,059	20,183
- 60 basis points (2013: - 120 basis points)	949	2,512	(7,177)	(21,096)
GBP				
+ 70 basis points (2013: + 60 basis points)	(507)	(244)	1,554	2,617
- 70 basis points (2013: - 60 basis points)	483	244	(1,546)	(2,647)
IDR				
+ 100 basis points (2013: + 100 basis points)	-	(15)	-	-
- 100 basis points (2013: - 100 basis points)	-	15	-	-
EUR				
+ 30 basis points (2013: + 40 basis points)	(189)	(150)	726	228
- 30 basis points (2013: - 40 basis points)	113	150	(674)	(229)

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

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The change in sensitivity in 2014, comparing to 2013 is due to the decrease in hedging from 67% in 2013 to 65% in 2014 and the decreased interest rate volatility in 2014.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(b) Foreign currency risk

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

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

The Group hedges its exposure to fluctuations on the translation into Australian dollar of its foreign operations by utilising currency swaps and forwards.

Foreign currency sensitivity

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

British Pound (GBP)

	Change in GBP rate	**Effect on Post Tax Profit Higher/ (Lower)**	**Effect on Other Comprehensive Income Higher/(Lower)**
		$000	**$000**
2014	+15%	(17)	(23,395)
	-15%	19	26,901
2013	+15%	(23)	(20,529)
	-15%	26	23,594

- At reporting date, the Group had the GBP exposure of £98,844,000 (2013: £94,595,000) that is not designated in a net investment hedge.

- The Group has a GBP borrowing of £117,000,000 (2013: £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 24.

Euro (EUR)

	Change in EUR rate	**Effect on Post Tax Profit Higher/ (Lower)**	**Effect on Other Comprehensive Income Higher/(Lower)**
		$000	**$000**
2014	+15%	(6)	(4,641)
	-15%	7	5,336
2013	+20%	(12)	(9,505)
	-20%	14	11,406

- At reporting date, the Group had the Euro exposure of €24,508,000 (2013:€40,098,000) that is not designated in a net investment hedge.

- The Group has a Euro borrowing of €80,000,000 (2013: Nil) that is designated as a hedge of the net investment in the French operation. Further information on the hedge is set out in Note 24.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Malaysian Ringgit (MYR)

	Change in MYR rate	Effect on Post Tax Profit Higher/ (Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		$000	$000
2014	+15%	(1,358)	(6,741)
	-15%	1,562	7,752
2013	+5%	(2,131)	-
	-5%	2,239	-

- At reporting date, the Group had the MYR exposure of MYR 156,407,000 (2013: Nil) that is not designated in net investment hedge.
- The Group has a MYR borrowing of MYR 185,273,000 (2013: Nil) that is designated as a hedge of the net investment in the Malaysian operations. Further information on the hedge is set out in Note 24.

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

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

(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.

Trade receivables

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

The Group's credit policy requires all debtors to pay in accordance with agreed terms. The payment terms for the major debtors range from 15 days to 30 days.

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

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

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Financial instruments and cash deposits

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

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

(d) Liquidity risk

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

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

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

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

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

Year ended 30 June 2014	**On demand $000**	**Less than 3 months $000**	**3 to 12 months $000**	**1 to 5 years $000**	**> 5 years $000**	**Total $000**
Trade and other payable	-	(823,468)	-	-	-	(823,468)
Interest-bearing loans and borrowings	-	(26,022)	(32,420)	(1,374,391)	-	(1,432,833)
Sub-ordinated bonds	-	-	-	(68,286)	-	(68,286)
Outside equity interest loan	-	-	-	-	(64,819)	(64,819)
Deferred consideration	-	(14,868)	-	(52,105)	-	(66,973)
Financial derivatives	-	(3,473)	(8,692)	(5,483)	-	(17,648)
	-	(867,831)	(41,112)	(1,500,265)	(64,819)	(2,474,027)

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

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

Year ended 30 June 2014	**On demand $000**	**Less than 3 months $000**	**3 to 12 months $000**	**1 to 5 years $000**	**> 5 years $000**	**Total $000**
Inflows	-	4,196	11,553	21,680	-	37,429
Outflows	-	(7,669)	(20,245)	(27,163)	-	(55,077)
Net	-	(3,473)	(8,692)	(5,483)	-	(17,648)
Discounted at the applicable interbank rates	-	(2,175)	(8,217)	(6,047)	-	(16,439)

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

4. REVENUE

(a) Revenue from services

	2014 $000	2013 $000
Revenue from patients	4,814,867	4,081,267
Rental income - Other persons/corporations	33,082	40,471
Income from ancillary services	61,365	52,797
Revenue from services	4,909,314	4,174,535

(b) Other income – profit on disposal of non-current assets

Other income - net profit on disposal of non-current assets	15,513	2,346

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation included in Income Statement		
Depreciation - Plant and equipment	110,446	103,081
Depreciation - Buildings	50,389	37,650
Total depreciation	160,835	140,731
(b) Amortisation included in Income Statement		
Service concession assets	5,271	2,834
Development cost	3,614	3,441
Total amortisation	8,885	6,275
(c) Impairment included in Income Statement		
Impairment - Property, plant and equipment	6,742	-
Total impairment	6,742	-
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the Income Statement	164,847	109,082

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

Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and UIG 115 *Operating Leases – Incentives*	(22,910)	(21,640)

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 2014 was lower than the rent expensed by $22,910,000 (2013: $21,640,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2014 $000	2013 $000
(e) Employee benefits cost		
Wages and salaries	2,219,575	1,863,167
Workers' compensation	20,429	16,210
Superannuation	128,545	110,321
Termination benefits	3,911	2,700
Other employment	101,581	62,406
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	37,941	11,227
	2,511,982	2,066,031
(f) Finance costs		
Interest expense - Other persons/corporations	75,551	75,947
Finance charges - Lease liability	1,454	1,631
Finance charges - Gain on interest rate hedge	-	(67)
	77,005	77,511
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	3,913	-
Finance costs capitalised	(3,783)	(7,816)
	77,135	69,695

6. INCOME TAX

	2014 $000	2013 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	136,563	131,894
Adjustments in respect of previous years	549	3,205
Deferred income tax		
Relating to origination and reversal of temporary differences	(3,306)	(15,080)
Adjustments in respect of deferred income tax of previous years	(1,130)	(1,740)
Income tax expense reported in the Income Statement	132,676	118,279

(b) Numerical reconciliation between aggregate tax expense recognised in the Income Statement and tax expense calculated per the statutory income tax rate

	2014 $000	2013 $000
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	442,740	386,654
At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	132,822	115,996
(Revenue) / expenditure not allowable for income tax purposes	(1,197)	3,343
Foreign tax rate adjustment	(420)	(1,159)
Other	1,471	99
	132,676	118,279
Income tax expense reported in the consolidated Income Statement attributable to continuing operations	132,676	118,279

(c) Amounts charged or credited directly to equity

	2014 $000	2013 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	(833)	(3,376)
Actuarial gain/loss on defined benefit plans	-	120
Treasury shares	4,413	1,724
	3,580	(1,532)

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2014 $000 Current income tax	2014 $000 Deferred income tax	2013 $000 Current income tax	2013 $000 Deferred income tax
Opening balance	(34,835)	57,533	(37,512)	51,236
(Charged)/ credited to income	(137,112)	4,436	(135,099)	16,820
Credited/(charged) to equity	-	3,580	-	(1,532)
Transfer to liabilities held for resale	-	-	922	2,113
Payments	164,863	-	119,450	-
Exchange differences	(226)	(423)	313	(1,178)
Acquisition of subsidiary	2,749	1,451	17,091	(9,926)
Closing balance	(4,561)	66,577	(34,835)	57,533

Amounts recognised in the Statement of Financial Position

		2014 Deferred income tax		2013 Deferred income tax
Deferred tax asset		99,469		87,501
Deferred tax liability		(32,892)		(29,968)
Net deferred income tax		66,577		57,533

	Statement of Financial Position 2014 $000	 2013 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(14,617)	(13,502)
Recognition of revenue	(11,594)	(11,599)
Depreciable assets	(54,163)	(57,505)
Other	(3,245)	(862)
Other provisions and lease liabilities	(21,113)	(20,051)
Gross deferred tax liabilities	(104,732)	(103,519)
Set-off of deferred tax assets	71,840	73,551
Net deferred tax liabilities	(32,892)	(29,968)
(ii) Deferred tax assets		
Employee provisions	91,870	80,770
Other provisions and lease liabilities	55,223	49,004
Unearned income	9,717	7,622
Other	7,254	7,773
Losses	2,480	10,487
Derivatives	4,765	5,396
Gross deferred tax assets	171,309	161,052
Set-off of deferred tax assets	(71,840)	(73,551)
Net deferred tax assets	99,469	87,501

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2014, there is $9,816,053 (2013: $9,810,484) of unrecognised deferred income tax assets in relation to capital losses carried forward. As it is not probable they will be used in the foreseeable future, they have not been recognised.

(f) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation, intercompany assets of Ramsay Health Care Limited have increased by $5,915,000 (2013: increased $40,843,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 35.

(g) Tax relating to other comprehensive income

	2014 $000	2013 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	1,869	(496)
- Cashflow hedges transferred to the Income Statement	(2,502)	(2,831)
	(633)	(3,327)

7. EARNINGS PER SHARE

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

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

7. EARNINGS PER SHARE (CONTINUED)

	2014 $000	2013 $000
Net profit for the year attributable to the owners of the parent	303,759	266,404
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(13,898)	(15,508)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	289,861	250,896

	2014 Number of Shares	2013 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,087,847	200,538,313
Effect of dilution – share rights not yet vested (a)	1,600,118	2,031,317
Weighted average number of ordinary shares adjusted for the effect of dilution	202,687,965	202,569,630

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	2014 Cents per Share	2013 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	144.1	125.1
- diluted (after CARES dividend) for the year	143.0	123.9
- basic (after CARES dividend) from continuing operations	144.1	125.1
- diluted (after CARES dividend) from continuing operations	143.0	123.9

8. DIVIDENDS PAID OR PROPOSED

	Parent	
	2014 $000	2013 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (34.0 cents per share) (2013: 29.0 cents per share)	68,708	58,604
(ii) Previous year final dividend paid		
Franked dividends – ordinary (41.5 cents per share) (2013: 34.5 cents per share)	83,864	69,718
	152,572	128,322
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (51.0 cents per share) (2013: 41.5 cents per share)	103,061	83,864
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	13,898	15,508
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	6,846	7,088

8. DIVIDENDS PAID OR PROPOSED

(e) Franking credit balance

	Parent	
	2014 $000	2013 $000
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% (2013: 30%)	323,514	238,852
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	11,111	31,029
	334,625	269,881
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	(47,103)	(38,979)
	287,522	230,902

* 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% (2013: 30%). $109,907,000 (2013: $90,952,000) of the proposed dividends will be franked at the rate of 30% (2013: 30%).

9. CASH AND CASH EQUIVALENTS

	2014 $000	2013 $000
Cash at bank and on hand	167,230	272,251
Reconciliation to Statement of cash flows		
For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and on hand	167,230	272,251
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	310,064	268,375
Adjustments for:		
Share of profit of joint venture	(3,181)	-
Depreciation, amortisation and impairment	176,462	147,006
Interest received	(2,053)	(4,257)
Changes in assets & liabilities		
Deferred tax	(8,246)	(3,320)
Receivables	(42,871)	(50,508)
Other assets	4,650	25,297
Creditors and accruals	124,032	39,036
Provisions	39,494	34,869
Inventory	(9,191)	(5,106)
Tax provisions	(27,648)	(983)
Net cash from operating activities	561,512	450,409

Disclosure of financing facilities
Refer to Note 30.

Acquisition of investment in joint venture
On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad (a Malaysian listed company), through the contribution of our Indonesian assets and cash payments to Sime Darby Berhad over 3 years. As at 30 June 2014, a total of $64.4 million has been paid to Sime Darby Berhad and an investment in the joint venture of $195,720,000 was recorded at acquisition. A reconciliation between the cash payments to Sime Darby Berhad and the investment in the joint venture recorded at acquisition is as follows:

9. CASH AND CASH EQUIVALENTS (continued)

	Note	$000
Cash payment to Sime Darby Berhad		64,361
Cash in relation to Indonesian operations contributed to joint venture		8,064
Net cash outflow		72,425
Deferred payment to Sime Darby payable within 1 year		15,301
Deferred payments to Sime Darby payable within 3 years		44,237
Value of Indonesian operations contributed to joint venture		63,757
Total investment in joint venture	16	195,720

10. BUSINESS COMBINATIONS

Medipsy – 2014
On 16 December 2013, Ramsay Santé acquired 100% of the share capital of Medipsy and 66.67% of the share capital of a related entity. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Medipsy based upon the best information available as of the reporting date. Ramsay Santé will over the coming months obtain and consider the information necessary about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognition and measurement of the amounts recognised as of that date for the Medipsy business combination, in order to retrospectively adjust the provisional amounts recognised. Provisional business combination accounting is as follows:

	$000
Cash	2,517
Accounts Receivable	20,725
Inventory	586
Other current assets	16,762
Corporate tax receivable	2,749
Property, plant and equipment	90,783
Other non-current assets	3,055
Intangible assets	1,037
Deferred income tax asset	1,451
Creditors and accruals	(67,436)
Intercompany loan	(123,799)
Interest bearing liabilities	(2,681)
Provisions and other liabilities non-current	(9,000)
Fair value of identifiable net liabilities	(63,251)
Non-controlling interest in identifiable acquired net liabilities	(2,424)
Intercompany debt eliminated on consolidation	123,799
Goodwill arising on acquisition	171,687
	229,811
Acquisition date fair value of consideration transferred	
Cash paid	229,811
	229,811
Direct costs relating to the acquisition - included within service costs	5,112
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	2,517
Cash paid	(229,811)
Net consolidated cash outflow	(227,294)

The value of the non-controlling interest was recorded at the fair value as at the acquisition date.

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

Key factors contributing to the $171,687,000 million of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Medipsy facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Medipsy from acquisition to 30 June 2014 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2014, as though Medipsy was acquired on 1 July 2013, would not be significantly different to the Group results as reported.

10. BUSINESS COMBINATIONS (CONTINUED)

Clinique de l'Union – 2013

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

	$000
Cash overdraft	(4,770)
Accounts Receivable	14,083
Inventory	1,969
Other current assets	12,219
Property, plant and equipment	4,724
Intangible assets	79
Deferred income tax asset	3,906
Creditors and accruals	(23,960)
Interest bearing liabilities	(14,627)
Provisions and other liabilities non-current	(5,025)
Fair value of identifiable net liabilities	(11,402)
Non-controlling interest in identifiable acquired net liabilities	(3,739)
Goodwill arising on acquisition	44,400
	29,259
Acquisition date fair value of consideration transferred	
Cash paid	29,259
	29,259
Direct costs relating to the acquisition - included within service costs	1,293
The cash outflow on acquisition is as follows:	
Net cash overdraft acquired with the subsidiary	4,770
Cash paid	29,259
Net consolidated cash outflow	34,029

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

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

Key factors contributing to the $44,400,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique de l'Union and Le Marquisat facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Clinique de l'Union and Le Marquisat from acquisition to 30 June 2013 are not material and therefore have not been disclosed separately.

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

10. BUSINESS COMBINATIONS (CONTINUED)

Peel – 2013

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

	$000
Accounts Receivable	587
Prepayments	924
Inventory	1,198
Service concession asset	42,000
Property, plant and equipment	450
Deferred income tax liability	(13,832)
Provisions	(5,130)
Fair value of identifiable net assets	26,197
Goodwill arising upon acquisition pursuant to accounting standards	22,197
	48,394
Acquisition date fair value of consideration transferred	
Cash paid/to be paid	65,051
Less: tax effect	(16,657)
	48,394
Direct costs relating to the acquisition - included with service costs	65
The cash outflow/(inflow) on acquisition is as follows:	
Cash paid	57,051
Tax receivable	(16,657)
Deferred contingent purchase consideration	8,000
Net consolidated cash outflow	48,394

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

Key factors contributing to the $22,197,000 of goodwill arising upon acquisition are synergies expected to be achieved as a result of combining the Peel Health Campus with the Group.

The results of Peel Health Campus from acquisition to 30 June 2013 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2013, as though Peel Health Campus was acquired on 1 July 2012, would not be significantly different to the Group results as reported.

11. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

	2014 **$000**	**2013** **$000**
Assets		
Trade and other receivables	-	12,300
Inventories	-	2,654
Other assets	-	2,852
Property, plant and equipment	-	32,049
Goodwill and intangible assets	-	23,245
Assets classified as held for sale	-	73,100
Liabilities		
Trade and other payables	-	(10,382)
Interest-bearing loans and borrowings	-	(20,262)
Provisions	-	(12,389)
Income tax payable	-	(922)
Deferred tax liabilities	-	(2,113)
Liabilities directly associated with assets classified as held for sale	-	(46,068)
Net assets directly associated with held for sale operations	**-**	**27,032**

12. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Types of services

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

Accounting policies and inter-segment transactions

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

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

	Total and continuing operations			
	Asia Pacific $000	**UK $000**	**France $000**	**Total $000**
Year ended 30 June 2014				
Revenue				
Revenue from services	3,749,352	679,318	480,644	4,909,314
Total revenue before intersegment revenue	3,749,352	679,318	480,644	4,909,314
Intersegment revenue	5,403	-	-	5,403
Total segment revenue	3,754,755	679,318	480,644	4,914,717
Results				
Segment net profit after tax	305,718	32,986	15,791	354,495
Segment net profit after tax attributable to owners of the parent	305,718	32,986	7,446	346,150
Interest	(40,800)	(18,233)	(16,049)	(75,082)
Income tax expense	(133,719)	(9,873)	(7,199)	(150,791)
Depreciation and amortisation	(115,963)	(31,893)	(19,064)	(166,920)

Assets & liabilities	**Asia Pacific $000**	**UK $000**	**France $000**	**Adjustments & Eliminations**	**Total $000**
Segment assets	3,673,231	809,697	673,026	(605,155)	4,550,799
Segment liabilities	(1,953,500)	(424,377)	(498,253)	68,975	(2,807,155)

12. SEGMENT INFORMATION (CONTINUED)

	Total and continuing operations			
	Asia Pacific $000	UK $000	France $000	Total $000
Year ended 30 June 2013				
Revenue				
Revenue from services	3,393,637	559,582	221,316	4,174,535
Total revenue before intersegment revenue	3,393,637	559,582	221,316	4,174,535
Intersegment revenue	4,175	-	-	4,175
Total segment revenue	3,397,812	559,582	221,316	4,178,710
Results				
Segment net profit after tax	268,219	22,069	3,216	293,504
Segment net profit after tax attributable to owners of the parent	268,219	22,069	584	290,872
Interest	(34,071)	(18,678)	(12,756)	(65,505)
Income tax expense	(115,931)	(8,194)	(2,168)	(126,293)
Depreciation and amortisation	(107,972)	(25,936)	(10,827)	(144,735)

Assets & liabilities	Asia Pacific $000	UK $000	France $000	Adjustments & Eliminations	Total $000
Segment assets	3,526,599	700,568	383,742	(547,157)	4,063,752
Segment liabilities	(1,922,271)	(347,295)	(315,015)	62,644	(2,521,937)

	2014 $000	2013 $000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	4,914,717	4,178,710
Inter segment sales elimination	(5,403)	(4,175)
Interest income	2,053	4,257
Revenue - income from the sale of development assets	5,389	2,844
Other income - profit on disposal of non-current assets	15,513	2,346
Total revenue and other income - Income Statement	4,932,269	4,183,982

(ii) Segment net profit after tax reconciliation to Income Statement

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's core net profit after tax. A segment's core net profit after tax excludes income and expenses from non-core items. Refer to Note 2(a) for the reconciliation of net profit attributable to owners of the parent to core profit (segment result) after tax.

13. RECEIVABLES

	2014 $000	2013 $000
Current		
Trade and other debtors	568,723	499,402
Allowances for impairment loss	(25,633)	(16,559)
	543,090	482,843
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	22,957	18,150
Rental property bonds receivables	9,107	5,383
Other	566	690
	32,630	24,223
Total	575,720	507,066

13. RECEIVABLES (CONTINUED)

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment loss of $25,633,000 (2013: $16,559,000) 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:

	2014 $000	2013 $000
At 1 July	(16,559)	(8,185)
Charge for the year (included in service costs)	(9,602)	(9,788)
Acquisition of subsidiary	(952)	(435)
Transfer to assets held for sale	-	1,069
Foreign exchange translation	(242)	(457)
Amounts written off	1,722	1,237
At 30 June	(25,633)	(16,559)

(ii) Ageing analysis

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

	Total $000	Neither past due nor impaired $000	0-30 Days PDNI* $000	31-60 Days PDNI* $000	61-90 Days PDNI* $000	91+ Days PDNI* $000	Considered impaired $000
2014	601,353	507,989	40,928	18,410	3,725	4,668	25,633
2013	523,625	438,467	46,331	14,622	3,278	4,368	16,559

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $67,731,000 (2013: $68,599,000). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

(iii) Related party receivables

For terms and conditions of related party receivables refer to Note 31.

(iv) Fair value

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

(v) Credit risk

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

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

(vi) Foreign exchange & interest rate risk

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

(vii) Terms & conditions

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

14. INVENTORIES

	2014 $000	2013 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	101,379	94,478
Development assets to be sold that are currently under construction – at cost	22,626	18,087
	124,005	112,565

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2014 totalled $1,180,337,000 (2013: $1,048,837,000) 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 2014 totalled $2,696,000 (2013: $1,677,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

15. OTHER CURRENT ASSETS

	2014 $000	2013 $000
Prepayments	51,237	38,713
GST receivable	3,954	-
Other current assets	792	893
	55,983	39,606

16. INVESTMENT IN JOINT VENTURE

On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad (a Malaysian listed company), through the contribution of the Group's Indonesian assets and cash payments to Sime Darby Berhad of approximately $120 million over 3 years. The new joint venture combined Sime Darby Berhad's portfolio of health care assets in Malaysia (three hospitals and a nursing and health science college) with Ramsay's three Indonesian hospitals under the new jointly-owned company, Ramsay Sime Darby Health Care Sdn Bhd.

The new joint venture will provide a platform for expansion and further acquisitions in the Asian health care sector.

The investment in the joint venture is accounted for using the equity method and comprises the following:

	Note	2014 $000	2013 $000
Investment in joint venture at beginning of period		-	-
Additions	9	195,720	-
Share of profit of joint venture		3,181	-
Foreign currency translation		(6,086)	-
		192,815	-

17. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings **$000**	**Plant & Equipment** **$000**	**Total** **$000**
Cost			
At 1 July 2012	1,798,674	1,159,369	2,958,043
Additions	156,987	111,410	268,397
Acquisition of subsidiary	1,182	3,992	5,174
Disposals	(14,262)	(39,059)	(53,321)
Transfer to assets held for sale	(29,536)	(38,899)	(68,435)
Exchange Differences	26,172	42,653	68,825
At 30 June 2013	**1,939,217**	**1,239,466**	**3,178,683**
Additions	138,754	100,740	239,494
Acquisition of subsidiary	76,807	13,976	90,783
Disposals	(2,834)	(71,611)	(74,445)
Exchange Differences	10,089	26,167	36,256
At 30 June 2014	**2,162,033**	**1,308,738**	**3,470,771**
Depreciation and Impairment			
At 1 July 2012	(300,755)	(810,829)	(1,111,584)
Depreciation charge for the year	(37,650)	(103,081)	(140,731)
Disposals	4,129	38,356	42,485
Transfer to assets held for sale	8,424	27,962	36,386
Exchange Differences	(7,573)	(27,539)	(35,112)
At 30 June 2013	**(333,425)**	**(875,131)**	**(1,208,556)**
Depreciation charge for the year	(50,389)	(110,446)	(160,835)
Disposals	948	68,550	69,498
Impairment	(1,500)	(5,242)	(6,742)
Exchange Differences	(2,547)	(16,752)	(19,299)
At 30 June 2014	**(386,913)**	**(939,021)**	**(1,325,934)**
Net Book Value			
At 30 June 2014	1,775,120	369,717	2,144,837
At 30 June 2013	1,605,792	364,335	1,970,127

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is $48,667,000 (2013: $42,148,000).

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

18. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
Cost				
At 1 July 2012	**838,151**	**42,084**	**35,399**	**915,634**
Additions	-	1,254	4,182	5,436
Disposals	-	(1,116)	(131)	(1,247)
Acquisition of a subsidiary	66,597	42,000	79	108,676
Transfer to assets held for resale	(17,082)	(5,640)	(523)	(23,245)
Exchange Differences	31,397	334	678	32,409
At 30 June 2013	**919,063**	**78,916**	**39,684**	**1,037,663**
Additions	-	5,927	7,234	13,161
Disposals	-	(706)	(1,583)	(2,289)
Acquisition of a subsidiary	171,687	-	1,037	172,724
Exchange Differences	11,637	-	16	11,653
At 30 June 2014	**1,102,387**	**84,137**	**46,388**	**1,232,912**
Amortisation and Impairment				
At 1 July 2012	**-**	**(15,051)**	**(29,940)**	**(44,991)**
Amortisation charge for the year	-	(2,834)	(3,441)	(6,275)
Disposals	-	705	125	830
Exchange Differences	-	2	(568)	(566)
At 30 June 2013	**-**	**(17,178)**	**(33,824)**	**(51,002)**
Amortisation charge for the year	-	(5,271)	(3,614)	(8,885)
Disposals	-	447	1,578	2,025
Exchange Differences	-	-	(41)	(41)
At 30 June 2014	**-**	**(22,002)**	**(35,901)**	**(57,903)**
Net Book Value				
At 30 June 2014	1,102,387	62,135	10,487	1,175,009
At 30 June 2013	919,063	61,738	5,860	986,661

^ Internally generated, including software costs

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

Goodwill has been acquired through business combinations and is determined to have an indefinite life. The key factor contributing to the goodwill relates to the synergies existing within the acquired businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

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

19. IMPAIRMENT TESTING OF GOODWILL

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

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

- Australia;
- United Kingdom; and
- France

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 2014 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2015 with a 5% extrapolated growth factor for the next 5 years. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2013: 3%).

The pre tax discount rate applied to cash flow projections is 13.1% (2013: 13.7%). The post tax discount rate is 9.6% (2013: 10.2%).

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 2014 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 8.3% (2013: 10.1%). The post tax discount rate applied to cash flow projections is 7.6% (2013: 8.5%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2013: 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 2014 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 7.7% (2013: 6.3%). The post tax discount rate applied to cash flow projections is 6.3% (2013: 5.7%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 1% (2013: 1%).

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 Australian business, to the UK business and the French business, are significant in comparison with the total carrying amounts of goodwill.

	Australia		UK		France		Total	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Carrying amount of goodwill	559,287	559,287	221,974	203,750	321,126	156,026	1,102,387	919,063

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2014 and 30 June 2013

- 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 21% - 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, management do not consider that any reasonable likely combination of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates would result in the carrying value of goodwill exceeding the recoverable amount.

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

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

20. TRADE & OTHER PAYABLES

	2014 $000	2013 $000
Trade payables	339,314	252,668
Sundry creditors and accrued expenses	274,836	214,958
Employee and Director entitlements	217,493	173,470
Other payables	1,830	2,901
	833,473	643,997

(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.

21. PROVISIONS

	2014 $000	2013 $000
Current		
Restructuring provision	7,766	6,841
Unfavourable contracts	5,312	4,876
Insurance provision	18,228	22,550
Other provisions	8,791	4,572
	40,097	38,839
Non-current		
Non-current employee and Director entitlements	133,528	121,790
Deferred lease provision	209,652	173,112
Unfavourable contracts	10,196	14,903
Insurance provision	111,306	113,212
Other provisions	20,087	8,000
	484,769	431,017
Total	524,866	469,856

21. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2013	173,112	6,841	135,762	19,779	12,572	348,066
Arising during the year	22,910	1,385	12,922	-	3,582	40,799
Acquisition/disposal of subsidiary	-	-	29	-	17,884	17,913
Utilised during the year	(2,677)	(460)	(5,368)	(5,811)	(963)	(15,279)
Exchange differences	16,307	-	236	1,540	(317)	17,766
Unused amounts reversed	-	-	(14,047)	-	(3,880)	(17,927)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2014	209,652	7,766	129,534	15,508	28,878	391,338
Current 2014	-	7,766	18,228	5,312	8,791	40,097
Non-current 2014	209,652	-	111,306	10,196	20,087	351,241
	209,652	7,766	129,534	15,508	28,878	391,338
Current 2013	-	6,841	22,550	4,876	4,572	38,839
Non-current 2013	173,112	-	113,212	14,903	8,000	309,227
	173,112	6,841	135,762	19,779	12,572	348,066

(b) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of acquisitions in the prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition; and
- land rich duties payable.

Insurance provision

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

Deferred lease provision

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

Unfavourable contracts

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

22. INTEREST BEARING LOANS AND BORROWINGS

		2014 $000	2013 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,709	3,424
- Lease liabilities	(ii)	3,826	3,691
- Bank loan	(iii)	11,804	11,578
Unsecured liabilities:			
- Deferred consideration	(v)	14,868	-
		34,207	18,693
Non-current			
Secured liabilities:			
- Loans – bondholders	(i)	13,270	16,979
- Lease liabilities	(ii)	13,960	16,157
- Bank loan	(iii)	71,125	79,577
- Loan - subordinated bonds	(iv)	58,472	53,110
Unsecured liabilities:			
- Deferred consideration	(v)	46,347	-
- Other loan	(vi)	50,735	-
- Bank loan	(iii)	1,079,799	1,076,253
		1,333,708	1,242,076
Total		1,367,915	1,260,769

(i) Loan - bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government.
(ii) Lease liabilities are effectively secured by the leased asset. Further information is set out in Note 26.
(iii) Further information on bank loans is set out in Note 30.
(iv) Loans - subordinated bonds. Further information is set out in Note 30.
(v) Deferred consideration. These are deferred amounts payable to Sime Darby Berhad for Ramsay's 50% equity interest in the Ramsay Sime Darby Health joint venture. Further information is set out in Note 9.
(vi) Other loan. This is a loan received from the Ramsay Santé outside equity interest to fund their share of the Medipsy acquisition. Further information is set out in Note 30.

(a) Fair values

Interest bearing loans and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the counterparties and the other risk characteristics associated with the underlying debts.

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 2.71% to 2.74% (2013: 2.82% to 3.69%) for Australia, 0.49% to 0.55% (2013: 0.49% to 0.69%) for UK and 0.21% to 0.29% (2013: 0.18% to 0.66%) for France respectively.

22. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Fair values (continued)

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

	2014		2013	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	1,162,728	1,182,938	1,167,408	1,181,440
Lease liabilities	17,786	20,974	19,848	24,383
Bondholders	16,979	18,638	20,403	22,793
Subordinated bonds	58,472	68,010	53,110	64,563
Deferred consideration	61,215	64,035	-	-
Outside equity interest loan	50,735	59,003	-	-
	1,367,915	1,413,598	1,260,769	1,293,179

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

	2014 $000	2013 $000
Finance lease		
Leased assets	48,667	42,148
Fixed and floating charge		
Receivables	15,162	18,725
Bank loan	143,598	135,130
Total non-current assets pledged as security	207,427	196,003

(d) Defaults & breaches

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

23. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2014 $000	2013 $000
23.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2013: 202,081,252 ordinary shares fully paid)	713,523	713,523

(b) Terms & conditions of issued capital

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

23.2 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 2014 represents an increase in forecast long term interest rates.

23.3 Share Based Payment Reserve

Nature & Purpose
This reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their compensation. Refer to Note 25 for further details of these plans.

23.4 Vested Employee Equity

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

23.5 Convertible Adjustable Rate Equity Securities (CARES)

	2014 $000	2013 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2013: 2,600,000 CARES shares fully paid)	252,165	252,165

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

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

(b) Terms and conditions of CARES

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

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

23.6 Treasury Shares

	2014 $000	2013 $000
1,407,253 ordinary shares (30 June 2013: 2,246,158)	50,330	49,684

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

23.7 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 23.5 for further information on the existing CARES (number of securities: 2,600,000).

During 2014, dividends of $166,469,164 (2013: $143,829,852) were paid. For the year ended 30 June 2014 fully franked ordinary dividends of 85.0c (2013: 70.5c) per share were declared (Interim dividend of 34.0c, Final dividend of 51.0c). These dividends represented a payout ratio of approximately 51.9% of Core Earnings per Share of 163.9c. Management's target for dividends for 2015 - 2018, subject to ongoing cash needs of the business, are increased in line with the growth in Core Earnings per Share and management intends to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share, subject to future funding requirements.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 1.6 times for the year ended 30 June 2014 (2013: 1.6 times).

The Group has committed senior debt funding until July 2017 and May 2019 (please refer to Note 30 for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

The wholly owned Subsidiaries of the Group (except certain dormant subsidiaries) are not and have not been in breach of any of the financial and other undertakings of the Senior Debt Facility Agreement.

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $000	2013 $000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	536	2,270
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(8,997)	(12,869)
Forward exchange contracts – cash flow hedges	(1,240)	-
	(10,237)	(12,869)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(3,999)	(7,296)
Forward exchange contracts – cash flow hedges	(2,203)	-
	(6,202)	(7,296)

(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 and forward foreign exchange contracts – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 2.72% (2013: 2.85%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.55% (2013: of 0.51%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.21% (2013: 0.22%).

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar, GBP and Euro interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 65% (2013: 67%) of the principal outstanding.

Foreign exchanged forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast payment in MYR. The cash flow hedges of the expected future payments were assessed to be highly effective and an unrealised net loss of $2,411,000 (2013: nil) was included in other comprehensive income in respect of these contracts.

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

Fair value

The fair value of the derivative financial instruments was estimated using the level 2 method valuation technique and is summarised in the table below.

	2014 $000	2013 $000
Financial assets		
Derivative instruments – interest rate swaps	536	2,270
Financial liabilities		
Derivative instruments – interest rate swaps	(12,996)	(20,165)
Forward exchange contracts – cash flow hedges	(3,443)	-
	(16,439)	(20,165)

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

Information on valuation techniques is set out in Note 2 (ac).

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

Transfer between categories

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

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

	2014 $000	2013 $000
0-1 years	315,958	259,958
1-2 years	236,794	279,917
2-3 years	332,793	272,018
3-5 years	29,040	321,632
	914,585	1,133,525

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:

	2014 $000	2013 $000
Opening balance	(12,499)	(20,249)
Transferred to interest expense	8,223	9,424
Taken to equity	(6,229)	1,653
Related income tax	(633)	(3,327)
Closing balance	(11,138)	(12,499)
Attributable to non-controlling interest	(224)	(244)
Attributable to owners of the parent	(10,914)	(12,255)
	(11,138)	(12,499)
Gain on cash flow hedge ineffectiveness recognised immediately in the Income Statement	-	(67)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2014 is a GBP borrowing of £117,000,000 (2013: £117,000,000) which has been designated as a hedge of the net investment in the UK subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investment in the UK subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of $17,427,000 (2013: net loss $15,202,000) was recognised in equity during the year.

Included in bank loans at 30 June 2014 is a Euro borrowing of €80,000,000 (2013: Nil) which has been designated as a hedge of the net investment in the French subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the French operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investment in the French subsidiary. A net gain on the bank loan designated as a hedge of the net investment in a subsidiary of $5,196,000 (2013: nil) 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.

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

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

25. SHARE BASED PAYMENT PLANS

25.1 Recognised share-based payment expenses

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

	2014 $000	2013 $000
Expense arising from equity-settled share based payment transactions	37,941	11,227
Total expense arising from share-based payment transactions (Note 5 (e))	37,941	11,227

25.2 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:

	2014		2013	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,917,000	$16.23	1,568,000	$13.19
- granted	716,000	$31.12	696,000	$19.34
- vested	(565,000)	$12.79	(347,000)	$ 8.72
Balance at end of year	2,068,000		1,917,000	
Exercisable at end of year	-		-	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2014:

Number of Rights	Grant Date	Vesting Date (1)	Weighted Average Fair Value (2)
297,834	17-Nov-11	29-Aug-14	$13.86
343,166	17-Nov-11	29-Aug-14	$17.51
5,000	22-May-12	29-Aug-14	$18.14
10,000	22-May-12	29-Aug-14	$19.92
317,834	15-Nov-12	28-Aug-15	$15.80
368,166	15-Nov-12	28-Aug-15	$22.04
3,334	25-Jun-13	28-Aug-15	$31.51
6,666	25-Jun-13	28-Aug-15	$32.96
327,837	14-Nov-13	31-Aug-16	$25.08
388,163	14-Nov-13	31-Aug-16	$36.22
2,068,000			

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

25. SHARE BASED PAYMENT PLANS (CONTINUED)

25.2 Executive performance rights plan (equity) (continued)

Fair values of performance rights (equity)

Performance rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Ramsay Health Care Limited. The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 17 November 2011, 22 May 2012, 15 November 2012, 25 June 2013 and 14 November 2013.

	Granted 14-Nov-13	Granted 25-Jun-13	Granted 15-Nov-12	Granted 22-May-12	Granted 17-Nov-11
Dividend yield	2.08%	2.25%	2.82%	3.10%	3.13%
Expected volatility	22.5%	20.0%	22.5%	23.0%	25.0%
Historical volatility	22.3%	20.0%	22.5%	25.0%	25.0%
Risk-free interest rate	3.0%	2.5% - 2.8%	2.5%	2.4% - 2.5%	3.3% - 3.4%
Effective life of incentive right	3 years	3 years	3 years	3 years	3 years

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

25.3 Retention rights to receive ordinary shares

On 1 July 2008, Mr Rex received equity-based retention rights to receive 600,000 ordinary shares pursuant to an Executive Service Agreement with the Company. These rights which were subject to Mr Rex continuing in employment as Managing Director fully vested on 1 July 2013.

Number of Rights	Grant Date	Fully Vested	Weighted Average Fair Value
600,000	1 Jul 2008	1 Jul 2013	$8.84^{(1)}$

(1) Fair Value at grant date.

26. EXPENDITURE COMMITMENTS

	Note	2014 $000	2013 $000
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		4,900	4,508
- After one year but not more than five years		12,600	14,345
- After more than five years		3,919	5,574
Total minimum lease payments		21,419	24,427
- Less: future finance charges		(3,633)	(4,579)
- Present value of minimum lease payments		17,786	19,848
Total lease liability accrued for:			
Current			
- Finance leases	22	3,826	3,691
Non-current			
- Finance leases	22	13,960	16,157
		17,786	19,848

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and eight years and the average discount rate implicit in the leases is between 2.5% to 7.4% (2013: 4.0% to 7.4%). The security over finance leases is disclosed in Note 22.

(b) Lease expenditure commitments – Group as lessee

	Note	2014 $000	2013 $000
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		138,595	114,176
- After one year but not more than five years		516,848	426,413
- After more than five years		2,323,893	2,173,888
Aggregate lease expenditure contracted for at reporting date		2,979,336	2,714,477
Amounts provided for:			
- deferred lease - non- current	21	209,652	173,112
- unfavourable contract - current	21	5,312	4,876
- non-current	21	10,196	14,903
		225,160	192,891
Amounts not provided for:			
- rental commitments		2,754,176	2,521,586
Aggregate lease expenditure contracted for at reporting date		2,979,336	2,714,477

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

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

Ramsay Health Care Australia Pty Limited had a 15 year agreement with the State of Victoria to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Ramsay Health Care Australia Pty Limited and the State of Victoria. A 5 year extension to this agreement was signed in the year ended 30 June 2014. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk.

27. SUPERANNUATION COMMITMENTS

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

28. DEFINED EMPLOYEE BENEFIT OBLIGATION

The Group has a defined employee benefit obligation in France as required to be paid under local legislation. The defined benefit plans in the UK closed in 2012 and were paid out in 2013.

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

	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(21,204)	(10,833)	(23,773)	(23,378)	(18,423)
Fair value of plans assets	-	-	5,631	4,537	4,098
Net (liability) - non-current	(21,204)	(10,833)	(18,142)	(18,841)	(14,325)

	Defined Employee Benefit Obligation	
	2014 $000	2013 $000
Net benefit expense (Note 5) (recognised in superannuation expenses)	1,556	2,503

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

	Defined Employee Benefit Obligation	
	2014 $000	2013 $000
Opening defined benefit obligation	10,833	23,773
Acquisition balances	9,042	3,368
Current service cost	1,116	1,674
Interest cost	440	829
Benefits paid	(980)	(9,579)
Actuarial losses on obligation	1,166	1,481
Transfer to liabilities held for sale	-	(12,389)
Exchange differences on foreign plans	(413)	1,676
Closing defined benefit obligation	21,204	10,833

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

Opening fair value of plans assets	-	5,631
Expected return	-	-
Contributions by employer	-	-
Benefits paid	-	(5,602)
Actuarial losses	-	-
Exchange differences on foreign plans	-	(29)
Fair value of plans assets	-	-
Actuarial return on plan assets	-	-

28. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

The Group expects to contribute $ nil to its defined benefit obligations in 2015.

	Defined Employee Benefit Obligation 2014 $000	Defined Employee Benefit Obligation 2013 $000
Actuarial losses recognised in the Statement of Comprehensive Income	1,166	1,481
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	6,915	5,749

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

	Defined Employee Benefit Obligation 2014 (%)	Defined Employee Benefit Obligation 2013 (%)
Discount rate	2.5	2.9 - 6.5
Future salary increases	2.5	2.5 - 10.0

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

29. AUDITORS' REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	1,581,000	1,606,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	755,000	1,010,000
Assurance related	3,000	19,000
Other	830,000	59,000
	3,169,000	2,694,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	911,000	820,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	128,000	184,000
Due diligence services	-	288,000
Other	12,000	15,000
	4,220,000	4,001,000

30. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (**SFA**). The SFA was amended on 9 December 2013 to extend its term and update pricing. The SFA was further amended on 11 June 2014 to facilitate the funding of the acquisition of Generale de Sante and entry into the related Syndicated Facility Agreement - 365 Day Facility (refer item (iii) below).

The current SFA consists of:

- a three year revolving facility - with total commitments of $400,000,000, £86,666,667 and €100,000,000; and
- a five year revolving facility - with total commitments of $800,000,000, £93,333,333 and €298,504,000. As a result of the June 2014 amendment, a portion of the Sterling commitment was reduced with a corresponding increase in the amount of the Euro commitment.

The total amounts drawn down under the SFA as at 30 June 2014 was $750,000,000, £127,000,000 and €80,000,000 (30 June 2013: $845,000,000, £145,000,000 and € nil).

The three year revolving facility matures in July 2017 and the five year revolving facility matures in May 2019.

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

(ii) Bilateral facilities

The bilateral facilities are detailed below and the terms and conditions are consistent with the SFA:

- Bilateral facility with ANZ for working capital with a limit of $6,500,000 and £3,100,000. The ANZ bilateral facility consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP).
- Bilateral facility with NAB for working capital with a limit of $10,000,000 and £10,000,000. The NAB bilateral facility includes cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP) together with certain transactional facilities.
- Other bilateral facilities (including set-off facilities, corporate card and lease line facilities) with Westpac and others. Under the bilateral facilities as at 30 June 2014 the total outstanding was $10,996,149 (2013: $10,996,149) and £3,550,968 (2013: £3,550,968).

(iii) 365 Day Facility

On 11 June 2014 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement - 365 Day Facility (**365 Day Facility**). The initial purpose of the 365 Day Facility is to provide additional funding in connection with the acquisition of Generale de Sante.

The 365 Day Facility is on terms broadly consistent with the SFA (refer item (i) above) other than:

- Facility Limit: €275,000,000 (revolving);
- Term: 365 days (which may be extended for either (i) further periods of 365 days or (ii) to May 2019, the current maturity date for the five year facility under the SFA, in each case with the consent of the lenders;
- Pricing: consistent with the nature of the 365 Day Facility; and
- Purpose: initially the purpose is limited to funding the acquisition of Generale de Sante and related fees and transaction costs.

The 365 Day Facility is, like the SFA, unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

As at 30 June 2014 no amounts have been drawn down under the 365 Day Facility Agreement.

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility agreement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2014 was €56,901,250 (2013: €65,030,000) and the undrawn commitment (after the mandatory repayments and cancellations totaling €23,098,750) was €5,000,000 (2013: €5,000,000).

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

30. BORROWINGS (CONTINUED)

(v) Ramsay Santé Outside Equity Interest Subordinated Bonds

Ramsay Santé issued to its shareholders a securitised loan in the form of bonds on 15 December 2005, 14 June 2007, 23 July 2009 and 2 October 2009.

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

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

The bonds are due to mature between 6 to 9 years following their respective subscription dates.

The bonds are reimbursable upon maturity at their normal value, namely 1 euro per bond.

The Ramsay Group's share of the subordinated bonds is eliminated on consolidation resulting in the Statement of Financial Position only reflecting the outside equity interest's share. As at 30 June 2014, Predica, the outside equity interest held €26,477,000 (2013: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €13,788,010 (2013: €10,805,307).

(vi) Ramsay Santé Outside Equity Interest Loans

In December 2013 Ramsay Santé shareholders provided the company with loans. The monies from these loans were used to fund the acquisition of Medipsy. These loans have no set maturity date.

These loans accrue interest at a rate of 2.9% per annum, capitalised annually. The interest is payable at the time of the repayment of the loans.

The Ramsay Group's share of these loans is eliminated on consolidation resulting in the Statement of Financial Position only reflecting the outside equity interest's share. As at 30 June 2014, Predica, the outside equity interest had provided loans totalling €34,387,000 (2013: nil) and the interest accrued in respect of these loans was €549,000 (2013: nil).

(vii) Other Interest Bearing Loans

At 30 June 2014 a loan to bondholders of $16,979,393 (2013: $20,402,913) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 13).

31. RELATED PARTY TRANSACTIONS

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

Transactions with Directors of Ramsay Health Care Limited and the Group

Entities associated with Mr Siddle, Mr Clark and Mr Evans

Paul Ramsay Holdings Pty Limited has a licence from the economic entity to occupy office space at a commercial arms-length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2014 is nil (2013: nil).

During the year costs of $100,139 (2013: $53,633) were charged to and an amount of $75,211 (2013: $68,810) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $33,736 (2013: $47,214) were charged by and an amount of $956 (2013: $47,214) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2014 costs of nil (2013: $19,128) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited, that had not yet been invoiced.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

	2014 $	2013 $
Non-Executive Directors		
Short term	1,419,793	1,383,996
Post-employment	195,638	179,375
	1,615,431	1,563,371
Executive Directors		
Short term	6,411,950	6,126,143
Post-employment	35,550	32,940
Performance/Incentive/Retention rights	6,747,207	5,526,134
	13,194,707	11,685,217
Executives		
Short term	2,417,993	2,339,560
Post-employment	35,550	32,940
Performance/Incentive/Retention rights	2,557,917	1,789,700
	5,011,460	4,162,200
Total		
Short term	10,249,736	9,849,699
Post-employment	266,738	245,255
Performance/Incentive/Retention rights	9,305,124	7,315,834
	19,821,598	17,410,788

32. 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.

33. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest 2014	2013
RHC Nominees Pty Limited ^	Australia	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Holdings Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited ^	Australia	100%	100%
Linear Medical Pty Limited ^	Australia	100%	100%
Outcome Medical Pty Limited	Australia	70%	70%
Newco Enterprises Pty Limited ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^	Australia	100%	100%
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Donvale Private Hospital Pty Limited ^	Australia	100%	100%
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%
Benchmark – Surrey Pty Limited ^	Australia	100%	100%
Benchmark – Peninsula Pty Limited ^	Australia	100%	100%
Benchmark – Donvale Pty Limited ^	Australia	100%	100%
Benchmark – Windermere Pty Limited ^	Australia	100%	100%
Benchmark – Beleura Pty Limited ^	Australia	100%	100%
Beleura Properties Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Australia Pty Limited ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited ^	Australia	100%	100%
Votraint No. 664 Pty Limited ^	Australia	100%	100%
Votraint No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
AME Properties Pty Limited ^	Australia	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited ^	Australia	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited ^	Australia	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	98%	98%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%

^ *Entities included in the deed of cross guarantee as required for the class order*

33. INFORMATION RELATING TO SUBSIDIARIES (continued)

Name	Country of Incorporation	% Equity Interest	
		2014	2013
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 ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1998 Pty Limited ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Pindara) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited	UK	100%	100%
Ramsay Health Care UK Finance Limited	UK	100%	100%
Ramsay Health Care Holdings UK Limited	UK	100%	100%
GHG 2008 10A (BVI Property Holdings) Limited	British Virgin Islands	100%	100%
Ramsay UK Properties Limited	UK	100%	100%
Independent British Healthcare (Doncaster) Limited	UK	100%	100%
Ramsay Diagnostics UK Limited	UK	100%	100%
Ramsay Health Care UK Operations Limited	UK	100%	100%
Ramsay Health Care Leasing UK Limited	Guernsey	100%	100%
Ramsay Santé SA *	France	57%	57%
SAS Medipsy *	France	57%	-

^ *Entities included in the deed of cross guarantee as required for the class order*

* *Ramsay Santé SA and SAS Medipsy own a number of subsidiaries, none of which are individually material to the Group*

34. 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 33, (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.

The consolidated Income Statement and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

	Closed Group	
Consolidated Income Statement	**2014 $000**	**2013 $000**
Profit from operations before income tax	403,558	351,925
Income tax expense	(115,912)	(104,871)
Net profit for the year	287,646	247,054
Retained earnings at the beginning of the year	590,485	486,795
Dividends provided for or paid	(166,172)	(143,364)
Retained earnings at the end of the year	711,959	590,485
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	69,862	181,254
Trade receivables	419,535	380,832
Inventories	96,007	88,235
Other current assets	20,521	12,058
	605,925	662,379
Assets classified as held for sale	-	10,546
Total Current Assets	605,925	672,925
Non-current Assets		
Other financial assets	411,830	411,853
Investments in joint ventures	192,815	-
Goodwill and intangibles	630,174	636,641
Deferred tax asset	78,932	66,219
Property, plant and equipment	1,701,893	1,632,974
Derivative financial instruments	536	2,270
Other non-current assets	26,868	16,183
Total Non-current Assets	3,043,048	2,766,140
TOTAL ASSETS	3,648,973	3,439,065
LIABILITIES		
Current Liabilities		
Trade and other payables	628,673	495,683
Interest-bearing loans and borrowings	14,870	-
Provisions	22,355	26,005
Derivative financial instruments	9,795	12,403
Income tax payable	11,188	36,367
Total Current Liabilities	686,881	570,458
Non-current Liabilities		
Interest-bearing loans and borrowings	1,001,536	1,037,670
Provisions	263,034	244,124
Derivative financial instruments	5,386	6,912
Total Non-current Liabilities	1,269,956	1,288,706
TOTAL LIABILITIES	1,956,837	1,859,164
NET ASSETS	1,692,136	1,579,901

34. CLOSED GROUP (continued)

	Closed Group	
	2014	**2013**
EQUITY	**$000**	**$000**
Issued capital	713,523	713,523
Treasury shares	(50,330)	(49,684)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	711,959	590,485
Other reserves	64,819	73,412
TOTAL EQUITY	**1,692,136**	**1,579,901**

35. PARENT ENTITY INFORMATION

	2014	**2013**
Information relating to Ramsay Health Care Limited	**$000**	**$000**
Current assets	1,111,505	1,132,888
Total assets	1,253,345	1,276,730
Current liabilities	(14,699)	(40,183)
Total liabilities	(14,699)	(40,183)
Issued capital	(713,523)	(713,523)
Other equity	(525,122)	(523,024)
Total shareholders’ equity	(1,238,645)	(1,236,547)
Net profit for the year after tax	149,522	141,138

As a condition of the class order (set out in Note 34), 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 34 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 18 September 2014.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	20,677	8,250,334	4.08
1,001 – 5,000	7,931	16,773,814	8.30
5,001 – 10,000	755	5,199,177	2.57
10,001 – 100,000	295	6,748,194	3.34
100,001 and over	49	165,109,733	81.71
Totals	**29,707**	**202,081,252**	**100%**

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 441 holders, for a total of 1,189 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

	Name	Number of fully paid Ordinary Shares	% of Issued Capital
1.	Paul Ramsay Holdings Pty Limited	68,749,269	34.02
2.	HSBC Custody Nominees (Australia) Limited	26,795,182	13.26
3.	J P Morgan Nominees Australia Limited	23,989,608	11.87
4.	National Nominees Limited	14,229,262	7.04
5.	BNP Paribas Nominees Pty Limited (DRP)	6,297,678	3.12
6.	Citicorp Nominees Pty Limited	6,095,331	3.02
7.	Bainpro Nominees Pty Limited	4,400,000	2.18
8.	Australian Executive Trustee Limited	3,166,519	1.57
9.	Australian Foundation Investment Company Limited	1,360,000	0.67
10.	Argo Investments Limited	1,357,418	0.67
11.	Custodial Services Limited (Beneficiaries Holdings A/c)	948,621	0.47
12.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	683,417	0.34
13.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	667,655	0.33
14.	UBS Nominees Pty Limited	531,231	0.26
15.	Mr Christopher Rex	475,617	0.23
16.	BNP Paribas Nominees Pty Limited (Agency Lending Collateral A/c)	470,000	0.23
17.	AMP Life Limited	380,401	0.19
18.	Questor Financial Services Limited (TPS RF A/c)	357,590	0.18
19.	BNP Paribas Nominees Pty Limited (Agency Lending DRP A/c)	278,346	0.14
20.	HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/c)	265,872	0.13
	Totals	**161,499,017**	**79.92%**

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 18 September 2014:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	68,749,269	34.02%

(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	3,927	1,102,813	42.41
1,001 – 5,000	210	402,377	15.48
5,001 – 10,000	10	61,957	2.38
10,001 – 100,000	17	493,140	18.97
100,001 and over	2	539,713	20.76
Totals	**4,166**	**2,600,000**	**100.00**

(g) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 2 holders, for a total of 4 CARES.

(h) 20 Largest CARES Holders

	Name	Number of fully paid CARES	% of Issued Securities
1.	J P Morgan Nominees Australia Limited	424,713	16.34
2.	Australian Foundation Investment Company Limited	115,000	4.42
3.	National Nominees Limited	74,243	2.86
4.	Sandhurst Trustees Limited (DMP Asset Management A/c)	67,912	2.61
5.	Citicorp Nominees Pty Limited	56,402	2.17
6.	Questor Financial Services Limited (TPS RF A/c)	54,496	2.10
7.	HSBC Custody Nominees (Australia) Limited	41,749	1.61
8.	Navigator Australia Limited (MLC Investment Settlement A/c)	25,206	0.97
9.	Argo Investments Limited	25,000	0.96
10.	Longhurst Management Services Pty Limited	20,969	0.81
11.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	18,702	0.72
12.	RBC Investor Services Australia Nominees Pty Limited (NMSMT A/c)	18,500	0.71
13.	Australian Executor Trustees Limited (No 1 A/c)	18,293	0.70
14.	Peroda Nominees Pty Limited (Berman Super Fund A/c)	14,436	0.55
15.	UBS Wealth Management Australia Nominees Pty Limited	13,321	0.51
16.	Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	12,997	0.50
17.	Citicorp Nominees Pty Limited (DPSL A/c)	10,702	0.41
18.	Australian Executor Trustees Limited	10,112	0.39
19.	C B H Superannuation Holdings Pty Limited	10,100	0.39
20	JGW Investments Pty Limited	7,850	0.30
	Totals	**1,040,703**	**40.03%**

(i) On-Market Buy-Backs

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

Hospitals & facilities directory

France

Clinique du Mousseau	www.clinique-dumousseau.fr
Polyclinique Villeneuve Saint Georges	www.polyclinique-villeneuvesaintgeorges.fr
Polyclinique du Plateau	www.polyclinique-duplateau.fr
Clinique Lambert	www.clinique-lambert.fr
Clinique des Franciscaines	www.hopitalprivedeversailles.fr
Clinique de la Maye	www.hopitalprivedeversailles.fr
Clinique la Montagne	www.clinique-lamontagne.fr
Clinique de la Muette	www.clinique-delamuette.fr
Clinique de L'Union	www.clinique-union.fr
Clinique Convert	www.clinique-convert.fr
Clinique Rech	www.clinique-rech.fr
Clinique d'Yveline	www.clinique-dyveline.fr
Clinique Pen An Dalar	www.clinique-penandalar.fr
Clinique Auzon	www.clinique-delauzon.fr
Clinique de Tremblay	www.clinique-chateaudutremblay.fr
Clinique Mon Repos	www.clinique-monrepos.fr
Clinique Belle Allee	www.clinique-belleallee.fr
Clinique Saint Victor	www.clinique-desaintvictor.fr
SNC Ange Gardien	www.clinique-delangegardien.fr
Clinique de Perreuse	www.clinique-deperreuse.fr
Clinique de la Roseraie	www.clinique-delaroseraie.fr
Clinique des Trois Cypres	www.clinique-destroiscypres.fr
Cliniqe du Moulin	www.clinique-dumoulin.fr
Clinique St Martin	www.clinique-saintmartin.fr
Clinique de l'Esperance	www.clinique-delesperance.fr
Clinique de l'Escrebieux	www.clinique-delescrebieux.fr
Clinique Oceane	www.cliniqueoceane.fr
Clinique de Quatre Saisons	www.clinique-desquatresaisons.fr
Clinique des Platanes	www.clinique-desplatanes.fr
Clinique Saint Michel	www.clinique-saintmichel.fr
Clinique Ronsard	www.cliniqueronsard.fr
Clinique des Monts due Forez	www.clinique-desmontsduforez.fr
Clnique du Parc	www.clinique-duparc.fr
Clnique Saint Barnabe	www.clinique-saintbarnabe.fr
Clinique Notre Dame de Pritz	www.clinique-notredamedepritz.fr
Clinique de Freshines/MAS du Vendomois	www.mas-duvendomois.fr
Clinique Eugenie	www.clinique-eugenie.fr
Clinique Philae	www.clinique-philae.fr
Clinique de Pont de Gien	www.clinique-dupontdegien.fr
Clnique du Pays de Caux	

UK

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

Australia

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

Indonesia*

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

Malaysia*

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

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

The golden age is before us, not behind us.

Thank you, I love you
& God bless.

Paul Ramsay - March 2014

www.ramsayhealth.com.au