



2015

Annual Report | Ramsay Health Care Limited

People caring for people



KEY DATES

Annual General Meeting 2015

The 2015 Annual General Meeting of Ramsay Health Care Limited will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am on Thursday, 12 November 2015.

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 2016

Results Release Dates:

Interim Results: Thursday, 25 February 2016

Preliminary Final Results: Thursday, 25 August 2016

Dividend Payment Dates: Ordinary Shares:

Interim Dividend: Wednesday, 30 March 2016 (Record Date: 9 March 2016)

Final Dividend: Thursday, 29 September 2016 (Record Date: 7 September 2016)

Dividend Payment Dates: CARES:

Wednesday, 20 April 2016 (Record Date: 4 April 2016)

Thursday, 20 October 2016 (Record Date: 6 October 2016)

Annual General Meeting 2016

The 2016 Annual General Meeting of Ramsay Health Care Limited will be held on Thursday, 10 November 2016 (venue & time to be advised)

For more information

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



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GROUP FINANCIAL HIGHLIGHTS

Revenue

\$7.4 billion

49.8%

Revenue **up**
49.8% on previous year

EBIT

\$803.9 million

37.4%

Core earnings before
interest & tax **up** 37.4%
on previous year

Core Net Profit After Tax

\$412.1 million

19.0%

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

Core Earnings Per Share

196.6 cents

20.0%

Core earnings per
share **up** 20.0% on
previous year

Full Year Dividend, Fully Franked

101.0 cents

18.8%

Full year dividend **up** 18.8%
on previous year

Summary of financial performance for 2015 financial year

YEAR ENDED 30 JUNE	2015 \$m	2014 \$m	Increase
Revenue	7,355.5	4,909.3	49.8%
EBITDAR	1,412.0	893.5	58.0%
EBITDA	1,106.3	751.5	47.2%
EBIT	803.9	584.9	37.4%
Core NPAT ⁽¹⁾	412.1	346.2	19.0%
Core EPS ⁽²⁾ (cents per share)	196.6c	163.9c	20.0%
Final Dividend – fully franked (cents per share)	60.5c	51.0c	18.6%
Full-year Dividend – fully franked (cents per share)	101.0c	85.0c	18.8%

Strong growth across global portfolio

Notes:

All numbers are in Australian dollars unless otherwise stated

(1) Core NPAT attributable to members of the parent is before non-core items. In accordance with the accounting standards, Générale de Santé has been consolidated from 1 October 2014. The minority interests' share of Générale de Santé Core NPAT has been removed in arriving at Core NPAT attributable to members of the parent

(2) Core EPS is derived from core net profit after CARES dividends

CHAIRMAN'S REPORT



Michael Siddle
Chairman

It has been another excellent year for Ramsay Health Care. I am pleased to report that the strong performance in fiscal year 2015 has enabled us to reward shareholders with an 18.8% increase in dividends per share with Directors announcing a final dividend of 60.5 cents fully franked, bringing the full year dividend to 101.0 cents fully franked.

This year, Ramsay Health Care announced a Group Core Net Profit After Tax of \$412.1 million, a 19% increase on the previous financial year. Core NPAT delivered Core EPS of 196.6 cents for the year, an increase of 20% on the 163.9 cents recorded in the previous corresponding period.

The Company is in a very sound position with a robust balance sheet, a strong culture and an experienced and committed management team which has placed Ramsay Health Care as one of the top five private hospital operators in the world.

As a global hospital group owning and operating a comprehensive range of health care facilities across Australia, France, Indonesia, Malaysia and the United Kingdom, the Company has demonstrated that it has the capability, management expertise, flexibility and cultural awareness to operate successfully within a wide range of international health systems. Ramsay is well-placed to benefit from the expected continued growth in demand for health care services globally.

We made strong progress on our international expansion strategy last year with the finalisation of the acquisition of Générale de Santé in France. Ramsay is now the largest private hospital operator in France as well as Australia and we will continue to derive benefit from our market leading position in these countries for many years to come.

We also progressed our Asian expansion strategy and look forward to the finalisation of a deal in China, which is experiencing a booming health care economy. China has a large and ageing population with a burgeoning middle class and, more recently, has developed a positive outlook on health care reforms. We are confident we can apply our proven health care management expertise in China.

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

One of Ramsay's key strengths is our ability to create shareholder value through financially disciplined capital investment in our existing facilities. In fiscal year 2015, we completed \$190 million worth of new brownfield developments and the Board approved a further \$197 million in new developments which will come onstream in the coming years and thereby ensure a strong pipeline of capacity expansions to meet the growing demand.

Board renewal was a focus this year and to this end we announced the appointment of two new Directors in April – Ms Patricia Akopiantz and Ms Margaret Seale.

Ms Akopiantz commenced her career in the USA with Prudential Securities. After completing a Masters of Business at Harvard Business School, she transferred with McKinsey & Company to Australia and then joined David Jones before establishing two successful e-tailer businesses.

Ms Seale has more than 25 years' experience in senior executive roles in Australia and overseas, including as CEO of Landsdowne Publishing, CEO of the Juvenile Diabetes Foundation and serving more recently as the Managing Director of Random House Australia.

We welcome the new appointments and are very pleased that the extensive search process yielded two quality candidates. Both new Directors have accomplished careers in senior leadership roles across a wide range of sectors. They are already proving to be valuable additions to the Ramsay Board and we appreciate their willingness to serve as Directors and are delighted to be benefitting from their insight and experience.

The Paul Ramsay Foundation remains a major shareholder and is aligned to Ramsay's growth strategy. The Foundation will focus on areas which will be of enduring benefit to the Australian community and will make announcements in this regard later this year.

As espoused in *The Ramsay Way*, our people are our greatest asset and we want to ensure that we are providing fulfilling employment and a safe place to work for the almost 60,000 staff who work with Ramsay Health Care around the globe. I want to thank all the staff and doctors who work in our hospitals for the care and expertise that they impart on our patients each and every day.

Ramsay Health Care is well placed to continue to deliver value to shareholders and I wish to thank the Board for their commitment this year.



Michael Siddle
Chairman

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The Company is in a very sound position with a robust balance sheet, a strong culture and an experienced and committed management team...

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MANAGING DIRECTOR'S REPORT



Christopher Rex
Managing Director

Ramsay Health Care's international expansion strategy, solid organic growth, brownfield developments and excellent cost management contributed to another strong financial performance in fiscal year 2015.

The Company has successfully developed a global portfolio of hospitals, strategically located to meet the growing demands and health care needs of the communities they serve and operated cost efficiently and according to The Ramsay Way philosophy of people caring for people.

This year, we continued with our international expansion strategy acquiring Générale de Santé in France, where we are now the largest private hospital operator. This acquisition places us in a leading position in the French market and, over the mid term, will provide a substantial growth opportunity for the Company.

OPERATIONS

During the year, Ramsay's Australian and Asian business achieved revenue growth of 8.2% and EBIT growth of 8.6% on the back of strong volume growth as an ageing demographic and the increased disease burden drives increased admissions.

Ramsay's UK business delivered an outstanding result with double digit growth in NHS admissions while EBIT increased 14.6% to £40.5 million. Strong operating margins (EBITDAR) continue to be achieved in the UK.

Both Ramsay Santé and Générale de Santé have performed at or above expectations during the year. Our first nine months of ownership of Générale de Santé has confirmed that the business is operating in line with our due diligence. Integration of the two hospital portfolios is now underway with synergies expected to be realised over the next twelve months.

Ramsay Générale de Santé, as the merged entity is now known, is well positioned in each of its regional marketplaces to attract volume growth stemming from an ageing and growing population.

BROWNFIELDS CAPACITY EXPANSION

Demographics continue to drive the need for capacity expansion in our business. In fiscal year 2015, Ramsay completed developments worth \$190 million including the \$58.2 million expansion of Warringal Private in Heidelberg, Melbourne; the \$53.3 million expansion of Pindara Private on the Gold Coast; and the \$19.5 million expansion of Kareena Private in Sydney.

These projects, together with the \$197 million approved during the year for new brownfields capacity expansion, will see Ramsay Health Care deliver 33 projects with a total of 1041 beds (net 754) and 41 theatres during fiscal years 2015 and 2016.

Throughout the world, our brownfields programme is focused on meeting the needs of the communities we serve by keeping our facilities up-to-date and providing our patients, staff and doctors with the latest in theatres, wards and medical equipment.

ACQUISITIONS

The merger of Ramsay Santé and Générale de Santé was finalised on 1 July 2015 following approval by Générale de Santé and Ramsay Santé shareholders at extraordinary general meetings held on that date.

The newly merged entity in which Ramsay now holds a 50.9% controlling interest includes 115 facilities (101 hospitals) and employs over 20,000 staff. Ramsay Générale de Santé is the largest private hospital group in France.

Further acquisition opportunities continue to arise in France as a result of consolidation in the sector. Ramsay Générale de Santé has recently entered into exclusive negotiations to acquire

nine hospitals in Lille owned by HPM Group. The acquisition is now subject to regulatory approvals and completion is anticipated later this calendar year.

In 2015, through its joint venture partnership with Sime Darby, Ramsay signed an agreement with Chinese health care company, Jinxin, to jointly operate five hospitals in the city of Chengdu, China. The agreement with Jinxin is subject to the satisfaction of conditions precedent.

A successful outcome will give Ramsay a foothold in China and will allow us to develop operating expertise in this exciting market alongside an established Chinese health care organisation.

QUALITY AND SAFETY

Ramsay Health Care is committed to delivering superior quality care throughout our hospitals for every patient, every day. Continuous measurement of what we deliver for patients will provide a key input into innovation and quality improvement.

Outcomes that matter most to our patients are the ultimate measure of success in health care. When seeking treatment, patients want to know how they will fare after treatment – can they return to work; can they take care of themselves and will their symptoms improve?

To this end, during the year Ramsay Health Care announced a strategic alliance with the International Consortium for Health Outcomes Measurement (ICHOM), becoming the first multinational hospital group to partner with the US-based organisation which is focused on discovering what matters most to patients.

ICHOM is a non-profit organization founded by Professor Michael E. Porter of Harvard Business School, the Swedish Karolinska Institutet and Boston Consulting Group to enable health care systems worldwide to measure and report patient outcomes in a standardised way.

The Company's Strategic Alliance with ICHOM represents the organizations' long-term commitment to driving value in health care around the world.

Ramsay's first areas of focus with ICHOM will be prostate cancer, low back pain, and depression and anxiety. Patients' outcomes will be measured according to the recommendations of the ICHOM Standard Sets. The results of their care will be monitored for a year or more, during and after treatment.

As an ICHOM partner, Ramsay Health Care is in the good company of leading medical institutions, including the Boston Children's Hospital, Great Ormond Street Hospital in London and Erasmus MC in the Netherlands.

Employee safety is also a major priority for the Company and I am pleased to report that this year Ramsay* achieved the lowest ever Lost Time Injury Frequency Ratio (LTIFR) on record for the Company and a 21% reduction in total number of Lost Time Injuries compared to the previous year. Ramsay continues to be well below the national industry benchmark for LTIFR.

OUTLOOK

Ramsay's comprehensive and sustainable growth strategy has positioned the Company as one of the largest and most successful private hospital operators in the world.

We have proven we have a truly exportable operational model with a track record of success in undertaking, and deriving benefit from, our international expansion strategy. We are now a market leader in two developed marketplaces – Australia and France.

Utilising our global experience in acquiring and integrating hospitals, we will continue to canvas opportunities in new and existing markets.

At the same time, demographics will continue to drive the need for capacity expansion and we expect ongoing benefits to flow from our brownfield investment strategy.

Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances, Ramsay is targeting Core NPAT and Core EPS growth for the Group of 12% to 14% for FY16.

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



Christopher Rex
Managing Director



The Company has successfully developed a global portfolio of hospitals, strategically located to meet the growing demands and health care needs of the communities they serve...



HOSPITALS & FACILITIES

Ramsay Health Care operates 226 hospitals, day surgery centres, treatment centres, rehabilitation and psychiatric units across five countries, admitting almost three million patients each year and employing circa 60,000 staff.

France

115

United Kingdom

36

Malaysia

03

Indonesia

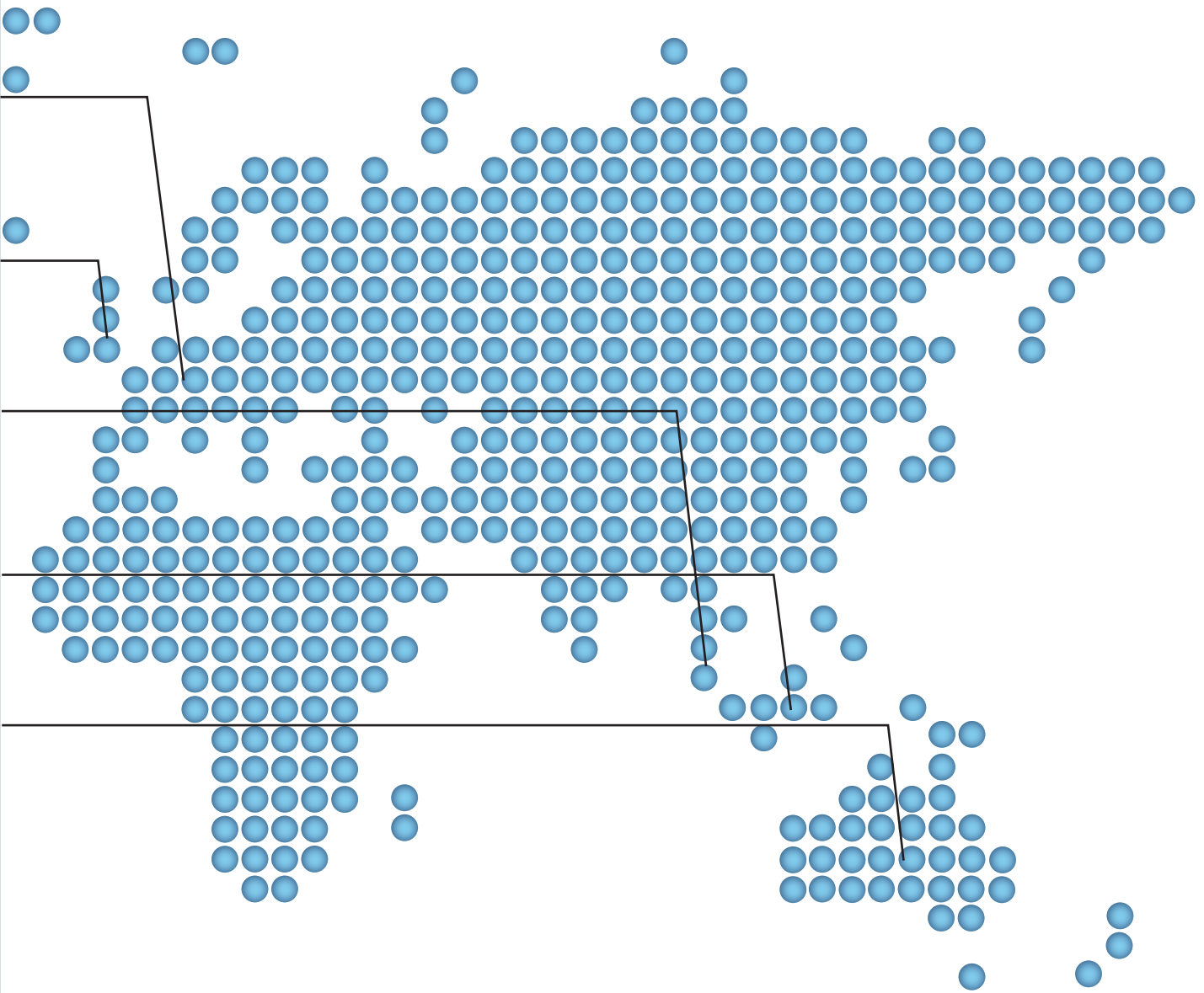
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Australia

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BOARD OF DIRECTORS



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 founding Director. He has built up significant knowledge of the business and the private hospital industry after starting with the Company in 1968. Mr Siddle has extensive experience in the management of private hospitals and has been integrally involved in Ramsay Health Care's successful expansion through construction, mergers and acquisitions. He serves as a member of the Company's 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.

Mr Siddle is also a Director of the Trustee of the Paul Ramsay Foundation.

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

- Prime Media Group Limited
(Appointed April 1985)

Peter J Evans FCA
Deputy Chairman

Appointed 27/05/14

(Appointed as a Director 29/12/90)

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

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

Mr Evans is a Director of Ramsay Générale de Santé, a publicly listed hospital operator in France in which Ramsay Health Care (UK) Limited has a controlling interest.

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

- Prime Media Group Limited
(Retired November 2014)

Rod H McGeoch AO LLB MAICD
Non-Executive Director

Appointed 03/07/97

Mr Rod McGeoch is a past Chairman of Corrs Chambers Westgarth 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 Games until November 1998. He is also a past Chairman of Sky City Entertainment Group Limited.

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

Mr McGeoch serves on the Board of Ramsay Générale de Santé.

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

- BGP Holdings Plc Malta and BGP Investment S.a.r.l Luxembourg
(Appointed November 2009)
(Currently Chairman)
- Sky City Entertainment Group Limited
(Appointed September 2002)
(Resigned October 2014)

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

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 and a Non-Executive Director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. He is Chairman of Eclipx Group Ltd; Tyro Payments Ltd and Tasman Cargo Airlines Pty Ltd. He is Deputy Chairman of Marshall Investments Pty Ltd and a member of the Advisory Board of AON Insurance.

In 2000, Mr Roxburgh completed a three 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 ANZ Bank. Prior to this appointment he was 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.

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

- Eclipx Group Limited
(Appointed March 2015)
(Currently Chairman)
- Charter Hall Limited
(Retired November 2014)

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 after serving at the helm since 1994. During this time, he oversaw the successful float of the Company on the ASX in 1997 and growth in annual revenues from \$200 million to more than \$3 billion.

He has served as both President and Chairman of the Australian Private Hospitals Association 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.

Prior to joining Ramsay, he was with Hospital Corporation Australia. Mr Grier was also a Director of Careers Australia Group Limited until October 2013. He is a member of the Skin Cancer Network Advisory Board and 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 companies:

- Estia Health Limited
(Chairman, Appointed November 2014)
- Prime Media Group Limited
(Retired November 2014)



Patricia Akopiantz BA MBA
Non-Executive Director
Appointed 28/04/15

Ms Patricia (Patty) Akopiantz has over 30 years' experience in consumer-facing businesses in Australia and overseas. She has been a Non-Executive Director for the last 14 years and has served on numerous boards including Coles Group, AXA Asia Pacific and Energy Australia.

Previously, she was with McKinsey & Company where she helped lead the Retail and Consumer Goods Practice and advised a range of clients on strategy. Her executive career included roles as General Manager Marketing at David Jones and Vice President for an American apparel manufacturer. She has an MBA from Harvard Business School.

In addition to Ramsay Health Care, Ms Akopiantz currently serves as a Non-Executive Director on the Boards of AMP Limited and AMP Bank. She is Chairman of AMP's People and Remuneration Committee and Chairman of AMP Bank's Risk Committee.

During the last three years, Ms Akopiantz has served as a Director of the following listed company:

- AMP Limited
(Appointed March 2011)

Margaret Seale BA FAICD
Non-Executive Director
Appointed 28/04/15

Ms Margaret (Margie) Seale is a Non-Executive Director and serves as a member of the Risk Management Committee. Ms Seale also has current directorships at Telstra Corporation Ltd, Bank of Queensland Ltd and Random House Australia and New Zealand.

Ms Seale has had 25 years' experience in senior executive roles in Australia and overseas in the global publishing, health and consumer goods industries, doing business in Asia and across multinational markets.

Until 2012 she was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. During her time at the helm, the publishing industry transitioned from entirely print to a mixed print and digital environment.

Prior to Random House, Ms Seale was CEO of The Macquarie Dictionary and Lansdowne Publishing, and of The Juvenile Diabetes Foundation Australia. She has held national sales and marketing roles in a number of industries.

During the last three years, Ms Seale has served as a director of the following listed companies:

- Telstra Corporation Limited
(Appointed May 2012); and
- Bank of Queensland Limited
(Appointed January 2014)

Christopher P Rex
Managing Director & CEO
Appointed 01/07/08

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

Mr Rex has played a key role in developing the Company's excellent record in hospital management. He has been instrumental in setting Ramsay's growth strategy, a strategy which has seen the Company's revenues expand to over \$7 billion and included the transformational acquisition of Affinity Healthcare in 2005 and Ramsay's subsequent growth overseas. In addition to its market leading position in Australia, Ramsay is now the largest operator of private hospitals in France.

Prior to joining Ramsay Health Care in 1995, Mr Rex 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 former President of the Australian Private Hospitals Association (APHA). He has been a Board member of the Schizophrenia Research Foundation and a Director of Football Federation Australia and Sydney FC.

Mr Rex is the Chairman of Ramsay Générale de Santé, a publicly listed hospital operator in France in which Ramsay Health Care (UK) Limited has a controlling interest.



Bruce R Soden B.Comm CA FAICD
Group Finance Director and CFO
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. Over his extensive time with the Group, he has led the Company's capital management strategy through many critical milestones including major acquisitions both nationally and internationally and all debt and equity raisings.

Since listing and under his financial leadership, Ramsay's enterprise value has grown from under \$400 million in 1997 to in excess of \$12 billion currently.

Mr Soden is a member of the Board's Risk Management Committee and a Director of Ramsay Générale de Santé, a publicly listed hospital operator in France in which Ramsay Health Care (UK) Limited has a controlling interest.

Before 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.

John D C O'Grady LLB FAICD
Group General Counsel &
Company Secretary
Appointed 23/01/07

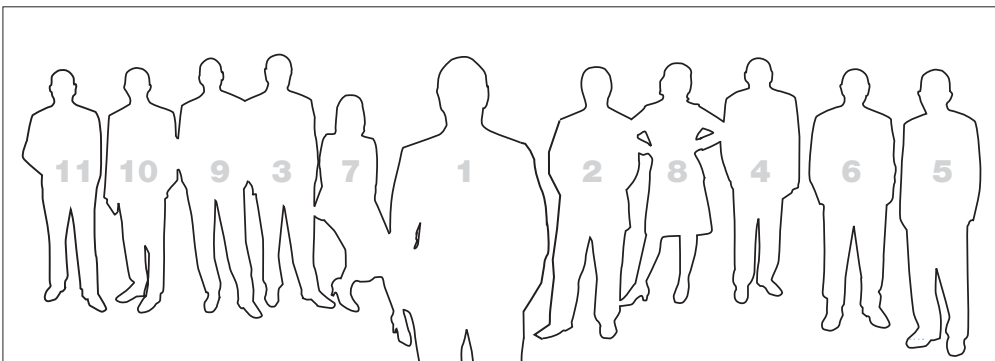
Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales.

He is a Fellow of the Australian Institute of Company Directors (AICD). He has served as a Non-Executive Director of a number of boards, including the Defence Housing Authority and the Major Events Board in South Australia. Prior to joining Ramsay in January 2007, 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 Global Legal Services team 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 corporate governance.

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





CORPORATE GOVERNANCE STATEMENT

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

2015 Initiatives and Highlights

The Company has implemented a restructure of its risk management governance in response to the evolution of the Company's growing global business. The Risk Management Committee is responsible for risk at a global level while specific risk management governance structures have been implemented for the management of risk in each region/country that the Company operates. Each country/region ultimately reports to the Risk Management Committee.

As part of the Company's long-term commitment to driving value in health care around the world, in August 2015 the Company entered into a strategic alliance with the International Consortium for Health Outcomes Measurement (ICHOM), becoming the first multinational hospital group to partner with the US-based organisation. ICHOM is a non-profit organisation founded to enable health care systems worldwide to measure and report patient outcomes in a standardised way.

In April 2015 the Company appointed two high calibre Non-Executive Directors to the Board in Ms Patricia Akopiantz and Ms Margaret Seale, following an extensive global search. Ms Akopiantz and Ms Seale bring a valuable skill set and wealth of experience to the Board. Ms Akopiantz has been appointed to serve on the Audit Committee and Ms Seale on the Risk Management Committee.

As a result of the appointments of Ms Akopiantz and Ms Seale, the Board is now comprised of a majority of independent Directors (with six independent Non-Executive Directors, two non-independent Non-Executive Directors and two executive Directors).

The Board adopted a Global Anti Bribery & Corruption Policy in June 2015, which applies to all of the Company's related bodies corporate worldwide.

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, honouring the architect of *The Ramsay Way*, the late Mr Paul Ramsay AO.

This Statement outlines the Company's governance framework, policies and procedures as at 8 September 2015 (unless otherwise stated) in accordance with the 3rd 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 ASX Recommendations are addressed in this Statement.

1 | The Board Generally

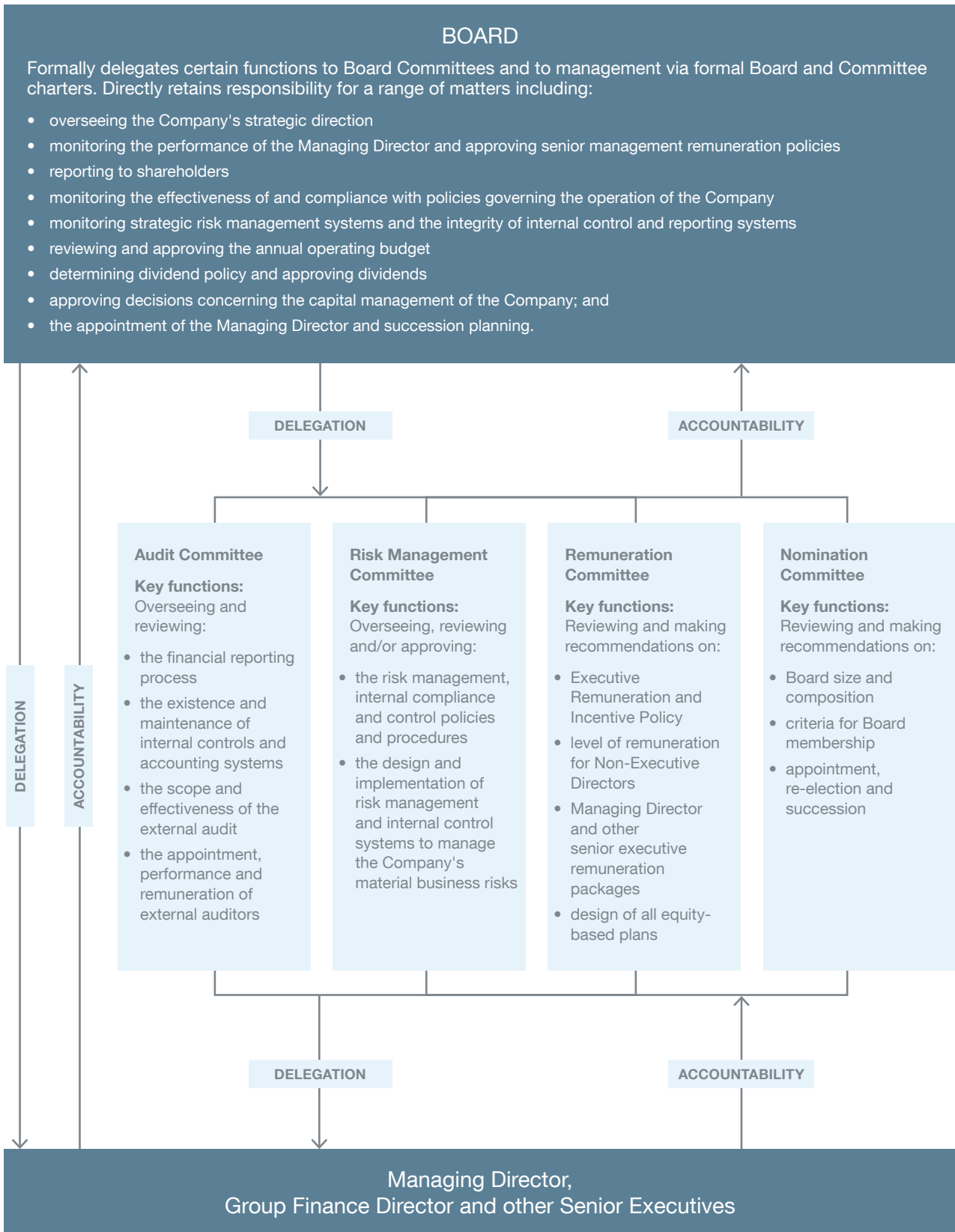
The Company's Board is committed to effectively representing and promoting the Company, thereby adding long-term value to all shareholders. The Board is accountable to shareholders for the management of the Company's business and affairs and, as such, is responsible for the overall strategy, governance 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 as considered appropriate. These are set out in the Board Charter, which can be found in the Corporate Governance section of the Company's website (www.ramsayhealth.com/investors/corporategovernance).

The Company's Statement of Delegated Authorities, which was most recently updated and approved by the Board in June 2015, will continue to be reviewed as required, particularly with the continued expansion of the Company's global business.

2 | Governance Framework: The Board and its Standing Committees

The governance framework in place ensures accountability, both of the Board and senior management, to the Company and its shareholders. The diagram below summarises the Company's governance framework, including the functions reserved for the Board and those carried out by the four standing Board Committees.



The four standing Board Committees 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 (www.ramsayhealth.com/investors/corporategovernance).

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 Kerry Roxburgh, Mr Tony Clark AM and Ms Patricia Akopiantz.
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.	Mr Peter Evans (Chair), Mr Kerry Roxburgh, Mr Patrick Grier AM, Mr Chris Rex, Ms Margaret Seale, Mr Bruce Soden, Mr Craig McNally (Group Chief Operating Officer), Ms Carmel Monaghan (Chief of Staff), Mr John O'Grady (Group General Counsel, Company Secretary & Chief Risk Officer) and Mr Neil Wykes (General Manager, Audit & Risk).
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 Michael Siddle and Mr Peter Evans.
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 and Mr Michael Siddle.

The number of scheduled Board and Committee meetings held during the year ending 30 June 2015 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)
M.S. Siddle	10 (10)			5 (5)	7 (7)
P.J. Evans	10 (10)	6 (6)	4 (4)	5 (5)	
B.R. Soden	10 (10)		4 (4)		
R.H. McGeoch AO	9 (10)			5 (5)	7 (7)
K.C.D Roxburgh	10 (10)	6 (6)	4 (4)		7 (7)
A.J. Clark AM	9 (10)	5 (6)			
C.P. Rex	10 (10)		4 (4)		
I.P.S Grier AM	8 (10)		4 (4)		
P. E. Akopiantz ¹	3 (3)	1 (1) ²			
M. L. Seale ¹	3 (3)		1 (1) ³		

¹ Ms Akopiantz and Ms Seale were appointed to the Board on 28 April 2015

² Ms Akopiantz was appointed to the Audit Committee on 28 April 2015

³ Ms Seale was appointed to the Risk Management Committee on 28 April 2015

3 | Board Composition

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

The Nomination Committee is responsible for reviewing and making recommendations to the Board on its membership, including recommendations on the size and composition of the Board, the appointment and re-election of Directors and, where necessary, proposing candidates for consideration by the Board. 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 Diversity Policy.

The Company aims to maintain a Board that comprises Directors with a broad range of competencies, 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. 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, by reference to the following matrix:

Sectors / Activities	Geographic areas
Health Care	Australia
Partnerships (joint ventures, public/private partnerships)	Asia
Operations and facilities maintenance	Europe

Specific skills / Experience	
Senior leadership role(s), eg CEO/GM	Human Relations/People
Strategy	Project Management
Finance	Governance
Technology/IT	Risk Management
Marketing/Communications	Workplace, Health, Safety and Environment
Public Policy and Government Relations	Legal
International/Cross border experience	

The above matrix was recently used by the Board in appointing Ms Akopiantz and Ms Seale as Non-Executive Directors in April 2015. When considering the most suitable candidates, a review of the matrix revealed that the Board had significant expertise and experience in health care, risk management, technology/IT, workplace health and safety and the environment. However, it also highlighted that the Board would be enhanced by appointing Directors with skills and experience in, among other things, marketing/communications and human relations. Ms Akopiantz and Ms Seale bring these skills in addition to augmenting a number of skills already on the Board – e.g., business, technology/IT, risk management and governance experience in large publicly listed companies.

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 also contained earlier in this Statement.

In light of the Company's business continuing to expand across geographical boundaries, the newly appointed Board members also bring with them international experience. The Company will continue to be cognisant of the need for international experience in considering future Board appointments.

4 | Appointment, Induction and Training

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, at which he or she will be eligible for election. Prior to appointment, new Directors receive a letter of appointment which sets out the terms of their appointment. Directors are also encouraged to sign a deed of indemnity, access and insurance.

The Company has written agreements with each of its Directors, including the Managing Director and the Group Finance Director, setting out the terms of their appointment. The Company updated its written agreements with all Directors in April 2015.

The Nomination Committee ensures that:

- appropriate background checks are carried out prior to the Board appointing a new Director or putting to shareholders a candidate for election. Before the two new Directors were appointed, appropriate checks were undertaken in accordance with Recommendation 1.2 of the ASX Recommendations; and
- shareholders are provided with all material information in the Company's possession that is relevant to a decision on whether or not to elect or re-elect a director, most relevantly through the Notice of Meeting and Annual Report.

The Nomination Committee is also responsible for implementing an effective induction process for new Directors and regularly reviewing its effectiveness. New Directors are required to attend and complete a structured Director Induction Programme, which includes site visits to the Company's hospitals. The two new Directors both undertook the Director Induction Programme. In addition, Directors are provided with ongoing professional development and training programmes to enable them to develop and maintain their skills and knowledge.

5 | Director Independence

The Board considers that it is able to exercise its judgement in an independent and unfettered manner, provide independent and effective oversight of management and is highly effective in promoting the interests of shareholders as a whole.

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

The Board determines the independence status of each Director on an annual basis. In doing so, the Board considers the matters described in Box 2.3 of the ASX Recommendations. The Board may determine that a Director is independent notwithstanding the existence of an interest, position, association or relationship of a kind described in Box 2.3. As such, the Company assesses independence on a case by case basis, having regard to the extent to which any relevant interest, position, association or relationship 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 Siddle (Chairman), Mr Peter Evans (Deputy Chairman) and Mr Tony Clark AM are all Directors of Paul Ramsay Holdings Pty Limited and Directors of Paul Ramsay Foundation Pty Limited, which is the Trustee of the Paul Ramsay Foundation. The shares held by Paul Ramsay Holdings Pty Limited are held on trust for the sole benefit of the Paul Ramsay Foundation. As previously disclosed, the Trustee of the Foundation has indicated that, in accordance with Mr Ramsay's will, the intention is for the Foundation to remain as a significant long-term shareholder in the Company.

Following the Board's recent annual review of each Director's independence, it was concluded that Mr Evans' and Mr Clark's AM respective roles as Directors of Paul Ramsay Holdings Pty Limited and as directors of the trustee of the Paul Ramsay Foundation have not interfered with, and should not be perceived to interfere with, the independent exercise of their judgement. In reaching this conclusion, 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.
- They are not 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 Remuneration 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.
- Their role as Directors of the Trustee 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.

The Board reached the same conclusion for Mr Siddle in respect of his role as Director of Paul Ramsay Holdings Pty Limited and Director of the Trustee of the Paul Ramsay Foundation, although other considerations impact the Board's determination of his status as set out below.

In the case of Mr Kerry Roxburgh, Mr Rod McGeoch AO and the two recent appointees, Ms Patricia Akopiantz and Ms Margaret Seale, 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.

Further, after due consideration, the Board has formed the view that Messrs Evans, Clark AM, McGeoch AO and Roxburgh continue to be independent notwithstanding that each has each served on the Board for more than 10 years.

The Board therefore considers each of Mr Evans, Ms Akopiantz, Mr Clark AM, Mr McGeoch AO, Mr Roxburgh and Ms Seale to be independent.

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 – in assessing Mr Siddle's independence in the past, the Board took into account that a significant factor in Mr Siddle's historical non-independent status has been his association with Mr Ramsay AO. With Mr Ramsay's passing in May 2014, the Board considers that the significance of this historical relationship is no longer relevant in assessing Mr Siddle's independence. While the Board considers that Mr Siddle exercises independent judgement in making decisions in the best interests of the Company, the Board has formed the view that Mr Siddle may not be perceived to be totally independent for the purposes of the ASX Recommendations.
- Mr Patrick Grier AM – Mr Grier is not considered to be independent as he was previously Managing Director and CEO 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.

Accordingly, the Board currently comprises a majority of independent Directors. Prior to the appointments of Ms Akopiantz and Ms Seale on 28 April 2015, the Board did not consist of a majority of independent Directors as it had an equal number of independent and non-independent Directors. Throughout the reporting period, the Company is satisfied that the Board operated independently of management and was highly effective in promoting the best interests of shareholders as a whole.

6 | Chairman

Mr Siddle continues in his role as Chairman of the Board. He has considerable knowledge and experience in the management of the Company and private hospitals generally, and of property development. Mr Siddle was the Deputy Chairman of the Board and for many years, in order to ensure continuity and stability of this highly successful Board, was appointed Chairman of the Company following the passing of Mr Paul Ramsay AO in May 2014. 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 as Chairman.

7 | Lead Independent Director

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 a constructive interaction between the independent Directors and all other Directors.

8 | 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.

9 | Evaluating Board, Committee and Director Performance

At the end of the 2015 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 and the performance of Directors. 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.

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 Board Committees are performing extremely well.

In accordance with good governance practices, the Board intends to engage an independent third party to undertake evaluations of the Board and the Board Committees in FY2016.

10 | The Company Secretary

Mr John O'Grady is the Group General Counsel, Company Secretary and Chief Risk Officer. His role as Company Secretary is by Board appointment and he is directly accountable to the Board, through the Chair, in relation to all matters relating to the proper functioning of the Board. All Directors have direct access to the Company Secretary.

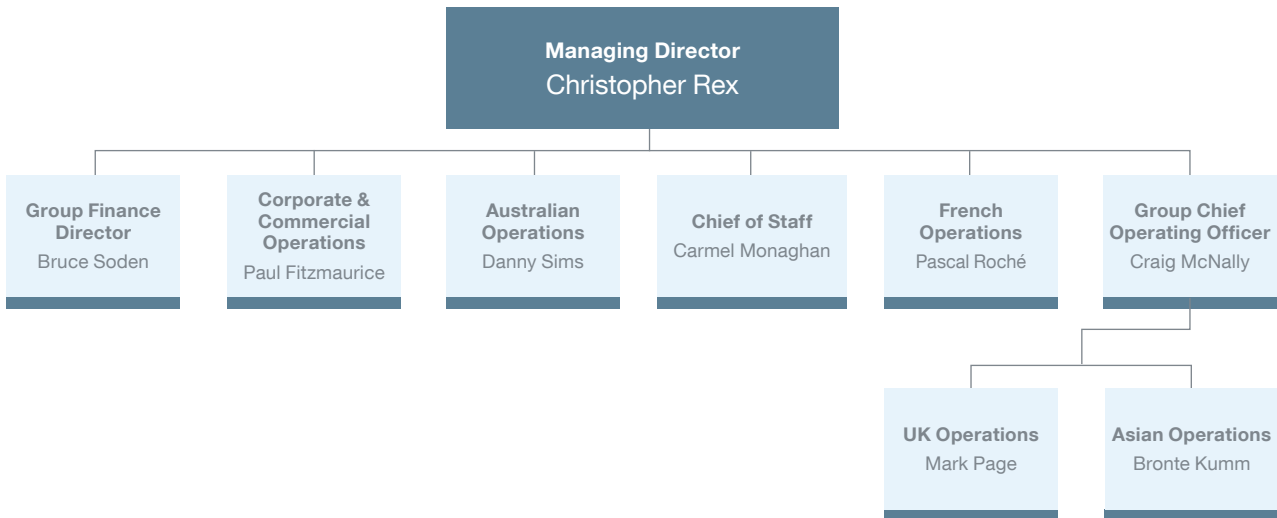
The role of Company Secretary is set out in more detail in the Company's Board Charter.

Details of Mr O'Grady's experience and qualifications are set out in the Board of Directors' section of this Annual Report.

11 | 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 by the Managing Director and senior executives 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 Board or Audit Committee, the Managing Director may sub-delegate the day-to-day running of the Company to the senior executive team.

12 | Performance of Senior Executives

Other than in respect of Mr Rex, the terms of employment of each senior executive are not formalised in a written employment or services agreement. The Company considers that the unique working environment and culture developed over many years, principally founded on *The Ramsay Way* and exemplified through the longevity and low turnover of the Company's executive team, is such that written agreements with senior executives are unnecessary at this time.

However, each executive's position description and the combination of financial and non-financial key performance indicators (KPIs) used to monitor senior executive performance are recorded in writing. Details of the KPIs used for the Managing Director in FY2015 and examples of the KPIs for other senior executives are set out in the FY2015 Remuneration Report.

The Managing Director's performance is formally assessed on an annual basis. The Managing Director's KPIs are reviewed and set annually by the Board on the basis of recommendations made by the Remuneration Committee at the commencement of the financial year. The Remuneration Committee carefully evaluates the Managing Director's performance against those KPIs and makes recommendations to the Board for final decision.

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.

13 | Diversity

The Company is proud of the considerable diversity that exists throughout the organisation. The Company strives to create a culture that embraces the differences of ideas, perspectives and experiences that diversity brings in recognition of the positive impact a diverse workforce has on the Company's overall performance.

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 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 strong. In 2015 women comprised 82% of employees throughout the Group. Women occupy 16.7% of senior executive¹ positions and 53% of senior management² positions. These figures do not reflect the level of female management representation in our hospital facilities, which is generally exceptional.

The Diversity Policy provides a Board appointment process 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 when selecting new candidates.

The Company announced the appointment of two female Board members in 2015 with women now accounting for 20% of Board members. These appointments reflect an identified need for greater female representation on the Board (particularly in light of the fact that women represent a substantial proportion of the Group's overall workforce, clinicians and patients).

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

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

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

In order to facilitate greater gender diversity in leadership roles, the Diversity Policy requires the Company to:

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

The Diversity Policy further provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior executive level and performance against these objectives will be reviewed annually by the Board. Updates on the Company's progress against those objectives during FY2015 and the measurable objectives set for FY2016 and adopted by the Board are set out in the table below.

In relation to the Australian business, the Company has again been assessed in 2015 as compliant with the *Workplace Gender Equality Act 2012*.

¹ 'senior executive' positions are those reporting directly to Chris Rex, Managing Director and CEO

² 'senior management' positions are those managers up to two levels below the senior executive positions

Measurable Diversity Objective	Timeframe	Progress in FY2015	Relevance for FY2016
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 future of the bi-annual Future Leaders Programme is currently under review, with a complete review of all management and development training being undertaken in 2015. The aim of the review is to ensure more targeted development of high potential female (and male) managers and executives to prepare Ramsay for anticipated growth and turnover in the short to medium term.	Undertake a full review of all management and development training in FY2016.
Align the internal mentoring programme (which aims to increase opportunities for female employees in management or professional positions to have access to senior managers as mentors) with identified forecasted shortages in key management positions.	Ongoing	The Company continued to offer tailored professional development opportunities to senior management including access to mentoring and executive coaching.	The mentoring programme will continue in FY2016 with a focus on identifying mentees in areas of forecasted shortages in key management positions.
Aim to increase the percentage of women in senior management positions as vacancies arise, subject to identification of candidates with appropriate skills.	Ongoing	60% of all Australian senior management positions are currently held by women.	The Company will continue to seek opportunities for high calibre female managers in senior management positions in FY2016.
Ensure the online Discrimination, Bullying and Harassment training module is completed by all senior managers.	Ongoing	86% of Ramsay managers completed the online Discrimination, Bullying and Harassment module. The module is scheduled for completion by all managers bi-annually.	Compliance will be monitored in FY2016 with a target of 100% compliance.
Review of flexible and part-time work arrangements to endeavour to ensure that roles are appropriate to maintain career development.	Ongoing	Ramsay's senior managers continue to support and encourage managers to consider requests for flexibility from employees wherever practicably possible. The number of flexible working arrangements continues to increase each year. In addition, flexible working options have been reviewed in Enterprise Agreement renewals. Flexible working options in Enterprise Agreements are supported by the national Flexible Work Practices Policy.	Flexible work arrangements will continue to be supported and encouraged throughout FY2016.
To engage an external consultant to assist identifying potential candidates, including a balance of men and women candidates, for the next Board position.	Ongoing	Two new Board appointments were made in 2015, with both appointments taking into account the Board's Diversity objectives. Both appointees were highly credentialed women with international business experience.	Any future Board appointments will continue to have an emphasis on the diversity objectives as specified in the Diversity Policy

14 | Ethical and Responsible Behaviour

Code of Conduct and Whistleblower Policy

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 Sustainability section of the Company's website (www.ramsayhealth.com/sustainability/social/workforce%20standards), is the subject of periodic review to ensure that it covers all relevant issues and sets standards consistent with the Company'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 and the UK 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. In relation to the Company's Asian joint venture, a new formal whistleblowing policy was implemented in March 2015. The Company's whistleblowing arrangements in France are currently being reviewed.

Securities Trading Policy

In line with ASX Listing Rule 12.9, the Company has in place a Securities Trading Policy. The Securities Trading Policy was reviewed in light of amendments to ASX Guidance Note 27 and the updated Securities Trading Policy was approved by the Board on 28 April 2015.

Under the Securities Trading Policy, all employees are prohibited from dealing (or causing or encouraging a third party to deal) 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 obtain price-sensitive information in relation to that other company in the course of their employment.

In addition, the Securities Trading Policy prohibits certain "Nominated Employees" (including Directors, officers and senior executives) and their families and trusts or companies over which they influence or control from trading directly or indirectly in Company securities outside of designated trading windows, being:

- the two 6 week periods commencing on the next trading day after the release of full and half year results;
- the 2 week period commencing on the next trading day after the Company's Annual General Meeting; and
- any other period the Board determines.

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.

Nominated Employees are permitted to trade in the trading windows set out above, subject to receiving clearance to deal in accordance with the process set out in the Securities Trading Policy.

A copy of the Company's Securities Trading Policy is available in the Corporate Governance section of the Company's website (www.ramsayhealth.com/investors/corporategovernance).

Other policies

To supplement 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 adopted a Global Anti Bribery and Corruption Policy during FY2015. The new Global Policy, which builds on and consolidates the Company's previous anti-bribery and corruption policies, now applies to all of the Company's related bodies corporate worldwide. The Global Policy will be implemented across each business unit throughout FY2016.

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.

Copies of the Company's Whistleblower Policy, Global Anti Bribery and Corruption Policy and Code of Conduct for Agents, Manufacturers and Suppliers are available in the Sustainability section of the Company's website (www.ramsayhealth.com/sustainability/social/workforce%20standards).

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 Company has been included in the FTSE4Good Index every year since 2011. The FTSE4Good Index is an international ratings index identifying companies that demonstrate strong environmental, social and governance practices (ESG), measured against globally recognised standards. Inclusion in the 2015 FTSE4Good Index demonstrates the Company's sustained commitment to global ESG standards. Further details of the Company's environmental indicators can be found in the Company's Performance and Sustainability Reports for Australia and the UK, published on the Company's website (www.ramsayhealth.com/sustainability/environment). The Performance and Sustainability Reports also detail the Company's performance using indicators of patient safety and quality, workplace health and safety, human resources and governance and social indicators.

15 | Financial Reporting

Audit Committee

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 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. Furthermore, the relevant experience and qualifications of the Audit Committee members are set out in the Board of Directors' section of this Annual Report.

Assurance

Prior to the Board's approval of the Company's FY2015 financial statements and in accordance with s295A of the *Corporations Act 2001 (Cth)* and the ASX Listing Rules, the Managing Director and the Group Finance Director provided a declaration to the Board that:

- in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards, give a true and fair view of the financial position and performance of the Company; and
- their opinion has been formed on the basis of a sound system of risk management internal control which is operating effectively.

A similar declaration was provided by the Managing Director and the Group Finance Director prior to the Board's approval of the Company's HY2015 financial information.

The Company's external auditor, Ernst & Young, will again attend the Company's 2015 AGM and be available to answer shareholder questions concerning the audit of the Company's FY2015 financial statements.

16 | Risk Management

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.

The Board has ultimate responsibility for the oversight of enterprise risk management and satisfying itself that the risk management framework is sufficiently robust and sound. The Board has allocated responsibility for managing the Company's risks as follows:

- (a) The Board is responsible for managing strategic and political risks (including those associated with merger and acquisition activity).
- (b) The Audit Committee is responsible for managing direct financial risks to the Company and for matters relating to tax and accounting.
- (c) The Risk Management Committee (**RMC**) is responsible for managing all other enterprise risks, with particular focus on clinical, workplace health and safety and environmental risks.

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 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.

Our material business risks (including economic risks), together with our approach to managing those risks, are outlined in the Operating and Financial Review section of our Annual Report. The Company does not consider that it has any *material* environment or social sustainability risks (as those terms are defined in the ASX Recommendations).

Risk Management Committee

The RMC oversees and drives improvement in risk management practices in relation to patient safety, workplace health and safety and the operational environment (e.g. IT/cybersecurity, building and facilities and regulatory compliance). The Committee helps drive a positive culture towards risk management that promotes open disclosure and quality improvement in risk management activities in these key areas. The RMC is also responsible to the Board for:

- oversight of the establishment and implementation of the Risk Management Framework; and
- annually reviewing the effectiveness of the Risk Management Framework in identifying and managing risks and controlling internal processes.

There are currently ten members on the RMC comprising a mix of Non-Executive Directors (four), executive Directors (two) and senior executives/management personnel (four). Given the nature of the risks inherent in owning hospitals on an international scale, the Board has decided that it is in the Company's best interests for the RMC to include a strong senior executive/ management presence to ensure that the Committee has the necessary technical and industry knowledge available to it at all times. Despite the RMC not being comprised of a majority of independent Directors, the Board considers that the RMC operates efficiently and effectively in bringing transparent, focused and professional judgement in overseeing the Company's risk management framework.

The current membership, independence of, and details of RMC meetings and attendance by each Director RMC member are set out earlier in this Corporate Governance Statement. Further, the relevant experience and qualifications of the Director members is set out in the Board of Directors' section of this Annual Report.

The RMC reviews the Risk Management Framework at least annually. The RMC undertook a comprehensive review of the Risk Management Framework in 2015 and is satisfied that it continues to be sound.

Risk Sub-Committees

The Board has restructured the risk management reporting framework during FY2015 so as to achieve a more integrated risk management structure befitting a transnational organisation.

Risk management structures have been established in respect of each of the Company's Australian, UK, Malaysian, Indonesian and French businesses. Risk management subcommittees have been established in Australia and the UK while risk is considered by the Board of Ramsay Générale de Santé. Risks relating to the Company's Asian joint-venture are reported to the board of Ramsay Sime Darby Health Care Sdn Bhd, as part of the joint venture arrangements with Sime Darby. Each country/region reports to the RMC in writing at least on a quarterly basis.

Further, within each country/region, sub-committees have been established with specialised responsibilities: e.g., in Australia sub-committees have been established to oversee the management of risk in relation to clinical governance risk and workforce, safety and culture risk. These sub-committees, which report to the relevant country/region body are an important part of Ramsay's risk management and governance strategy as they each oversee and report on their respective area of specialisation and responsibility.

Internal Audit

The Company has established an Internal Audit function to assist in the management of the Company's risks. Internal Audit undertakes internal reviews of risk management by conducting a series of audits on the systems, processes and controls within the Company. A risk-based plan is agreed with management and the Audit Committee on an annual basis and may include reviews in the areas of financial reporting and management application of accounting policies, asset protection systems and compliance with regulatory regimes, laws and standards. The results of these reviews are reported to the Audit Committee and RMC by the General Manager, Audit & Risk (who is also a member of the RMC).

Strategic Alliance with ICHOM

As part of its strategy to continuously improve clinical governance, in August 2015 the Company announced a Strategic Alliance with the International Consortium for Health Outcomes Measurement (ICHOM). ICHOM is a non-profit organisation founded to enable health care systems worldwide to measure and report patient outcomes in a standardised way. By forming the Strategic Alliance, the Company has become the first multinational hospital group to partner with ICHOM, thereby demonstrating its commitment to focus on discovering what matters most to patients. The Strategic Alliance also represents the Company's long-term commitment to driving value in health care in its facilities around the world as the continuous measurement of what is delivered for patients will provide a key input into innovation and help to drive clinical governance quality improvement.

17 | Communication

With the Market

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 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
- 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.

With Shareholders

The Company is always mindful of the importance of communicating effectively with its shareholders including by allowing shareholders access to information about the Company and its governance on its website.

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's Investor Relations Programme comprises the following mechanisms which, together, facilitate two-way communications with shareholders and 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.
- Relevant documents relating to the Company's governance arrangements are made available in the Corporate Governance section of the Company's website.
- Shareholders are able to send emails to, and can elect to receive email alerts from, 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 (for individual shareholders) or the Group Finance Director (for institutional shareholders) to all investor questions.
- Correspondence from the Chairman is sent to shareholders for significant events (including via the Company's website and email alerts).
- Participation by shareholders at the AGM is actively encouraged. For example, shareholders are encouraged to submit questions to the Company's auditor prior to the AGM, with those questions answered at the AGM.

18 | Remuneration

The Board has established a Remuneration Committee which, in accordance with the Remuneration Committee Charter, is responsible for reviewing and making recommendations to the Board in respect of:

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

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

The Company distinguishes the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives.

The Company'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 the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in the Company. Many of the Non-Executive Directors have acquired shares in the Company and hold them in their own right. Further, the Company will ask shareholders to approve a Non-Executive Director share rights plan at the upcoming annual general meeting – further details are contained in the FY2015 Remuneration Report and Notice of Meeting for the 2015 AGM.

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.

This Statement has been approved by the Board and is current as at 8 September 2015.

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

ASX Principle		Reference	Compliance as at the date of this Statement
Principle 1	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	1, 2 and 11	Yes Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	4 and 12	Yes Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	4 and 12	Yes for all Directors (including the Managing Director and Group Finance Director). The CEO is the only executive with a formal employment contract.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	10	Yes
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them (b) disclose that policy or a summary of it; and (c) disclose, as at the end of each reporting period, the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board, in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act</i> , the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	13	Yes Yes Yes Yes Yes
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	9	Yes Yes
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	12	Yes Yes

Principle 2	Structure the Board to add value		
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	2 and 3	Yes Yes Yes Yes Yes
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	3	Yes
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	5 and Directors' Report (for length of service details)	Yes Yes Yes
2.4	A majority of the board of a listed entity should be independent directors.	5	Yes
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	6	Partially yes. Although the Chairman may not be perceived to be totally independent, the Chairman is not the same person as the CEO of the Company.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	4	Yes
Principle 3	Promote ethical and responsible decision-making		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	14	Yes Yes

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

ASX Principle		Reference	Compliance as at the date of this Statement
Principle 4	Safeguard integrity in corporate reporting		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	2 and 15	Yes Yes Yes Yes Yes
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	15	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	15	Yes
Principle 5	Make timely and balanced disclosure		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	17	Yes Yes
Principle 6	Respect the rights of shareholders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	17	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	17	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	17	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	17	Yes

Principle 7		Safeguard integrity in corporate reporting	
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	16	<p>Partially yes, insofar as the Committee has at least three members. Executive membership means that a majority are not independent directors.</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
7.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	16	Yes
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	15	<p>Yes</p> <p>Yes</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	16 and Directors' Report	Yes
Principle 8		Remunerate fairly and responsibly	
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	19	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives.</p>	19	Yes
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	19	<p>Yes</p> <p>Yes</p>

CORPORATE DIRECTORY

Directors

Non Executive Directors

Michael Siddle (Chairman)
Peter Evans (Deputy Chairman)
Tony Clark AM
Pat Grier AM
Rod McGeoch AO
Kerry Roxburgh
Patricia Akopiantz
Margaret Seale

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
Australia

Registered Office

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

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

Share Registry

Boardroom Pty Limited

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

Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au
Telephone Enquiries (from within Australia): 1300 737 760
Telephone Enquiries (from outside Australia): +61 2 9290 9600
Facsimile (from within Australia): 1300 653 459
Facsimile (from outside Australia): +61 2 9279 0664

FINANCIAL REPORT

FOR THE YEAR ENDED **30 JUNE 2015**

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

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RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2015.

DIRECTORS

The names of the Directors of Ramsay Health Care Limited ("Ramsay", "the Company" or "the Group") in office during the financial year and until the date of this report, unless otherwise stated, are:

Names

M.S. Siddle - Non-Executive Chairman
P.J. Evans - Non-Executive Deputy Chairman
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
P. Akopiantz - Non-Executive Director (appointed 28 April 2015)
M. Seale - Non-Executive Director (appointed 28 April 2015)

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	3,902,564	-	-
P.J. Evans	7,209	-	-
C.P. Rex	969,271	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	-	-
P. Akopiantz	-	-	-
M. Seale	1,305	-	-

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.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Principal Activities

Ramsay is a global hospital group operating 212 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 25,000 beds and places, the Group employs circa 60,000 staff, across five countries, treats circa 3 million patients per annum and is ranked in the top 5 private hospital operators in the world.

Ramsay listed on the Australian Securities Exchange in 1997 and, over the last eighteen 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).

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. In October 2014, Ramsay Health Care completed its acquisition of a controlling interest in Générale de Santé (GdS). 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 brings Ramsay's total portfolio in France to 115 facilities (including 101 hospitals), making it the largest private hospital operator in France. The merger of Ramsay Santé and GdS (the new merged entity is now known as Ramsay Générale de Santé) was finalised on 1 July 2015 and integration is currently underway. This newly merged entity is in the process of acquiring nine hospitals in Lille. The acquisition is subject to regulatory approvals and completion is expected later this calendar year.

In July 2013, Ramsay Health Care entered into a Joint Venture arrangement with Malaysian multinational conglomerate Sime Darby Berhad. The joint venture combined Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, under a jointly owned company, Ramsay Sime Darby Health Care Sdn Bhd (RSD). RSD has recently signed an agreement with Chinese health care company, Jinxin, to jointly operate five hospitals in the city of Chengdu, China. The agreement with Jinxin is subject to the satisfaction of conditions.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Performance

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

<i>Summary of Statutory earnings</i>	2015 \$000	2014 \$000	% Change
Revenue from services	7,355,489	4,909,314	49.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,067,108	698,869	52.7%
Earnings before interest and tax (EBIT)	761,167	522,407	45.7%
Net profit attributable to owners of the parent	385,542	303,759	26.9%
	2015	2014	% Change
Basic earnings per share (after CARES dividend)	185.0c	144.1c	28.4%
Diluted earnings per share (after CARES dividend)	183.5c	143.0c	28.3%

Ramsay's net profit attributable to the owners of the parent for the year ended 30 June 2015 was \$385.5 million, a 26.9% increase on the previous corresponding period. Earnings per share is 185.0 cents for the year, a 28.4% increase.

The Company's international expansion strategy, solid organic growth, brownfield developments and excellent cost management contributed to the strong financial performance in FY2015.

Operational Highlights – Australia / Asia

During the year, Ramsay's Australian and Asian business achieved revenue growth of 8.2% and EBIT growth of 8.6% on the back of strong volume growth as an ageing demographic and the increased disease burden drives increased admissions.

Operational Highlights – Europe

Ramsay's UK business delivered an outstanding result. This year the group experienced double digit growth in NHS admissions and EBIT increased 14.6% to £40.5 million. Strong operating margins (EBITDAR) continue to be achieved in the UK.

Both Ramsay Santé and GdS have performed at or above expectations during the year. Our first nine months of ownership of GdS has confirmed that the business is operating in line with our due diligence. Integration of the two hospital portfolios is now underway with synergies expected to be realised over the next twelve months. Ramsay Générale de Santé, as the merged entity is now known, is well positioned in each of its regional marketplaces to attract volume growth stemming from an ageing and growing population.

Financial Position

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

	2015 \$000	2014 \$000	% Change
Total assets	7,616,978	4,556,967	67.2%
Total liabilities	(5,783,891)	(2,813,323)	105.6%
Net assets	1,833,087	1,743,644	5.1%

Ramsay's total assets increased by 67.2% due mainly to an increase in property, plant and equipment of \$1,447 million (net of depreciation) due to the brownfields development program and the acquisition of GdS, and the recognition of \$645 million of goodwill in relation to the acquisition of GdS.

Total liabilities increased by 105.6% predominately due to borrowings to fund the GdS acquisition, and \$1,647 million of loans and borrowings, creditors, accruals and provisions taken up in relation to the GdS acquisition.

The Group is in a net current liability position at 30 June 2015 (2014: net current liability 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 usually result in a net current liability position.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Position (continued)

Ramsay's net asset position increased by 5.1% which is largely attributable to the current year's profit after tax of \$386 million less dividends paid of \$198 million to Ramsay shareholders and dividends of \$106 million paid to the outside equity interest.

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 2018 and 1 May 2020 (for the 3 and 5 year facilities respectively) with improved pricing and terms.

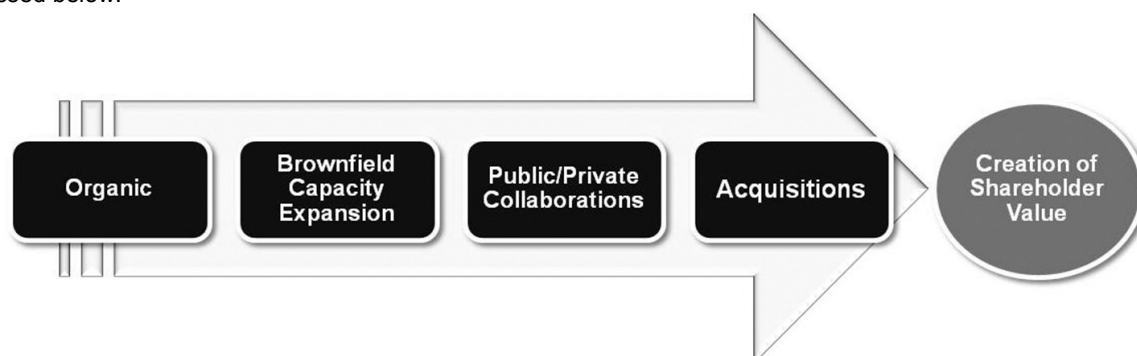
Cash Flow

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

Ramsay's robust balance sheet and strong cash flow generation continues to provide us with the flexibility to fund the increasing demand for brownfield capacity expansion, 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.



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. During the year, a further \$197 million was approved for new brownfields capacity expansion across the world as we continue to focus on meeting the needs of the communities we serve; keeping our facilities up-to-date and providing our patients, staff and doctors with the latest in theatres, wards and medical equipment.

Projects that are expected to complete in FY16 include:

- Wollongong – 151 beds; 8 theatres
- Hollywood – 90 beds; 6 theatres
- Peninsula – 71 beds; 1 theatre
- Cairns – 56 beds
- New Farm Clinic – 56 beds
- North Shore – 45 beds; 1 theatre
- St George – 35 beds; 3 theatres
- Lake Macquarie – 30 beds

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".

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Business Strategies and Prospects for Future Financial Years (continued)

Acquisitions

In October 2014, Ramsay completed its acquisition of a controlling interest in GdS in France for cash paid of \$620 million (equivalent) together with further share purchases for cash of \$16 million (equivalent) in November 2014. Refer to Note 10 for further information. This has significantly expanded Ramsay's French portfolio. The acquisition of GdS and its 75 facilities (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) makes Ramsay the largest private hospital operator in France and will positively contribute to future earnings growth for the Company. The French business is in the process of acquiring nine hospitals in Lille. The acquisition is subject to regulatory approvals and completion is expected later this calendar year.

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

Material Business Risks

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

Australian government policy & regulation

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

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

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

Foreign country government policy & regulation

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

Additionally, cultural differences may arise in the way businesses operate in foreign markets in comparison to how Ramsay has traditionally carried out its operations. If cultural differences are not identified and addressed, the local population 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.

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

Acquisitions

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

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

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

Health funds

The majority of Ramsay's revenue in Australia is derived from health funds. Accordingly, Ramsay has prima facie, significant credit risk exposure to receivables owing from a single or group of related health funds. The credit quality of these health funds is considered high as they are now governed by the Australian Prudential Regulatory Authority (APRA). Additionally, failure to reach a satisfactory commercial relationship with key health funds has the potential to impact on the financial performance and operations of Ramsay. Failure to achieve an acceptable outcome may be because of differences in rates, terms or conditions (including the introduction of different funding models).

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

Revenue from government sources

The majority of Ramsay's revenue in the UK and France is derived from government sources. Accordingly, Ramsay has prima facie, significant risk exposure to adverse pricing changes as set by the respective governments. Failure to reach a satisfactory outcome with governments has the potential to impact on the financial performance and operations of Ramsay. Failure to achieve an acceptable outcome may be because of differences in rates, terms or conditions (including the introduction of different funding models).

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

Relationships with Doctors

As the majority of doctors operating or 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.

Ramsay regularly engages with its doctors to maintain a strong relationship. Ramsay facilities operate within a strict quality and clinical framework to ensure a high quality of clinical outcomes.

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.

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

Insurance

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

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

Licences

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

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

Competition

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

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

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

Final dividend recommended @ 60.5 cents per share (2014: 51.0 cents)	\$122,259,000 (2014: \$103,061,000)
Interim dividend paid during the year @ 40.5 cents per share (2014: 34.0 cents)	\$81,842,000 (2014: \$68,708,000)

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

Final dividend recommended @ \$2.51 per security (2014: \$2.63)	\$6,524,000 (2014: \$6,846,000)
Interim dividend paid during the year @ \$2.65 per security (2014: \$2.62)	\$6,888,000 (2014: \$6,810,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2014: 30%).

CORPORATE INFORMATION

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

The Company is a for profit company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office is Suite 18.03, Level 18, 126 Phillip Street, Sydney NSW 2000.

The financial report of the Company for the year ended 30 June 2015 was authorised for issue on 8 September 2015 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 1,394,000 (2014: 1,412,000) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to Note 23 of the financial statements for further details of any rights outstanding as at 30 June 2015.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The merger of GdS and Ramsay Santé became effective on 1 July 2015 following approval by GdS and Ramsay Santé shareholders at extraordinary general meetings held on 1 July 2015. Ramsay Health Care's shareholding in the newly merged entity (now known as Ramsay Generale de Santé) is 50.9%.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT

Dear Shareholders

We are pleased to present you with the 2015 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.

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.

FY2015 was another year of strong performance by Ramsay, both in terms of financial results and achievement of strategic milestones. In particular, Ramsay's controlling interest in Générale de Santé is an important step in the development of Ramsay's global operations.

Our remuneration framework aligns executive remuneration outcomes with shareholder interests by rewarding executives for delivering sustained performance and generating value for shareholders. While the fundamentals of Ramsay's executive remuneration framework have remained consistent for many years, the Board continues to review and consider the need for changes to enhance its alignment with strategy and performance, and in light of changes to market practice and governance expectations for a company of Ramsay's size and international standing.

Ramsay received feedback on its 2014 Remuneration Report indicating the approach applied to some aspects of key management personnel (KMP) remuneration could be improved. Ramsay wishes to ensure as far as possible that the Company's KMP remuneration practices are not only considered appropriate by the Board but also recognised by stakeholders as being appropriate to the Company's circumstances. To this end, the Remuneration Committee sought independent advice during FY2015 on changes to KMP remuneration policies and practices.

After consideration of the independent advice, the Remuneration Committee recommended and the Board approved certain improvements to its executive remuneration arrangements which will come into effect in FY2016, including in relation to the number of Performance Rights granted to executives, the changes relating to the EPS performance hurdle thresholds by reference to the Company's market guidance and disclosure in the year of the grants.

Also, after consideration of independent advice, changes are also proposed in relation to the remuneration of non-executive directors. In order to better align the interests of non-executive directors with shareholders, I am pleased to announce the introduction, subject to shareholder approval at the 2015 AGM, of a Non-Executive Director Share Rights Plan. Further, it is proposed that, subject to shareholder approval at the 2015 AGM, there will be an increase to the non-executive directors' fee pool.

Details of the proposed changes to executive and non-executive director remuneration are set out in this Remuneration Report as well as the Notice of Meeting for the 2015 AGM.

Ramsay recognises that the outstanding results it has achieved in recent years reflect the contribution made by each and every staff member, not just the directors and executives. To recognise and reward our people and the contribution they make to the Group's success, Ramsay has continued its Employee Share Programme which gives employees an opportunity to acquire shares in the Company and directly benefit from the Group's strong performance in the same way as other shareholders.

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
8 September 2015

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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 2015 (**FY2015**). 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 CEO and Managing Director (**Managing Director**) and the executives referred to below (**Executives**) and the other Directors of the Company.

Table 1 – Key Management Personnel for FY2015

Key Management Personnel			
Non-Executive Directors		Executives	
Name	Position	Name	Position
M.S. Siddle	Chairman	C.P. Rex	Managing Director and Group CEO
P.J. Evans	Deputy Chairman	B.R. Soden	Finance Director and Group CFO
R.H. McGeoch AO	Director		
K.C.D. Roxburgh	Director	D.A. Sims	CEO, Ramsay Australia ²
A.J. Clark AM	Director		
I.P.S. Grier AM	Director	C.R. McNally	Group COO ³
P. Akopiantz ¹	Director		
M. Seale ¹	Director		

1. Ms Akopiantz and Ms Seale were each appointed as Directors on 28 April 2015.
2. Mr Sims was appointed Chief Executive Officer Ramsay Australia on 1 January 2015. He previously held the role of Chief Operating Officer – Australia / Indonesia.
3. Mr McNally was appointed Group Chief Operating Officer on 1 January 2015. He previously held the role of Head of Global Strategy & Chief Operating Officer.

There have been no changes to the KMP between the end of FY2015 and 8 September 2015, the date of this Remuneration Report.

The Remuneration Report is presented in the following sections:

Table 2 – 2015 Remuneration Report: Overview

Section	Page(s)
1. REMUNERATION GOVERNANCE	47
2. EXECUTIVE REMUNERATION POLICY	49
3. EXECUTIVE REMUNERATION: IN DETAIL	56
4. NON-EXECUTIVE DIRECTOR REMUNERATION	69
5. ADDITIONAL STATUTORY DISCLOSURES	73

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

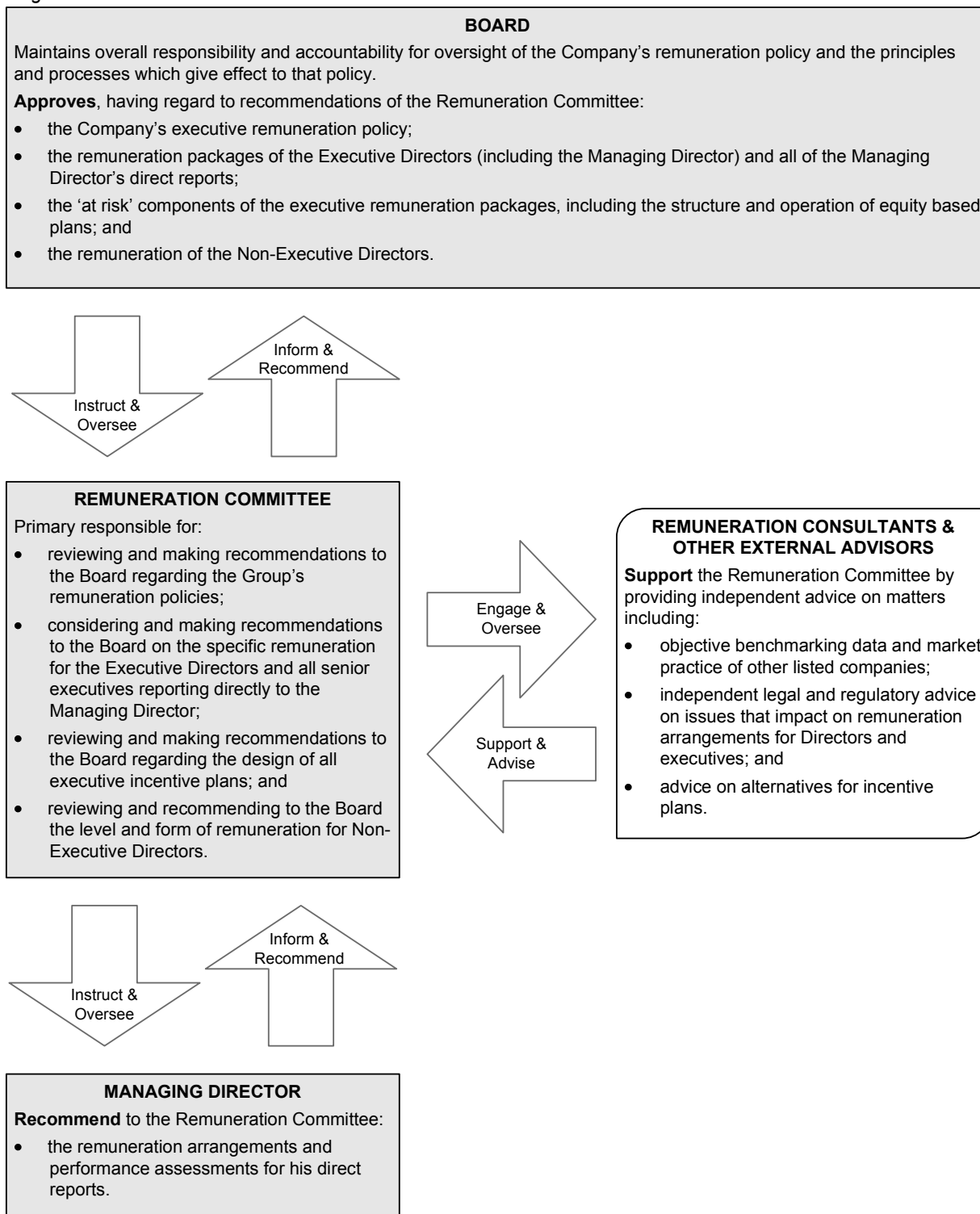
REMUNERATION REPORT – Audited

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



RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

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 Remuneration Committee are Non-Executive Directors who are independent of management. The Remuneration Committee membership is currently comprised of Messrs McGeoch AO (Chair), 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 FY2015, Godfrey Remuneration Group (**Godfrey**) provided the Company with remuneration recommendations and is therefore deemed to be a remuneration consultant under the Act. These recommendations related to:

- the structure of the executive directors' remuneration packages;
- the LTI performance hurdles; and
- the Non-Executive Director remuneration packages.

Godfrey's fees for providing the remuneration recommendations were \$51,920.00 (including GST). Godfrey did not provide any other advice to Ramsay during FY2015 and accordingly the Company did not make any payments to Godfrey other than those disclosed above.

The recommendations that were provided by Godfrey in FY2015 were accompanied by a declaration that the recommendations were made free from undue influence by any 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.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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, not just at the AGM but throughout the year.

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 (**STIs**) – an annual bonus linked to Company performance and achievement of strategic objectives; and
- Long-term incentives (**LTIs**) – 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 FY2015 is set out in the table below:

Table 4 – Relative mix of remuneration components for KMP Executives for FY2015

	% of Total remuneration (annualised)		
	Fixed remuneration	Performance based remuneration	
		Maximum STI Opportunity ¹	Maximum LTI Opportunity ²
C.P. Rex	16%	16%	68%
B.R. Soden	22%	11%	67%
D.A. Sims	21%	11%	68%
C.R. McNally	21%	11%	68%

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

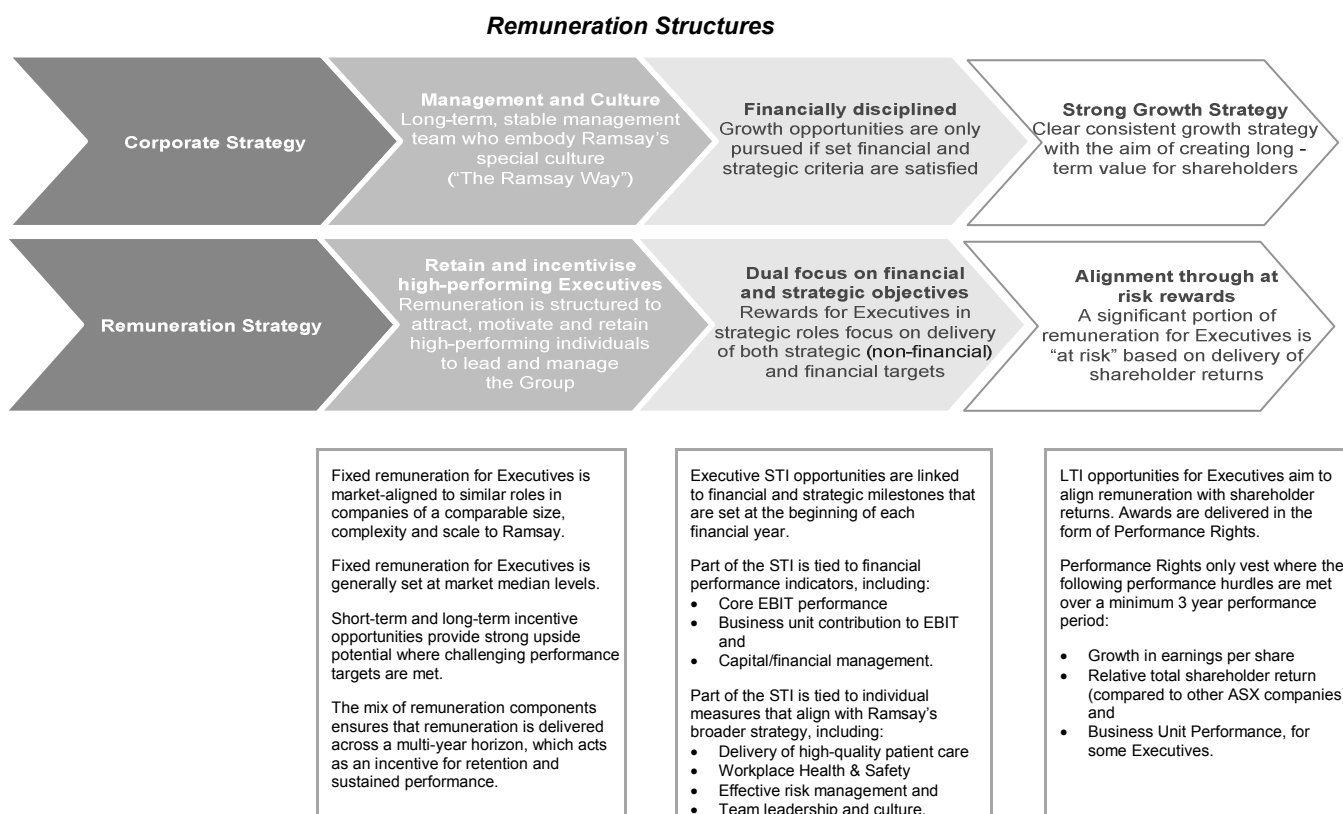
REMUNERATION REPORT – Audited

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



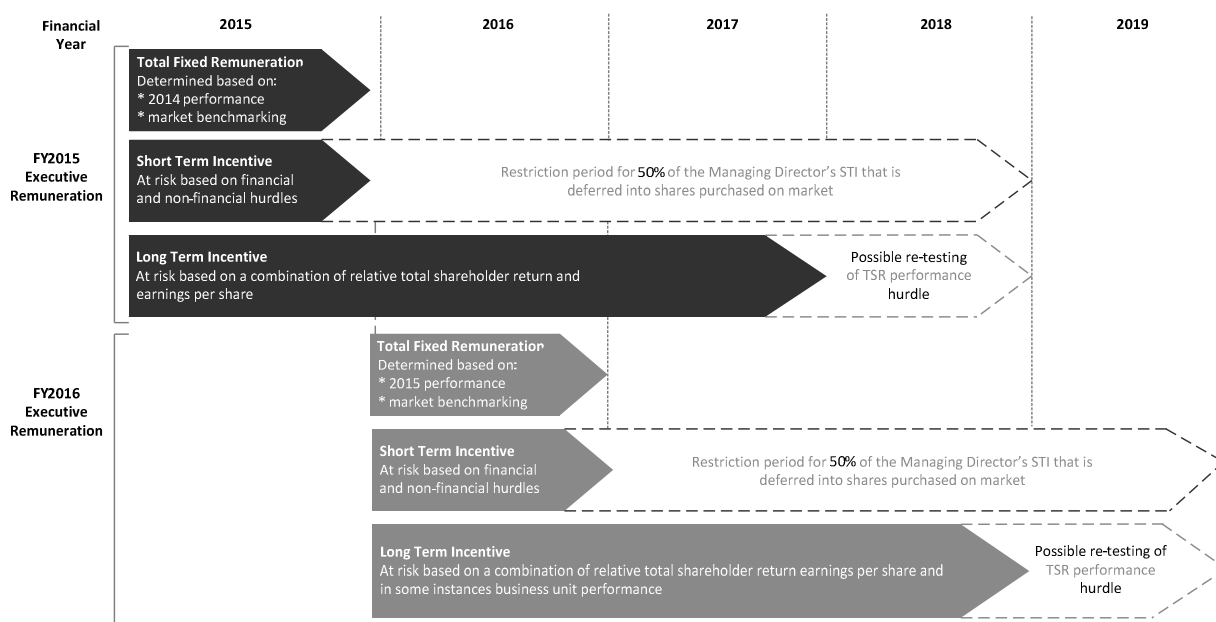
The mix of remuneration components ensures that remuneration is delivered across a multi-year horizon which acts as an incentive for retention and sustained performance and discourages excessive risk taking or short term focus.

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.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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 Company's success 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.

FY2015 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 FY2015, being the amounts the Executives became entitled to in FY2015 having satisfied any applicable performance hurdles. This includes their fixed remuneration for FY2015, the STIs that they earned based on FY2015 performance, the LTIs that vest based on multi-year performance up to and including the end of FY2015, and any other payments received by them during the year.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

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 FY2015.

Table 5 – Remuneration, including actual reward outcomes of the Executives for FY2015

	Cash salary	STI ¹	LTI ²	Superannuation	Other ³	Total
C.P. Rex	\$2,250,000	\$2,250,000	\$10,861,767	\$18,783	\$22,319	\$15,402,869
B.R. Soden	\$1,414,000	\$701,950	\$4,396,430	\$18,783	\$46,797	\$6,577,960
C.R. McNally	\$832,240	\$413,090	\$2,844,749	\$18,783	\$23,564	\$4,132,426
D.A. Sims	\$832,240	\$413,090	\$2,844,749	\$18,783	-	\$4,108,862

- 1. This figure represents the actual STI earned for performance in FY2015 (to be paid in FY2016). The Managing Director is obliged to accept 50% of his STI in cash (paid at the same time as for other Executives); the remaining 50% of his STI earned is required to be invested in Company shares purchased on-market, 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 2015.*
- 2. This figure represents the market value of the performance rights (**Performance Rights**) that have vested based on multi-year performance up to and including FY2015. 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 FY2015, which remained unvested as at 30 June 2015 do not appear in this table, as no actual value was realised by Executives from these Performance Rights during FY2015.*
- 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.*

The remuneration outcomes for the Executives continue to align with the overall performance of the Group, which has remained strong throughout FY2015. The high levels of at-risk rewards earned in FY2015 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.

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

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	
2015	\$61.47	101.0¢	97.83%	196.6¢	\$803.9	\$412.1	\$15,515
2014	\$45.50	85.0¢	96.81%	163.9¢	\$584.9	\$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

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 capitalisation (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 FY2015 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, FY2011-FY2015

Financial Year	2011	2012	2013	2014	2015
% of maximum STI awarded (average for Executives)	100%	93%	97%	100%	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 over the past five years. Table 8 provides further details of the EPS performance and related vesting outcomes for the past 3 years.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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
2015	438.1	468.0	496.4	100%
2014	362.0	393.8	415.9	100%
2013	301.1	334.6	353.1	100%

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

For the FY2014 and FY2015 EPS targets, the Board increased the threshold EPS performance required for vesting (i.e. the minimum EPS target to be achieved before any vesting occurs) from 90% to 95% of the maximum EPS target.

For the FY2016 LTI grants, the Board proposes to set the EPS target by reference to Ramsay's published market guidance. This will ensure that the EPS targets set for the LTI align more closely with the market's expectations of the Group's performance and will be disclosed to shareholders in the year of grant.

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 relative TSR performance condition. For the FY2016 LTI grants, the Board proposes to change the comparator group to the S&P/ASX100 index (previously the S&P/ASX200 index).

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
2015	50%	75%	97.83%	100%
2014	50%	75%	96.81%	100%
2013	50%	75%	96.55%	100%

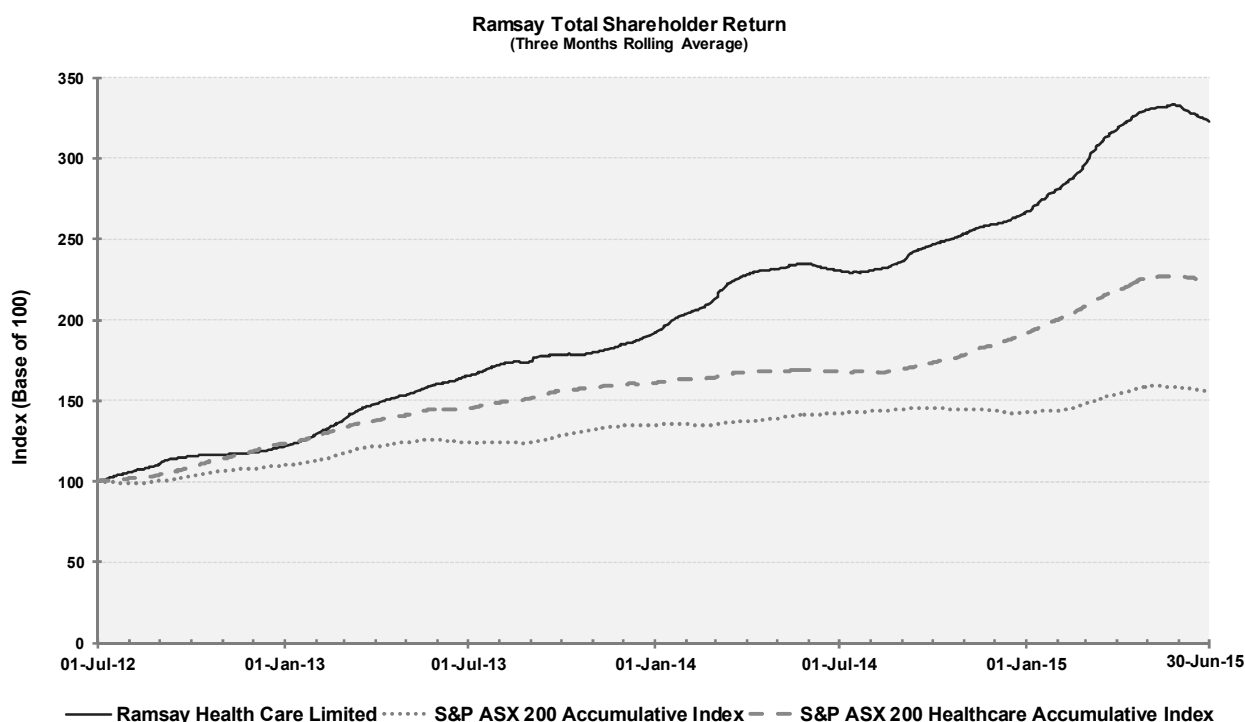
1. *TSR measured over the 3-year performance period up to the close of each relevant Financial Year*

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.

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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 heavily weighted towards the "at-risk" components, particularly the LTI which focuses Executives on delivering sustainable strong performance.

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.

Employee Share Programme

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 2015 (in respect of FY2016).

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 or 2014, 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.

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All shares in both the free share offer and the salary sacrifice plan were purchased on market, hence 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. Around 14,000 employees have acquired Ramsay shares under the free share offer and a significant number of senior managers who were eligible to participate in the salary sacrifice arrangement elected to acquire shares under the scheme.

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 (**KPIs**), an LTI with performance hurdles that utilise a combination of internal and external measures and a prohibition on hedging unvested equity awards. This approach to management of risk is consistent with the robust approach to risk management that Ramsay adopts across all aspects of its business (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 comparable 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. The restraint exercised in respect of fixed remuneration in recent years has meant that STI opportunity levels, which are directly connected to fixed remuneration, have also been restrained.

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Short-term Incentive (STI)

Table 10 – Summary of STI Programme

What is the STI programme?	<p>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.</p> <p>Formal KPIs are set at the beginning of each year for each of the Executives, including the Managing Director.</p>															
Who participates in the STI programme?	<p>The Executives (including the Managing Director) as well as other key executives and senior managers on a discretionary basis.</p>															
Why does the Board consider the STI programme an appropriate incentive?	<p>The STI programme and the performance conditions set under the programme are designed to motivate and reward high performance.</p> <p>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.</p> <p>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.</p>															
Are both target and stretch performance conditions imposed?	<p><i>Managing Director</i></p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>The maximum annual STI opportunity is set at 100% of the Managing Director's total fixed remuneration.</p> <p><i>Other Executives</i></p> <p>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).</p>															
Are both financial and non-financial performance considered?	<p><i>Managing Director</i></p> <p>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.</p> <p><i>Other Executives</i></p> <p>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.</p> <p>The table below reflects the weightings given to financial and non-financial KPIs for each Executive.</p> <p><i>Table 11 – Financial and Non-Financial KPIs for Executives FY2015</i></p> <table border="1" data-bbox="544 1816 1374 2031"> <thead> <tr> <th></th> <th>% Financial KPIs</th> <th>% Non-financial KPIs</th> </tr> </thead> <tbody> <tr> <td>C.P. Rex</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>B.R. Soden</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>C.R. McNally</td> <td>70%</td> <td>30%</td> </tr> <tr> <td>D.A. Sims</td> <td>50%</td> <td>50%</td> </tr> </tbody> </table>		% 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%
	% 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%														

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<p>What are the key performance indicators (KPIs)?</p>	<p><i>Managing Director</i></p> <p>The KPIs for the Managing Director's FY2015 STI are set out in the table below.</p> <p><i>Table 12 – FY2015 KPIs for the Managing Director</i></p> <table border="1" data-bbox="544 398 1374 1406"> <thead> <tr> <th></th> <th>Target KPIs (60% of total maximum STI opportunity)</th> <th>Stretch KPIs (40% of total maximum STI opportunity)</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td> <ul style="list-style-type: none"> Financial performance of the global business as a whole* (24%) </td> <td> <ul style="list-style-type: none"> Core NPAT above FY2015 budget** (20%) </td> </tr> <tr> <td>Non-financial</td> <td> <ul style="list-style-type: none"> Strategy, leadership & culture (18%) International strategy (12%) Discretionary criteria (6%) </td> <td> <p>Discretionary criteria (20%) including (but not limited to):</p> <ul style="list-style-type: none"> 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 international partners; execution of the Générale de Santé acquisition; successful integration of the Générale de Santé and Ramsay Santé businesses into the Ramsay global business; and major acquisitions. </td> </tr> </tbody> </table> <p>* 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.</p> <p>** Full vesting of the financial component of the Managing Director's stretch KPIs will only occur where Core NPAT exceeds the FY2015 budget by 6% or more.</p> <p><i>Other Executives</i></p> <p>The KPIs for other Executives vary depending on their role and areas of responsibility.</p> <p>Examples of the FY2015 <i>financial</i> KPIs used for Executives other than the Managing Director include:</p> <ul style="list-style-type: none"> Core EBIT performance to budget; Business unit contribution to EBIT; and Capital and financial management. <p>Examples of the FY2015 <i>non-financial</i> KPIs used for Executives other than the Managing Director include:</p> <ul style="list-style-type: none"> Strategy, leadership and culture KPIs, such as: <ul style="list-style-type: none"> Delivery of safe, high quality patient care; Workplace health and safety; Sustainable workforce for the future; Succession planning; 		Target KPIs (60% of total maximum STI opportunity)	Stretch KPIs (40% of total maximum STI opportunity)	Financial	<ul style="list-style-type: none"> Financial performance of the global business as a whole* (24%) 	<ul style="list-style-type: none"> Core NPAT above FY2015 budget** (20%) 	Non-financial	<ul style="list-style-type: none"> Strategy, leadership & culture (18%) International strategy (12%) Discretionary criteria (6%) 	<p>Discretionary criteria (20%) including (but not limited to):</p> <ul style="list-style-type: none"> 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 international partners; execution of the Générale de Santé acquisition; successful integration of the Générale de Santé and Ramsay Santé businesses into the Ramsay global business; and major acquisitions.
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Financial	<ul style="list-style-type: none"> Financial performance of the global business as a whole* (24%) 	<ul style="list-style-type: none"> Core NPAT above FY2015 budget** (20%) 								
Non-financial	<ul style="list-style-type: none"> Strategy, leadership & culture (18%) International strategy (12%) Discretionary criteria (6%) 	<p>Discretionary criteria (20%) including (but not limited to):</p> <ul style="list-style-type: none"> 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 international partners; execution of the Générale de Santé acquisition; successful integration of the Générale de Santé and Ramsay Santé businesses into the Ramsay global business; and major acquisitions. 								

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	<ul style="list-style-type: none"> ○ Implementation of 5-year strategic plans; and ○ Promotion of the “Ramsay Way” culture. ● Functional KPIs, such as: <ul style="list-style-type: none"> ○ Search for strategic acquisitions; ○ Management of brownfield opportunities; ○ New business initiatives; ○ Investor relations; and ○ Effective communication.
Why were the KPIs chosen?	<p>Underpinning the KPIs are the Company’s objectives of:</p> <ul style="list-style-type: none"> ● delivering safe, high quality clinical care for our patients; ● providing a safe working environment for our people; and ● generating value for shareholders. <p>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.</p> <p>The financial KPIs were chosen to provide measureable financial performance criteria strongly linked to year-on-year shareholder returns.</p> <p>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.</p>
What is the methodology for evaluating performance?	<p>Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual Executives. Financial KPIs are assessed quantitatively against predetermined benchmarks. Non-financial KPIs are assessed quantitatively where possible. For example, the workplace health and safety KPI for the Managing Director is assessed based on the year-on-year change in the Lost Time Injury Frequency Rate. The acquisition of a controlling interest in Générale de Santé in October 2014 is an example of satisfaction of the ‘strategic acquisitions’ KPI.</p> <p>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.</p> <p>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.</p>
Who assesses STI performance?	<p>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.</p> <p>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.</p>
In what form is the STI delivered?	<p>All STI awards are delivered as a cash payment to Executives, with the exception of the Managing Director.</p> <p>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.</p>

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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 FY2015?	STI payments for FY2015 are set out in table 13 below.

STI payments for FY2015

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 FY2015. The Group's financial performance in FY2015 was outstanding, with Core EPS and Core NPAT exceeding the previous year by 20% and 19% 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 FY2015 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 FY2015, the Remuneration Committee recommended to the Board that each of the Executives receive 100% of their STIs for FY2015. 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 FY2015.

Table 13 – STI bonuses for Executives FY2015 – to be paid in FY2016

Executive	Minimum potential STI Bonus	Maximum potential STI bonus	Actual STI for FY2015, to be paid in FY2016 subject to target KPIs	Actual STI for FY2015, to be paid in FY2016 subject to 'stretch' KPIs	Actual STI awarded as % of maximum STI
C.P. Rex ^{1, 2}	Nil	2,250,000	1,350,000	\$900,000	100%
B.R. Soden	Nil	701,950	701,950	Not applicable	100%
D.A. Sims	Nil	413,090	413,090	Not applicable	100%
C.R. McNally	Nil	413,090	413,090	Not applicable	100%

- 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.*
- As Mr Rex exceeded target performance levels for FY2015 and also succeeded in meeting the 'stretch' targets, his total FY2015 STI award is 100% of the total maximum STI available for the financial year. Mr Rex's FY2015 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 FY2015 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.*

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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 KMP 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 (or, at the discretion of the Board, an equivalent cash payment) 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: <ul style="list-style-type: none"> • one component is tested against a relative Total Shareholder Return (TSR) hurdle; and • the remaining component is tested against an Earnings Per Share growth (EPS) hurdle. For certain other participants, 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: <ul style="list-style-type: none"> • 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. Historically, the Board determined that the TSR comparator group should be 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, finance and resources sectors.

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<p>How is the relative TSR hurdle measured?</p>	<p>For the FY2012 LTI grant (which vested in FY2015), 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.</p> <p>For LTI grants made this year (FY2016), the Board considers that it is appropriate that the comparator group be changed to the S&P/ASX100 index.</p> <p>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.</p> <p>Performance Rights tested against the relative TSR hurdle vest on a sliding scale as set out in the table below:</p> <p><i>Table 15 – TSR vesting schedule</i></p> <table border="1" data-bbox="528 689 1401 943"> <thead> <tr> <th>Company's TSR ranking against the comparator group</th> <th>% of Performance Rights subject to the TSR hurdles that vest</th> </tr> </thead> <tbody> <tr> <td>TSR below 50th percentile</td> <td>Nil</td> </tr> <tr> <td>TSR at 50th percentile</td> <td>50%</td> </tr> <tr> <td>TSR between 50th and 75th percentile</td> <td>Between 50% and 100% increasing on a straight line basis</td> </tr> <tr> <td>TSR above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>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.</p> <p>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 an extended multi-year period.</p> <p>If the TSR hurdle is not satisfied on the second and final re-test, all unvested Performance Rights will immediately lapse.</p> <p>Changes will be made to the TSR hurdle for the FY2016 LTI grant. Further details are set out below.</p>	Company's TSR ranking against the comparator group	% of Performance Rights subject to the TSR hurdles that vest	TSR below 50 th percentile	Nil	TSR at 50 th percentile	50%	TSR between 50 th and 75 th percentile	Between 50% and 100% increasing on a straight line basis	TSR above 75 th percentile	100%
Company's TSR ranking against the comparator group	% of Performance Rights subject to the TSR hurdles that vest										
TSR below 50 th percentile	Nil										
TSR at 50 th percentile	50%										
TSR between 50 th and 75 th percentile	Between 50% and 100% increasing on a straight line basis										
TSR above 75 th percentile	100%										
<p>How is the EPS hurdle measured?</p>	<p>EPS hurdle</p> <p>'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).</p> <p>For the FY2015 grant, the EPS hurdle will be 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.</p> <p>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 annual targets are then aggregated to provide the threshold and maximum 3-year targets for vesting of Performance Rights.</p> <p>No re-testing of the EPS hurdle is permitted.</p> <p>Changes will be made to the EPS hurdle and associated targets for the FY2016 LTI grant. Further details are set out below.</p>										
<p>What are the EPS Targets and Thresholds?</p>	<p>The following table outlines the vesting schedule for the Performance Rights that are tested against the EPS hurdle for grants made before FY2016.</p>										

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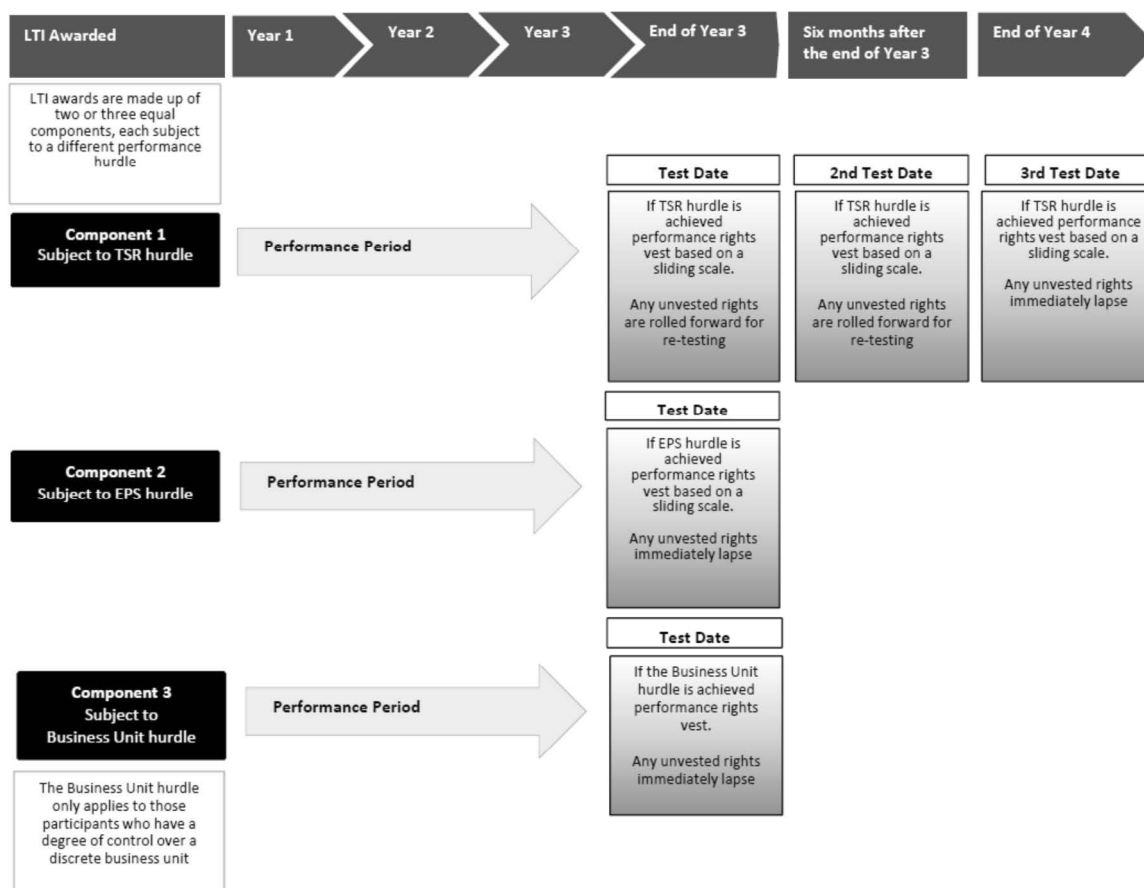
	<p><i>Table 16 – EPS hurdle vesting schedule</i></p> <table border="1"> <thead> <tr> <th data-bbox="528 286 922 353">Aggregate EPS performance</th> <th data-bbox="922 286 1358 353">% of Performance Rights subject to the EPS hurdles that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 353 922 421">Less than aggregate threshold EPS target</td> <td data-bbox="922 353 1358 421">Nil</td> </tr> <tr> <td data-bbox="528 421 922 488">Equal to aggregate threshold EPS target</td> <td data-bbox="922 421 1358 488">50%</td> </tr> <tr> <td data-bbox="528 488 922 584">Greater than aggregate threshold EPS target up to the aggregate maximum EPS target</td> <td data-bbox="922 488 1358 584">Between 50% and 100% increasing on a straight line basis</td> </tr> <tr> <td data-bbox="528 584 922 651">Greater than aggregate maximum EPS target</td> <td data-bbox="922 584 1358 651">100%</td> </tr> </tbody> </table> <p>The Company is able to disclose that for the year ended 30 June 2015 the maximum EPS target was set at 186.9 cents per share and the threshold EPS target was 95% of this target (177.5 cents per share). The EPS achieved in FY2015 was 196.6 cents per share.</p>	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%
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%										
<p>Why have the performance hurdles been chosen?</p>	<p>The TSR hurdle has been chosen because it provides a direct link between Executive reward and shareholder return, relative to the Company's ASX 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.</p> <p>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.</p> <p>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.</p> <p>Diagram 4 below demonstrates the operation of the performance hurdles noted above.</p>										
<p>What if an Executive ceases employment?</p>	<p>If an Executive ceases employment with the Company before the performance conditions are tested, the treatment of their unvested Performance Rights will depend on a number of factors, including the circumstances in which they have ceased employment.</p> <p>In general, where an Executive's employment is terminated:</p> <ul style="list-style-type: none"> • for serious misconduct, their unvested Performance Rights will lapse; or • in other circumstances, their unvested Performance Rights will remain on foot and will be tested in the ordinary course subject to the performance hurdles outlined above. This aligns the interests of executives with the interests of shareholders. <p>The Board retains a discretion to vest or lapse unvested Performance Rights with effect from the termination date in appropriate circumstances (and within the constraints of the termination benefits provisions of the Act).</p>										
<p>What happens in the event of a change in control?</p>	<p>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.</p>										
<p>What Performance Rights were granted to the Executives in FY2015?</p>	<p>The grants made to the Executives are summarised in table 17 below.</p> <p>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 2015 AGM.</p>										

**RAMSAY HEALTH CARE LIMITED
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The diagram below illustrates the operation of the performance hurdles for Executives and other participants in the LTI programme.

Diagram 4 – Operation of LTI hurdles



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

Details of the Performance Rights granted under the LTI programme in FY2015 are set out below.

Table 17 – Performance Rights granted to Executives in FY2015

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	\$38.58	\$4,243,800
	Core EPS	110,000	\$49.95	\$5,494,500
		220,000		\$9,738,300
B.R. Soden	TSR	47,500	\$38.58	\$1,832,550
	Core EPS	47,500	\$49.95	\$2,372,625
		95,000		\$4,205,175
C.R. McNally	TSR	30,000	\$38.58	\$1,157,400
	Core EPS	30,000	\$49.95	\$1,498,500
		60,000		\$2,655,900

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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Executive	Performance Condition ¹	Number of Performance Rights Granted ²	Fair value per Performance Right ³	Maximum value of grant ⁴
D.A. Sims	TSR	30,000	\$38.58	\$1,157,400
	Core EPS	30,000	\$49.95	\$1,498,500
		60,000		\$2,655,900

1. *These Performance Rights are subject to performance over a 3-year period from 1 July 2014 to 30 June 2017. As the Performance Rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, FY2015 Performance Rights have not yet been forfeited or vested.*
2. *The grants made to Executives constituted their full LTI entitlement for FY2015 and were made on 13 November 2014 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 13 November 2015. An explanation of the pricing model used to calculate these values is set out in note 23.2 to the Financial Report.*
4. *The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant is nil (this assumes none of the applicable performance conditions are met).*

Changes to the LTI programme for FY2016

In response to feedback from shareholders, developments in market practice and changes in Ramsay's market capitalisation, the Board and Remuneration Committee determined to make some changes to the terms of LTI grants made from FY2016. While the main features of the LTI programme will remain the same, the following key changes will apply:

- The number of rights to be granted to each participant has been determined on a face value basis (i.e. by dividing the face value of the grant by the prevailing share price as at the start of the financial year to which the grant relates). Previously a set number of rights were awarded to participants, which meant that the value of the LTI grant each year increased in line with the growth in Ramsay's share price. The FY2016 LTI grants for Mr Rex and Mr Soden will be set at a face value that is in line with their FY2015 LTI grants. This will result in a lower number of performance rights being awarded to each participant including the Executive Directors for FY2016 compared to FY2015.
- The EPS hurdle will be measured by comparing the Company's aggregate EPS over 3 years against the aggregate EPS targets set by the Board based on Ramsay's market guidance for EPS as disclosed at the start of each financial year. In addition, Ramsay is proposing a new vesting schedule for the EPS hurdle that includes a lower percentage vesting outcome for threshold performance (25% compared to 50% under the current scale). This change is intended to make it more challenging for a greater percentage value of Performance Rights to vest and will facilitate greater transparency around the EPS targets and promote greater confidence in the "stretch" nature of the outcomes required for full vesting of the EPS component. Full details of the EPS hurdle to apply to the FY2016 LTI grant are set out in the Notice of Meeting for the 2015 AGM.
- For the purposes of the TSR performance hurdle, it is proposed that the TSR comparator group will be constituents of the S&P/ASX100 (excluding entities in the real estate, financial and resources sectors) on the basis that companies in this index are now a more appropriate comparator group (compared to the previous peer group based on companies within the S&P/ASX200 index) given the Company's sustained growth in market capitalisation in recent years.

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Total remuneration

Details of each Executive's remuneration for FY2015 (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 FY2015 and FY2014

Name	Short term			Post-employment			Share based payment rights Amortised cost of incentive share based rights ³ \$	Total \$	Total performance related
	Salary & fees \$	Non monetary ¹ \$	Accrued Bonus ² \$	Superannuation \$	Accrued termination benefits \$				
C.P. Rex									
FY2015	2,250,000	22,319	2,250,000	18,783	-	-	6,881,233	11,422,335	80%
FY2014	2,163,000	15,863	2,163,000	17,775	-	-	4,733,083	9,092,721	76%
B.R. Soden									
FY2015	1,414,000	46,797	701,950	18,783	-	-	2,971,442	5,152,972	71%
FY2014	1,360,000	35,087	675,000	17,775	-	-	2,014,125	4,101,987	66%
C.R. McNally									
FY2015	832,240	23,564	413,090	18,783	-	-	1,876,700	3,164,377	72%
FY2014	800,000	23,993	397,000	17,775	-	-	1,278,958	2,517,726	67%
D.A. Sims									
FY2015	832,240	-	413,090	18,783	-	-	1,876,700	3,140,813	73%
FY2014	800,000	-	397,000	17,775	-	-	1,278,958	2,493,733	67%
Totals									
FY2015	5,328,480	92,680	3,778,130	75,132	-	-	13,606,075	22,880,497	76%
FY2014	5,123,000	74,943	3,632,000	71,100	-	-	9,305,124	18,206,167	71%

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 and FY2015 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 included as remuneration is not related to or indicative of the benefit (if any) that Executives may ultimately realise should the equity instruments vest. The fair value of the Performance Rights at the date of their grant has been determined in accordance with AASB 2 applying the Black-Scholes and Monte Carlo Simulation models. The assumption underpinning these valuations are set out in note 23.2 to the financial statements.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

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Service agreement

Mr Christopher Rex

Mr Rex's contracted term as Managing Director 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 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 FY2015).
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 FY2015).
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.

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.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

Other statutory disclosures

Table 20 below shows the movements (during FY2015 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	17-Nov-11	210,000	29-Aug-14	210,000	10,861,767	-	-
Performance Rights	15-Nov-12	220,000	28-Aug-15	220,000	13,324,190	-	-
	14-Nov-13	220,000	31-Aug-16	-	-	-	-
	13-Nov-14	220,000	31-Aug-17	-	-	-	-
B.R. Soden							
Equity Settled	17-Nov-11	85,000	29-Aug-14	85,000	4,396,430	-	-
Performance Rights	15-Nov-12	95,000	28-Aug-15	95,000	5,753,628	-	-
	14-Nov-13	95,000	31-Aug-16	-	-	-	-
	13-Nov-14	95,000	31-Aug-17	-	-	-	-
C.R. McNally							
Equity Settled	17-Nov-11	55,000	29-Aug-14	55,000	2,844,749	-	-
Performance Rights	15-Nov-12	60,000	28-Aug-15	60,000	3,633,870	-	-
	14-Nov-13	60,000	31-Aug-16	-	-	-	-
	13-Nov-14	60,000	31-Aug-17	-	-	-	-
D.A. Sims							
Equity Settled	17-Nov-11	55,000	29-Aug-14	55,000	2,844,749	-	-
Performance Rights	15-Nov-12	60,000	28-Aug-15	60,000	3,633,870	-	-
	14-Nov-13	60,000	31-Aug-16	-	-	-	-
	13-Nov-14	60,000	31-Aug-17	-	-	-	-

- 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.*
- 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).*
- 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:
 - \$51.7227 on 29 August 2014
 - \$60.5645 on 28 August 2015
- The performance conditions applicable to Performance Rights which vested on 29 August 2014 and 28 August 2015 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.*

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DIRECTORS' REPORT (CONTINUED)**

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	<p>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.</p> <p>The Board will seek shareholder approval at the 2015 AGM for an increase in the aggregate fee pool to \$3,500,000. A summary of the reasons for the increase is set out below, and full details are provided in the Notice of Meeting for the 2015 AGM.</p>
Fees are set by reference to key considerations	<p>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:</p> <ul style="list-style-type: none"> • the responsibilities and risks of the role; • the time commitment expected of Non-Executive Directors; • the fees paid by companies to Non-Executive Directors; and • the independent advice received from external advisers.
Remuneration is structured to preserve independence whilst creating alignment	<p>To create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in the Company.</p> <p>To support Non-Executive Directors in building their shareholding in the Company, shareholder approval will be sought at the 2015 AGM for a new Non-Executive Director Share Rights Plan. Under the proposed plan, Non-Executive Directors will receive a portion of their remuneration in the form of share rights which on exercise will convert into shares in the Company which are initially subject to a holding lock.</p> <p>The Board considers structuring Non-Executive Director remuneration in this way will further enhance alignment of interests between Non-Executive Directors and shareholders. Importantly, the share rights will not be subject to any performance conditions in order to preserve the Directors' impartiality. This is consistent with general governance principles that no element of Non-Executive Director remuneration should be performance-based to preserve their independence and impartiality. Further details about the Plan are set out below.</p>
Reviews of remuneration	<p>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.</p>

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Board & committee fees

Table 22 – Components of Non-Executive Director Remuneration

Component	Explanation
Board fees/Committee fees	<p>Fees, per annum, for FY2015</p> <ul style="list-style-type: none"> • Board: <ul style="list-style-type: none"> - Chairman - \$550,000 - Deputy Chairman - \$215,000 - Members - \$175,000 • Audit Committee: <ul style="list-style-type: none"> - Chairman - \$42,543 - Members - \$27,349 • Risk Management Committee: <ul style="list-style-type: none"> - Chairman - \$36,465 - Members - \$24,311 • Remuneration Committee: <ul style="list-style-type: none"> - Chairman - \$35,700 - Members - \$17,850 • Nomination Committee: <ul style="list-style-type: none"> - Chairman – Nil - Members – Nil <p>The above fees represent an increase on Board and Committee fees for FY2014, which was made after considering independent advice from external advisers on market remuneration levels for companies of similar size and complexity. The review discussed below provides further context.</p>
Other fees/benefits	<p>No additional fees for special duties or exertions were paid during FY2015. 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.</p>
Post-employment benefits	<p>Superannuation contributions are made on behalf of the Non-Executive Directors (at the FY2015 rate of 9.5%) which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was \$18,783.40 per Director for FY2015.</p> <p>Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.</p>

Review of Non-Executive Director Remuneration

During the year, the Remuneration Committee oversaw a review of Non-Executive Director remuneration. The Committee engaged the services of an independent consultant, Godfrey, to assist with this review. A comparator group of the ASX50 was used to assess the market competitiveness of Ramsay's remuneration arrangements for its Non-Executive Directors.

The review by Godfrey highlighted that an increase in remuneration packages for Non-Executive Directors is necessary to ensure the Company does not fall behind the market in rewarding its Directors, particularly given the size and scope of Ramsay's operations and Director time commitments and responsibilities. Accordingly, it is proposed to increase the fees for the main Board and certain Committee roles for FY2016. The Board is of the view that the increases in fees for Non-Executive Directors for FY2016 are reasonable, in light of the continued international expansion of the Group, its ongoing strong performance, the levels of fees paid by peer companies and the need to ensure that the Company can continue to attract and retain directors with the skills and experience that are most relevant to the business strategy of the Company. Rather than delivering the full value of the proposed remuneration increase for Non-Executive Directors in additional fees, the Company proposes to deliver a portion of remuneration to Non-Executive Directors for FY2016 and future years in the form of share rights (further discussed below).

Non-Executive Director Share Rights Plan

As part of the review of Non-Executive Director remuneration, the Board has decided that from FY2016 fees paid by the Company to Non-Executive Directors for their services will be delivered partially in cash and partially in the form of rights to Ramsay shares. Structuring Non-Executive Director remuneration in this way will support Non-Executive Directors in

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building their shareholdings in the Company and enhance the alignment of interests between Non-Executive Directors and shareholders.

For FY2016, each grant of share rights will be set at a value that is equal to 20% of the relevant Non-Executive Director's base fees (excluding Committee fees and superannuation).

The share rights will be fully vested at the time of grant (i.e. they will not be subject to performance conditions or potential forfeiture) and will be automatically exercised and convert into shares in the Company between 3-6 months after they are granted. The shares will initially be subject to dealing restriction: for FY16, shares will be held in trust until the earlier of (i) the Non-Executive Director ceasing to be a director of the Company or (ii) 3 years from the date of grant or such longer period nominated by the Non-Executive Director at the time of the offer (up to a maximum of 15 years from the date of grant).

The Board will seek shareholder approval at the 2015 AGM for the Non-Executive Director Share Rights Plan and further details of the Plan will be included in the Notice of Meeting.

Proposed increase to Aggregate Fee Pool for Non-Executive Directors

At the 2015 AGM the Board will seek shareholder approval for an increase in the aggregate Non-Executive Director fee pool to \$3,500,000. This increase was recommended by Godfrey and moves the Company in line with its desired market positioning for Non-Executive Director remuneration.

An increase in the aggregate fee pool is required following the appointment of two additional Non-Executive Directors, and the proposed increase in Non-Executive Director remuneration for FY2016 (delivered through a combination of increased fees and share rights). Although it is not intended that the whole fee pool will be utilised in FY2016, the increased pool will allow for some growth in Non-Executive Director remuneration in future years to ensure Ramsay remains competitive and can continue to attract and retain Directors with the appropriate skills and experience.

Full details of the proposed increase in the aggregate fee pool will be provided in the Notice of Meeting for the 2015 AGM.

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

The value of the frozen benefits as at 30 June 2015, 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 2014	Benefits Paid in FY2015	Total Bond Rate Adjustment	Total Provision 30 June 2015
\$2,879,813	\$3,379,585 ¹	\$899,960 ²	\$60,104 ¹	\$2,539,729

1. Cumulatively an amount of \$2,539,729 (2014: \$3,379,585) has been provided as at 30 June 2015 and \$60,104 (2014: \$81,759) expensed in the current year.
2. Amount paid to the Estate of Paul Joseph Ramsay AO.

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Total remuneration

Details of Non-Executive Directors' remuneration for FY2015 and FY2014 (calculated in accordance with applicable accounting standards) are set out in table 24.

Table 24 – Non-Executive Director Remuneration for FY2015 and FY2014

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
Current Non-Executive Directors					
M.S. Siddle (Chairman)					
FY2015	550,000	-	18,783	11,974	580,757
FY2014	207,745	-	17,646	11,951	237,342
P.J. Evans (Deputy Chairman)					
FY2015	311,858	-	18,783	15,126	345,767
FY2014	234,581	-	17,775	15,097	267,453
R.H. McGeoch AO					
FY2015	210,700	-	18,783	10,219	239,702
FY2014	172,915	-	15,995	10,199	199,109
K.C.D. Roxburgh					
FY2015	226,660	-	18,783	12,246	257,689
FY2014	188,115	-	17,401	12,222	217,738
A.J. Clark AM					
FY2015	202,349	-	18,783	10,539	231,671
FY2014	164,962	-	15,259	10,519	190,740
I.P.S. Grier AM					
FY2015	199,311	-	18,783	-	218,094
FY2014	162,068	-	14,991	-	177,059
P. Akopiantz³					
FY2015	36,024	-	3,344	-	39,368
M. Seale³					
FY2015	35,483	-	3,344	-	38,827
Totals					
FY2015	1,772,385	-	119,386	60,104	1,951,875
FY2014	1,419,793	-	113,879	81,759	1,615,431

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. Ms Akopiantz and Ms Seale were appointed as Directors on 28 April 2015.

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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 FY2015.

Other disclosable transactions

Paul Ramsay Holdings Pty Limited had 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 2015 is nil (2014: \$24,928).

During the year costs of \$30,799 (2014: \$100,139) were charged to and an amount of \$55,727 (2014: \$75,211) was received from Paul Ramsay Holdings Pty Limited for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of \$17,853 (2014: \$33,736) were charged by and an amount of \$36,901 (2014: \$956) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2015 costs of \$17,125 (2014: nil) were accrued for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited, that had not yet been invoiced.

Equity Instruments of KMP

Table 25 – The movement during FY2015 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 2014		Received on Vesting of LTI		Received as Remuneration		Other net change		Held at 30 June 2015	
	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES
Non-Executive Directors										
M.S. Siddle	152,564	-	-	-	-	-	3,750,000	-	3,902,564	-
P. J. Evans	7,209	-	-	-	-	-	-	-	7,209	-
R.H. McGeoch AO	57,331	257	-	-	-	-	-	-	57,331	257
K.C.D. Roxburgh	79,500	-	-	-	-	-	-	-	79,500	-
A. J. Clark AM	82,000	1,700	-	-	-	-	-	-	82,000	1,700
I. P.S Grier AM	-	-	-	-	-	-	-	-	-	-
P. Akopiantz ¹	-	-	-	-	-	-	-	-	-	-
M Seale ¹	-	-	-	-	-	-	-	-	-	-
Executive Directors										
C. P. Rex	948,474	5,334	210,000	-	10,797	-	-420,000	-	749,271	5,334
B. R Soden	270,791	2,000	85,000	-	-	-	-95,000	-	260,791	2,000
Executives										
D. A. Sims	115,550	-	55,000	-	-	-	-20,000	-	150,550	-
C. R. McNally	291,047	-	55,000	-	-	-	-35,714	-	310,333	-

1. Ms Akopiantz and Ms Seale were appointed as Directors on 28 April 2015.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

Table 26 – The movement during FY2015 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/Share Rights	Held at 1 July 2014	Granted (Nov 14) / (Forfeited)	Performance Rights Exercised (Aug 14)	Held at 30 June 2015	Vested during FY2015 (Aug 14)	Vested and exercisable at 30 June 2015
Non-Executive Directors							
M.S. Siddle	N/A	-	-	-	-	-	-
P. J. Evans	N/A	-	-	-	-	-	-
R.H. McGeoch AO	N/A	-	-	-	-	-	-
K.C.D. Roxburgh	N/A	-	-	-	-	-	-
A. J. Clark AM	N/A	-	-	-	-	-	-
I. P.S Grier AM	N/A	-	-	-	-	-	-
P. Akopiantz ¹	N/A	-	-	-	-	-	-
M. Seale ¹	N/A	-	-	-	-	-	-
Executive Directors							
C. P. Rex	Performance	650,000	220,000	210,000	660,000	210,000	-
B. R Soden	Performance	275,000	95,000	85,000	285,000	85,000	-
Other KMP Executives							
D. A. Sims	Performance	175,000	60,000	55,000	180,000	55,000	-
C. R. McNally	Performance	175,000	60,000	55,000	180,000	55,000	-

¹ Ms Akopiantz and Ms Seale were appointed as Directors on 28 April 2015.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

Details of the number of meetings of the Board and its Committees held during the year, and each of the 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 and Ms Akopiantz
Risk Management Committee	Messrs Evans (c), Grier, Rex, Roxburgh, Soden and Ms Seale
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 77 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 98/100. The Company is an entity to which the Class Order applies.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

NON-AUDIT SERVICES

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

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

Tax services	\$	854,000
Other services	\$	133,000

Signed in accordance with a resolution of the Directors.



M.S. SIDDLE
Chairman



C.P. REX
Managing Director

Sydney, 8 September 2015



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 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David Simmonds
Partner
Sydney
8 September 2015

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 2015, 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:

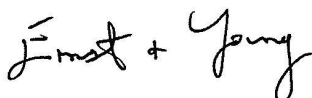
- a. the financial report of Ramsay Health Care Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian 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 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



David Simmonds
Partner
Sydney
8 September 2015

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 2015 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 2015.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 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. SIDDLÉ
Chairman



C.P. REX
Managing Director

Sydney, 8 September 2015

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$000	2014 \$000
Revenue and other income			
Revenue from services	4	7,355,489	4,909,314
Interest income		5,290	2,053
Revenue - income from the sale of development assets		1,621	5,389
Other income - net profit on disposal of non-current assets		4,123	15,513
Total revenue and other income		7,366,523	4,932,269
Employee benefits costs	5	(3,787,940)	(2,511,982)
Occupancy costs	5	(549,136)	(314,497)
Service costs		(296,822)	(225,016)
Medical consumables and supplies		(1,669,491)	(1,180,337)
Depreciation, amortisation and impairment	5	(305,941)	(176,462)
Cost of goods sold - book value of development assets sold		(834)	(2,696)
Total expenses, excluding finance costs		(6,610,164)	(4,410,990)
Share of profit of joint venture	14	10,098	3,181
Profit from continuing operations before tax and finance costs		766,457	524,460
Finance costs	5	(126,155)	(77,135)
Profit before income tax from continuing operations		640,302	447,325
Income tax	6	(221,216)	(137,261)
Net profit for the year		419,086	310,064
Attributable to non-controlling interest		33,544	6,305
Attributable to owners of the parent		385,542	303,759
		419,086	310,064
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	185.0	144.1
Profit (after CARES dividend) from continuing operations	7	185.0	144.1
Diluted earnings per share			
Profit (after CARES dividend)	7	183.5	143.0
Profit (after CARES dividend) from continuing operations	7	183.5	143.0

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	<u>2015 \$000</u>	<u>2014 \$000</u>
Net profit for the year		419,086	310,064
Items that will not be reclassified to net profit			
Actuarial loss on defined benefit plans	26	(412)	(1,166)
Items that may be subsequently reclassified to net profit			
Cash flow hedges			
(Loss)/Gain taken to equity	22	(5,135)	(6,229)
Transferred to Income Statement	22	6,869	8,223
Net loss on bank loan designated as a hedge of a net investment		15,373	(12,231)
Foreign currency translation		(7,374)	11,327
Income tax relating to components of other comprehensive income		(1,041)	(633)
Other comprehensive income for the year, net of tax		<u>8,280</u>	<u>(709)</u>
Total comprehensive income for the year		<u>427,366</u>	<u>309,355</u>
Attributable to non-controlling interests		35,486	4,784
Attributable to the owners of the parent		391,880	304,571
		<u>427,366</u>	<u>309,355</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	2015 \$000	2014 \$000
ASSETS			
Current assets			
Cash and cash equivalents	9	315,861	167,885
Trade receivables	12	996,234	545,072
Inventories	13	191,745	124,005
Income tax receivable	6	26,180	9,183
Prepayments		99,620	51,237
Other current assets		12,318	4,947
		<u>1,641,958</u>	<u>902,329</u>
Assets classified as held for sale		11,818	-
Total current assets		<u>1,653,776</u>	<u>902,329</u>
Non-current assets			
Other financial assets		26,596	2,319
Investments in joint venture	14	211,573	192,815
Property, plant and equipment	15	3,591,806	2,145,219
Goodwill and intangible assets	16	1,878,342	1,171,901
Deferred tax asset	6	204,977	99,218
Non-current prepayments		12,426	12,876
Derivative financial instruments	22	5,933	536
Non-current receivables	12	31,549	29,754
Total non-current assets		<u>5,963,202</u>	<u>3,654,638</u>
TOTAL ASSETS		<u>7,616,978</u>	<u>4,556,967</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	1,610,417	935,322
Interest-bearing loans and borrowings	20	425,198	34,207
Derivative financial instruments	22	10,778	10,237
Provisions	19	82,218	39,088
Income tax payable	6	42,021	15,638
Total current liabilities		<u>2,170,632</u>	<u>1,034,492</u>
Non-current liabilities			
Interest-bearing loans and borrowings	20	2,724,071	1,335,320
Provisions	19	492,255	378,066
Defined employee benefit obligation	26	67,715	21,269
Derivative financial instruments	22	9,442	6,202
Other creditors		9,572	5,805
Deferred tax liability	6	310,204	32,169
Total non-current liabilities		<u>3,613,259</u>	<u>1,778,831</u>
TOTAL LIABILITIES		<u>5,783,891</u>	<u>2,813,323</u>
NET ASSETS		<u>1,833,087</u>	<u>1,743,644</u>
EQUITY			
Issued capital	21	713,523	713,523
Treasury shares	21	(80,190)	(50,330)
Convertible Adjustable Rate Equity Securities (CARES)	21	252,165	252,165
Cash flow hedges	22	(12,238)	(10,914)
Share based payment reserve		66,240	48,276
Vested employee equity		(22,426)	(16,469)
Other reserves		(12,357)	(348)
Retained earnings		955,114	766,656
Parent interests		<u>1,859,831</u>	<u>1,702,559</u>
Non-controlling interests		<u>(26,744)</u>	<u>41,085</u>
TOTAL EQUITY		<u>1,833,087</u>	<u>1,743,644</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

Changes in Equity for the Year to 30 June 2015

	Balance at 1 July 2014 \$'000	Dividends paid to ordinary shareholders of the parent entity \$'000	Shares purchased for executive performance share plan \$'000	Treasury shares vesting to employees in the year \$'000	Share based payment reserve \$'000	Dividends paid to outside equity interest \$'000	Acquisition of subsidiary/ non- controlling interest \$'000	Total comprehensive income for the year, net of tax \$'000	Balance at 30 June 2015 \$'000
Issued capital	713,523	-	-	-	-	-	-	-	713,523
Treasury shares	(50,330)	-	(53,338)	23,478	-	-	-	-	(80,190)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	-	252,165
Share based payment reserve	48,276	-	-	(17,521)	35,485	-	-	-	66,240
Cash flow hedges	(10,914)	-	-	-	-	-	-	(1,324)	(12,238)
Bank loan designated as a hedge of a net investment in a subsidiary	61,302	-	-	-	-	-	-	15,373	76,675
Foreign currency translation	(61,650)	-	-	-	-	-	-	(8,414)	(70,064)
Acquisition of non-controlling interest	-	-	-	-	-	-	(18,968)	-	(18,968)
Retained earnings	766,656	(197,787)	-	-	-	-	-	386,245	955,114
Vested employee equity	(16,469)	-	-	(5,957)	-	-	-	-	(22,426)
Owners of the parent	1,702,559	(197,787)	(53,338)	-	35,485	-	(18,968)	391,880	1,859,831
Non-controlling interests	41,085	-	-	-	-	(106,099)	2,784	35,486	(26,744)
Total equity	1,743,644	(197,787)	(53,338)	-	35,485	(106,099)	(16,184)	427,366	1,833,087

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

Changes in Equity for the Year to 30 June 2014

	Balance at 1 July 2013 \$'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	Share capital issue- Ramsay Santé \$'000	Acquisition/ Disposal of subsidiary/n on- 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	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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>
Cash flows from operating activities			
Receipts from customers		7,280,444	4,874,853
Payments to suppliers and employees		(6,154,266)	(4,075,803)
Income tax paid		(204,028)	(164,158)
Finance costs		(175,915)	(73,418)
Net cash flows from operating activities	9	<u>746,235</u>	<u>561,474</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(486,172)	(245,664)
Proceeds from sale of property, plant and equipment		27,157	1,414
Interest received		5,290	2,053
Acquisition of investment in joint venture	9	-	(72,425)
Acquisition of business, net of cash received	10	(624,606)	(226,601)
Acquisition of non-controlling interest		(21,862)	-
Deferred payment on investment in joint venture	9	(14,876)	-
Net cash flows used in investing activities		<u>(1,115,069)</u>	<u>(541,223)</u>
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(197,787)	(166,172)
Dividends paid to outside equity interest		(106,099)	-
Repayment of principal to bondholders		(3,709)	(3,423)
Repayment of finance lease - principal		(17,732)	(2,330)
Purchase of ordinary shares		(53,338)	(30,596)
Proceeds from borrowings		1,360,473	290,592
Repayment of borrowings		(468,850)	(307,735)
Proceeds from outside equity interest loan		-	52,895
Proceeds from issue of shares to outside equity interest		-	39,027
Net cash flows from/(used in) financing activities		<u>512,958</u>	<u>(127,742)</u>
Net increase/(decrease) in cash and cash equivalents		144,124	(107,491)
Net foreign exchange differences on cash held		3,852	3,125
Cash and cash equivalents at beginning of year		167,885	272,251
Cash and cash equivalents at end of year	9	<u>315,861</u>	<u>167,885</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. CORPORATE INFORMATION

The financial report of Ramsay Health Care Limited (**'The Company'**) for the year ended 30 June 2015 was authorised for issue on 8 September 2015 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 2014.

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 98/100. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2015 \$000	2014 \$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	385,542	303,759
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals ^(a)	22,168	22,910
- Amortisation - service concession assets	2,927	2,800
- Net profit on disposal of non-current assets	(3,570)	(15,160)
- Income from the sale of development assets	(1,621)	(5,389)
- Book value of development assets sold	834	2,696
- Acquisition, disposal, and development costs	21,984	33,880
- Impairment of non-current assets	-	6,742
- Introduction of employee share plan costs	-	14,067
Income tax on non-core items	(11,453)	(18,115)
Non-controlling interest in non-core items net of tax	(4,722)	(2,040)
	<u>26,547</u>	<u>42,391</u>
Core profit (segment result) after tax from continuing operations	412,089	346,150
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	412,089	346,150
Less: CARES Dividend	(13,734)	(13,898)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	<u>398,355</u>	<u>332,252</u>
Weighted average number of ordinary shares adjusted for effect of dilution	202,598,503	202,687,965
Core earnings per share from continuing operations	196.6c	163.9c

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

	2015 \$000	2015 \$000	2015 \$000
	Statutory consolidated Income Statement	Non-core items as listed at 2(a)(i)	Core (segment) consolidated Income Statement
Revenue and other income			
Revenue from services	7,355,489	-	7,355,489
Interest income	5,290	-	5,290
Revenue - income from the sale of development assets	1,621	(1,621)	-
Other income - net profit on disposal of non-current assets	4,123	(3,570)	553
Total revenue and other income	7,366,523	(5,191)	7,361,332
Employee benefits costs	(3,787,940)	-	(3,787,940)
Occupancy costs	(549,136)	22,168	(526,968)
Service costs	(296,822)	21,984	(274,838)
Medical consumables and supplies	(1,669,491)	-	(1,669,491)
Depreciation, amortisation and impairment	(305,941)	2,927	(303,014)
Cost of goods sold - book value development assets sold	(834)	834	-
Total expenses, excluding finance costs	(6,610,164)	47,913	(6,562,251)
Share of profit of joint venture	10,098	-	10,098
Profit from continuing operations before tax and finance costs	766,457	42,722	809,179
Finance costs	(126,155)	-	(126,155)
Profit before income tax from continuing operations	640,302	42,722	683,024
Income tax	(221,216)	(11,453)	(232,669)
Net profit for the year	419,086	31,269	450,355
Attributable to non-controlling interest	33,544	4,722	38,266
Attributable to owners of the parent	385,542	26,547	412,089
	419,086	31,269	450,355

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

	2014 \$000	2014 \$000	2014 \$000
	Statutory consolidated Income Statement	Non-core items as listed at 2(a)(i)	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	(225,016)	33,880	(191,136)
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	(4,410,990)	83,095	(4,327,895)
Share of profit of joint venture	3,181	-	3,181
Profit from continuing operations before tax and finance costs	524,460	62,546	587,006
Finance costs	(77,135)	-	(77,135)
Profit before income tax from continuing operations	447,325	62,546	509,871
Income tax	(137,261)	(18,115)	(155,376)
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014:

- AASB 1031 *Materiality*
- Interpretation 21 *Levies*
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- 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]*

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

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

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

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The company's own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <ol style="list-style-type: none"> 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. 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. 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. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>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.</p>	1 January 2018	The Group is currently evaluating the impact of the new standard.	1 July 2018

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11	1 January 2016	The adoption of this new amendment will not have any impact on the financial report.	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The adoption of this new amendment will not have any impact on the financial report.	1 July 2016
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). 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 Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	The Group is currently evaluating the impact of the new standard.	1 July 2018

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and</p> <p>(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p>	1 January 2016	The adoption of this new amendment will not have any impact on the financial report.	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> ▶ Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> ▶ Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. ▶ Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> ▶ Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> ▶ Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 	1 January 2016	The adoption of this new amendment will not have any impact on the financial report.	1 July 2016

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The adoption of this new amendment will not have any impact on the financial report.	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	The adoption of this new amendment will not have any impact on the financial report.	1 July 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 17.

Share – based payment transactions

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

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.

Recognition of land and buildings at fair value in a business combination

The Group recognises the identifiable assets and liabilities of acquired businesses at their acquisition date fair value. The business combination of Generale de Santé on 1 October 2014 has resulted in the Group recognising a significant amount of land and buildings at fair value. This fair value has been determined by an external valuer using the income (capitalisation) approach based on data and assumptions relevant to the private healthcare market in France.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 is current when it is:

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

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

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

The Group classifies all other liabilities as non-current.

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

(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 and Generale de 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 – 60 years
- Leasehold improvements – over lease term
- Plant and equipment, other than plant integral to buildings – various periods not exceeding 10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 the expense category Depreciation, amortisation and impairment.

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

(ii) Derecognition & disposal

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

(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*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 Service Costs 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 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

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 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014 and 2015.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 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 (EIR), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 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 (mainly internally developed software 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.	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

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

(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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 corporate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 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: 12, 19, 20 and 22.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 28.

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:

	2015	2014
	\$000	\$000
Financial Assets		
Cash and cash equivalents	315,861	167,885
Financial Liabilities		
Bank Loans	(757,406)	(409,030)
Net exposure	<u>(441,545)</u>	<u>(241,145)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in Note 22, with a net negative fair value of \$13,172,000 (2014: negative: \$12,460,000) 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 2015, after taking into account the effect of interest rate swaps, approximately 72% (2014: 65%) of the Group's borrowings are at a fixed rate of interest.

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

Interest rate sensitivity

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
AUD				
+ 80 basis points (2014: + 60 basis points)	(575)	(955)	7,546	7,059
- 80 basis points (2014: - 60 basis points)	575	949	(7,722)	(7,177)
GBP				
+ 55 basis points (2014: + 70 basis points)	(160)	(507)	1,471	1,554
- 55 basis points (2014: - 70 basis points)	160	483	(1,497)	(1,546)
EUR				
+ 35 basis points (2014: + 30 basis points)	(658)	(189)	11,779	726
- 35 basis points (2014: - 30 basis points)	658	113	(11,498)	(674)

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 2015, comparing to 2014 is due to the increase in hedging from 65% in 2014 to 72% in 2015 and the increased interest rate volatility in 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

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

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

Foreign currency sensitivity

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

British Pound (GBP)

	Change in GBP rate	Effect on Post Tax Profit Higher/(Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		\$000	\$000
2015	+20%	(13)	(67,752)
	-20%	15	81,255
2014	+15%	(17)	(23,395)
	-15%	19	26,901

- At reporting date, the Group had the GBP exposure of £284,635,000 (2014: £98,844,000) that is not designated in a net investment hedge.
- The Group has a GBP borrowing of £117,000,000 (2014: £117,000,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in Note 22.

Euro (EUR)

	Change in EUR rate	Effect on Post Tax Profit Higher/(Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		\$000	\$000
2015	+20%	(165)	(7,747)
	-20%	198	9,300
2014	+15%	(6)	(4,641)
	-15%	7	5,336

- At reporting date, the Group had the Euro exposure of €45,927,000 (2014: €24,508,000) that is not designated in a net investment hedge.
- The Group has a Euro borrowing of €444,640,000 (2014: €80,000,000) that is designated as a hedge of the net investment in the French operation. Further information on the hedge is set out in Note 22.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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
2015	+15%	(2,125)	(14,532)
	-15%	2,444	16,710
2014	+15%	(1,358)	(12,061)
	-15%	1,562	13,871

- At reporting date, the Group had the MYR exposure of MYR 462,491,000 (2014: MYR 399,797,000) that is not designated in net investment hedge.
- The Group has a MYR borrowing of MYR 151,905,000 (2014: MYR 185,273,000) that is designated as a hedge of the net investment in the Malaysian operations. Further information on the hedge is set out in Note 22.

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 prudential requirements 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015	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	-	(1,596,582)	-	-	-	(1,596,582)
Interest-bearing loans and borrowings	-	(249,705)	(35,437)	(1,693,476)	(16,224)	(1,994,842)
Sub-ordinated bonds	-	(41,529)	-	-	-	(41,529)
Outside equity interest loan	-	(51,979)	-	-	-	(51,979)
Deferred consideration	-	(23,263)	-	(31,204)	-	(54,467)
Financial derivatives	-	(2,778)	(8,889)	(9,062)	-	(20,729)
	-	(1,965,836)	(44,326)	(1,733,742)	(16,224)	(3,760,128)

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)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	> 5 years \$000	Total \$000
Inflows	-	3,370	10,031	25,264	-	38,665
Outflows	-	(6,148)	(18,920)	(34,326)	-	(59,394)
Net	-	(2,778)	(8,889)	(9,062)	-	(20,729)
Discounted at the applicable interbank rates	-	(2,331)	(8,448)	(9,441)	-	(20,220)

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)

4. REVENUE

Revenue from services

	2015 \$000	2014 \$000
Revenue from patients	7,246,177	4,814,867
Rental income - Other persons/corporations	35,972	33,082
Income from ancillary services	73,340	61,365
Revenue from services	<u>7,355,489</u>	<u>4,909,314</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

5. EXPENSES

Expenses from Continuing Operations

	2015 \$000	2014 \$000
(a) Depreciation included in Income Statement		
Depreciation - Plant and equipment	203,730	110,446
Depreciation - Buildings	85,769	50,389
Total depreciation	<u>289,499</u>	<u>160,835</u>
(b) Amortisation included in Income Statement		
Service concession assets	6,310	5,271
Development cost	10,132	3,614
Total amortisation	<u>16,442</u>	<u>8,885</u>
(c) Impairment included in Income Statement		
Impairment - Property, plant and equipment	-	6,742
Total impairment	<u>-</u>	<u>6,742</u>

(d) Operating lease costs and incentive

Lease costs included in occupancy costs expenses in the Income Statement	<u>327,887</u>	<u>164,847</u>
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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 <i>Leases</i> and UIG 115 <i>Operating Leases – Incentives</i>	<u>(22,168)</u>	<u>(22,910)</u>
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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 2015 was lower than the rent expensed by \$22,168,000 (2014: \$22,910,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

(e) Employee benefits cost

Wages and salaries	3,149,711	2,219,575
Workers' compensation	16,346	20,429
Superannuation	142,578	128,545
Termination benefits	9,844	3,911
Social charges and contributions on wages and salaries	339,305	69,085
Other employment	99,419	32,496
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	<u>30,737</u>	<u>37,941</u>
	<u>3,787,940</u>	<u>2,511,982</u>

(f) Finance costs

Interest expense - Other persons/corporations	121,435	75,551
Finance charges - Lease liability	<u>4,821</u>	<u>1,454</u>
	126,256	77,005

Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	3,848	3,913
Finance costs capitalised	<u>(3,949)</u>	<u>(3,783)</u>
	<u>126,155</u>	<u>77,135</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

6. INCOME TAX

	<u>2015 \$000</u>	<u>2014 \$000</u>
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
<i>Current income tax</i>		
Current income tax charge	223,351	141,148
Adjustments in respect of previous years	4,817	549
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(5,031)	(3,306)
Adjustments in respect of deferred income tax of previous years	(1,921)	(1,130)
Income tax expense reported in the Income Statement	<u>221,216</u>	<u>137,261</u>

(b) Numerical reconciliation between aggregate tax expense recognised in the Income Statement and tax expense calculated per the statutory income tax rate

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

Accounting profit before tax from continuing operations	<u>640,302</u>	<u>447,325</u>
At the Parent Entity's statutory income tax rate of 30% (2014: 30%)	192,091	134,198
Expenditure not allowable for income tax purposes	34,421	(1,197)
Foreign tax rate adjustment	(12,077)	(420)
Other	6,781	4,680
Income tax expense reported in the consolidated Income Statement attributable to continuing operations	<u>221,216</u>	<u>137,261</u>

(c) Recognised deferred tax assets and liabilities

	2015 \$000	2015 \$000	2014 \$000	2014 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(6,455)	67,049	(27,708)	55,667
(Charged)/ credited to income	(228,168)	6,952	(146,133)	4,436
Credited/(charged) to equity	-	5,321	-	3,580
Payments	197,000	-	164,863	-
Exchange differences	(398)	(1,348)	(226)	(423)
Acquisition of subsidiary	22,180	(183,201)	2,749	3,789
Closing balance	<u>(15,841)</u>	<u>(105,227)</u>	<u>(6,455)</u>	<u>67,049</u>

Amounts recognised in the Statement of Financial Position

Deferred tax asset	204,977	99,218
Deferred tax liability	<u>(310,204)</u>	<u>(32,169)</u>
Net deferred income tax	(105,227)	67,049

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

6. INCOME TAX (CONTINUED)

(c) Recognised deferred tax assets and liabilities (continued)

	Statement of Financial Position	
	2015	2014
	\$000	\$000
<i>Deferred income tax at 30 June relates to the following:</i>		
(i) Deferred tax liabilities		
Inventory	(13,049)	(14,617)
Recognition of revenue	(49,323)	(11,594)
Depreciable assets	(209,233)	(54,163)
Other	(16,208)	(2,773)
Provisions and lease liabilities	(75,408)	(21,113)
Gross deferred tax liabilities	<u>(363,221)</u>	<u>(104,260)</u>
Set-off of deferred tax assets	<u>53,017</u>	<u>72,091</u>
Net deferred tax liabilities	<u>(310,204)</u>	<u>(32,169)</u>
(ii) Deferred tax assets		
Employee provisions	116,899	91,870
Other provisions and lease liabilities	102,931	55,223
Unearned income	11,332	9,717
Other	6,529	7,254
Losses	16,582	2,480
Derivatives	3,721	4,765
Gross deferred tax assets	<u>257,994</u>	<u>171,309</u>
Set-off of deferred tax assets	<u>(53,017)</u>	<u>(72,091)</u>
Net deferred tax assets	<u>204,977</u>	<u>99,218</u>

(d) Tax losses

At 30 June 2015, there is \$9,296,854 (2014: \$9,296,854) 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.

(e) 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 \$29,262,294 (2014: increased \$5,915,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 33.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

	2015 \$000	2014 \$000
Net profit for the year attributable to the owners of the parent	385,542	303,759
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(13,734)	(13,898)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	<u>371,808</u>	<u>289,861</u>
	2015 Number of Shares	2014 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,985,638	201,087,847
Effect of dilution – share rights not yet vested (a)	<u>1,612,865</u>	<u>1,600,118</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u><u>202,598,503</u></u>	<u><u>202,687,965</u></u>

(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.

	2015 Cents per Share	2014 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	185.0	144.1
- diluted (after CARES dividend) for the year	183.5	143.0
- basic (after CARES dividend) from continuing operations	185.0	144.1
- diluted (after CARES dividend) from continuing operations	183.5	143.0

8. DIVIDENDS PAID OR PROPOSED

	Parent	
	2015 \$000	2014 \$000
(a) Dividend on ordinary shares paid during the year:		
<i>(i) Interim dividend paid</i>		
Franked dividends – ordinary (40.5 cents per share) (2014: 34.0 cents per share)	<u>81,842</u>	<u>68,708</u>
<i>(ii) Previous year final dividend paid</i>		
Franked dividends – ordinary (51.0 cents per share) (2014: 41.5 cents per share)	<u>103,061</u>	<u>83,864</u>
	<u><u>184,903</u></u>	<u><u>152,572</u></u>
(b) Dividend proposed and not recognised as a liability:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (60.5 cents per share) (2014: 51.0 cents per share)	<u>122,259</u>	<u>103,061</u>
(c) Dividends declared and paid during the year on CARES:		
<i>Current year interim and previous year final dividend paid</i>		
Franked dividends - CARES	<u>13,734</u>	<u>13,898</u>
(d) Dividends proposed and not recognised as a liability on CARES:		
<i>Final dividend proposed</i>		
Franked dividends - CARES	<u>6,524</u>	<u>6,846</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

8. DIVIDENDS PAID OR PROPOSED (CONTINUED)

(e) Franking credit balance

	Parent	
	2015 \$000	2014 \$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% (2014: 30%)	385,541	323,514
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	13,163	11,111
	<u>398,704</u>	<u>334,625</u>
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	(55,193)	(47,103)
	<u>343,511</u>	<u>287,522</u>

* 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% (2014: 30%) \$128,784,000 (2014: \$109,907,000) of the proposed dividends will be franked at the rate of 30% (2014: 30%).

9. CASH AND CASH EQUIVALENTS

	2015 \$000	2014 \$000
Cash at bank and on hand	241,842	110,907
Short term deposits	74,019	56,978
Total cash and cash equivalents	<u>315,861</u>	<u>167,885</u>

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

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	<u>315,861</u>	<u>167,885</u>
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Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax for the year	419,086	310,064
Adjustments for:		
Share of profit of joint venture	(10,098)	(3,181)
Depreciation, amortisation and impairment	305,941	176,462
Interest received	(5,290)	(2,053)
Changes in assets & liabilities		
Deferred tax	(11,995)	(8,246)
Receivables	(77,373)	(42,871)
Other assets	(16,585)	4,650
Creditors and accruals	58,583	123,994
Provisions	60,583	39,494
Inventory	(10,080)	(9,191)
Tax provisions	33,463	(27,648)
Net cash from operating activities	<u>746,235</u>	<u>561,474</u>

Disclosure of financing facilities

Refer to Note 28.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

9. CASH AND CASH EQUIVALENTS (CONTINUED)

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 2015, a total of \$79 million has been paid to Sime Darby Berhad and an investment in the joint venture of \$196 million 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:

	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 in the year ended 30 June 2014		72,425
Deferred payments to Sime Darby payable within 3 years of acquisition		59,538
Value of Indonesian operations contributed to joint venture		63,757
Total investment in joint venture	14	195,720

At 30 June 2014, there was a \$60 million deferred payment payable to Sime Darby Berhad. On 1 July 2014, \$15 million of this was repaid.

10. BUSINESS COMBINATIONS

Générale de Santé 2015

On 1st October 2014, Ramsay acquired a controlling interest in Générale de Santé, a leading private hospital operator and healthcare services group in France listed on the Euronext Paris Eurolist, thereby significantly enlarging and enhancing its operations in that geographic segment.

The primary reason for the business combination is the acquisition of a controlling interest in Générale de Santé. Ramsay has entered into a shareholders' agreement with Predica in order to organise their future relationships as shareholders of Générale de Santé of which they together hold 83.43% of the shares and 75.72% of the theoretical voting rights upon completion of the acquisition transaction. The shareholders' agreement provides for the composition of the board of directors and other corporate governance undertakings. Ramsay has obtained control of Générale de Santé by virtue of the provisions of the shareholders' agreement entered into with Predica, together with the acquisition of 47.55% of the share capital and 43.16% of the theoretical voting rights of Générale de Santé.

Assets acquired and liabilities assumed

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Générale de Santé based upon the best information available as of the reporting date. The diligences underpinning this accounting are substantially complete as at 30 June 2015, however, as they remain formally open, the amounts recognised for the Générale de Santé business combination in the financial statements for the year ended 30 June 2015 are determined on a provisional basis only. This applies in particular, but not exclusively, to amounts recognised for property, plant and equipment. Ramsay shall until the end of the measurement period obtain and consider the information necessary about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognition and measurement of the amounts recognised as of that date for the Générale de Santé business combination, in order to retrospectively adjust the provisional amounts recognised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

10. BUSINESS COMBINATIONS (CONTINUED)

Générale de Santé 2015 (continued)

The provisional fair values of the identifiable assets and liabilities of Générale de Santé as at the date of acquisition are as follows:

	<u>\$000</u>
Accounts receivable	341,670
Inventory	54,809
Corporate tax receivable	22,180
Property, plant and equipment	1,268,693
Intangible assets	23,639
Financial assets	20,698
Other assets	81,991
Bank overdraft	(76,815)
Creditors and accruals	(569,491)
Interest-bearing liabilities	(855,994)
Provisions and other liabilities	(147,358)
Deferred income tax liability	(183,201)
Fair value of identifiable net liabilities	(19,179)
Non-controlling interests	(5,565)
Goodwill arising on acquisition	644,994
	<u>620,250</u>
Acquisition date fair value of consideration transferred	
Cash paid	<u>620,250</u>
	<u>620,250</u>
Direct costs relating to the acquisition - included within service costs	
Expensed in the year ended 30 June 2014	9,775
Expensed in the year ended 30 June 2015	2,829
	<u>12,604</u>

The cash outflow on acquisition is as follows:

Cash paid	<u>(620,250)</u>
Net consolidated cash outflow	<u>(620,250)</u>

The goodwill of \$644,994,000 comprises the value of synergies expected to be achieved as a result of combining Générale de Santé with the rest of the Group, as well as intangible assets that do not qualify for separate recognition. This acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy and enables the Group to become the leader in private hospitals in France with significant market share. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to the parent only.

The Group has elected to measure the non-controlling interests in the acquiree at their proportionate share in the recognised amounts of the acquiree's identifiable net liabilities. The non-controlling interests in the acquiree at the time of the business combination represent 52.42% of the share capital of Générale de Santé.

The fair value of the acquired receivables amounts to \$341,670,000. The gross contractual amount receivable is \$350,562,000, however only the fair value amount of \$341,670,000 is expected to be collected.

From the date of acquisition, Générale de Santé has contributed \$1,933,775,000 of revenue and \$88,188,000 to the Group profit before income tax from continuing operations. If Générale de Santé had been acquired at the beginning of the financial year on 1 July 2014, the revenue for the Group would have been \$7,911,557,000 and the profit before income tax from continuing operations for the Group would not have been significantly different to the Group profit before tax as reported.

Acquisition of additional interest in Générale de Santé

On 7 and 13 of November 2014, the Group acquired a total additional 1.24% interest in the voting shares of Générale de Santé, increasing its ownership interest to 48.80%. Cash consideration of \$16,049,000 was paid to non-controlling shareholders.

	<u>\$000</u>
Cash consideration paid to non-controlling shareholders	16,049
Carrying value of the additional interest acquired in Générale de Santé	486
Difference recognised in acquisition of non-controlling interests reserve within equity	<u>16,535</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

10. BUSINESS COMBINATIONS (CONTINUED)

Other Acquisitions – 2015

Over the past twelve months, Ramsay has acquired other businesses within the healthcare sector. The amounts recognised for these business combinations in the financial statements for the year ended 30 June 2015 have been determined on a provisional basis only.

	<u>\$000</u>
Fair value of identifiable net assets	414
Goodwill arising on acquisition	3,942
Acquisition date fair value of consideration transferred	<u>4,356</u>
The cash outflow on acquisition is as follows	
Cash paid	<u>(4,356)</u>

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 recognised the fair values of the identifiable assets and liabilities of Medipsy as follows:

	<u>\$000</u>
Cash	3,210
Accounts Receivable	21,320
Inventory	586
Corporate tax receivable	2,749
Other current assets	15,136
Property, plant and equipment	91,188
Intangible assets	1,035
Deferred income tax asset	3,789
Other non-current assets	8
Creditors and accruals	(63,230)
Intercompany loan	(123,799)
Interest bearing liabilities	(4,389)
Provisions and other liabilities non-current	(9,069)
Fair value of identifiable net liabilities	<u>(61,466)</u>
Non-controlling interest	(2,424)
Intercompany debt eliminated on consolidation	123,799
Goodwill arising on acquisition	168,396
	<u>228,305</u>
Acquisition date fair value of consideration transferred	
Cash paid	229,811
Indemnification asset receivable	(1,506)
	<u>228,305</u>
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	3,210
Cash paid	(229,811)
Net consolidated cash outflow	<u>(226,601)</u>

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 \$168,396,000 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 30 June 2014, as though Medipsy was acquired on 1 July 2013, would not be significantly different to the Group results as reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11. SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on the country in which the service is provided, as this is the Group's major risk and has the most effect on the rate of return, due to differing currencies and differing health care systems in the respective countries. The Group has 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 2015				
Revenue				
Revenue from services	4,055,508	781,962	2,518,019	7,355,489
Total revenue before intersegment revenue	4,055,508	781,962	2,518,019	7,355,489
Intersegment revenue	5,217	-	-	5,217
Total segment revenue	4,060,725	781,962	2,518,019	7,360,706
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹				
Depreciation and amortisation	(130,671)	(35,508)	(136,835)	(303,014)
Profit on disposal of non-current assets	553	-	-	553
Earnings before interest and tax (EBIT) ²	521,379	75,605	206,905	803,889
Interest				(120,865)
Income tax expense				(232,669)
Segment (core) net profit after tax ³				450,355
Attributable to non-controlling interest				(38,266)
Segment (core) net profit after tax, attributable to owners of the parent ⁴				412,089
Non-core items net of tax				(26,547)
Net profit attributable to owners of the parent				385,542

¹ "EBITDA" is a non-statutory profit measure and represents profit from continuing operations before interest, tax, depreciation, amortisation and non-core items.

² "EBIT" is a non-statutory profit measure and represents profit from continuing operations before interest, tax and non-core items.

³ "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit from continuing operations before non-core items.

⁴ "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit from continuing operations before non-core items that are attributable to the owners of the parent

	Asia Pacific \$000	UK \$000	France \$000	Adjustments & Eliminations \$000	Total \$000
Assets & liabilities					
Segment assets	4,134,630	1,530,548	3,449,070	(1,497,270)	7,616,978
Segment liabilities	(2,304,715)	(798,144)	(2,725,721)	44,689	(5,783,891)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

11. SEGMENT INFORMATION (CONTINUED)

	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
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹				
Depreciation and amortisation	(115,963)	(31,893)	(19,064)	(166,920)
Profit on disposal of non-current assets	353	-	-	353
Earnings before interest and tax (EBIT) ²	480,237	61,092	43,624	584,953
Interest				(75,082)
Income tax expense				(155,376)
Segment (core) net profit after tax ³				354,495
Attributable to non-controlling interest				(8,345)
Segment (core) net profit after tax, attributable to owners of the parent ⁴				346,150
Non-core items net of tax, attributable to owners of the parent				(42,391)
Net profit attributable to owners of the parent				303,759

¹ "EBITDA" is a non-statutory profit measure and represents profit from continuing operations before interest, tax, depreciation, amortisation, and non-core items.

² "EBIT" is a non-statutory profit measure and represents profit from continuing operations before interest, tax and non-core items.

³ "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit from continuing operations before non-core items.

⁴ "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit from continuing operations before non-core items that are attributable to the owners of the parent

	Asia Pacific \$000	UK \$000	France \$000	Adjustments & Eliminations \$000	Total \$000
Assets & liabilities					
Segment assets	3,673,231	809,697	679,194	(605,155)	4,556,967
Segment liabilities	(1,953,500)	(424,377)	(504,421)	68,975	(2,813,323)

	2015 \$000	2014 \$000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	7,360,706	4,914,717
Inter segment sales elimination	(5,217)	(5,403)
Interest income	5,290	2,053
Revenue - income from the sale of development assets	1,621	5,389
Other income - profit on disposal of non-current assets	4,123	15,513
Total revenue and other income - Income Statement	7,366,523	4,932,269

(ii) Segment net profit after tax reconciliation to Income Statement

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's Earnings before interest and tax (EBIT). A segment's core net profit after tax excludes income and expenses from non-core items. Refer to Note 2(a) for the reconciliation of net profit attributable to owners of the parent to core profit (segment result) after tax.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

12. RECEIVABLES

	2015 \$000	2014 \$000
Current		
Trade and other debtors	1,025,064	570,705
Allowances for impairment loss	(28,830)	(25,633)
	<u>996,234</u>	<u>545,072</u>
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	8,552	22,957
Rental property bonds receivable	19,872	6,231
Other	3,125	566
	<u>31,549</u>	<u>29,754</u>
Total	<u>1,027,783</u>	<u>574,826</u>

(i) Allowances for impairment loss

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

Movements in the provision for impairment loss were as follows:

	2015 \$000	2014 \$000
At 1 July	(25,633)	(16,559)
Charge for the year (included in service costs)	(6,764)	(9,602)
Acquisition of subsidiary	(8,892)	(952)
Foreign exchange translation	(657)	(242)
Amounts written off	13,116	1,722
At 30 June	<u>(28,830)</u>	<u>(25,633)</u>

(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
2015	1,056,613	623,875	145,484	118,802	107,612	32,010	28,830
2014	600,459	507,095	40,928	18,410	3,725	4,668	25,633

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: \$403,908,000 (2014: \$67,731,000). 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 29.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

12. RECEIVABLES (CONTINUED)

(vi) Foreign exchange & interest rate risk

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

(vii) Terms & conditions

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

13. INVENTORIES

	2015	2014
	\$000	\$000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	169,071	101,379
Development assets to be sold that are currently under construction – at cost	22,674	22,626
	<u>191,745</u>	<u>124,005</u>

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2015 totalled \$1,669,491,000 (2014: \$1,180,337,000) 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 2015 totalled \$834,000 (2014: \$2,696,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

14. INVESTMENT IN JOINT VENTURE

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

	Note	2015	2014
		\$000	\$000
Investment in joint venture at beginning of period		192,815	-
Additions	9	-	195,720
Share of profit of joint venture		10,098	3,181
Foreign currency translation		8,660	(6,086)
		<u>211,573</u>	<u>192,815</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

15. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings \$000	Plant & Equipment \$000	Assets Under Construction \$000	Total \$000
Cost				
At 1 July 2013	1,701,460	1,275,112	202,111	3,178,683
Additions	15,852	95,980	127,662	239,494
Acquisition of subsidiary	77,189	13,999	-	91,188
Disposals	(1,188)	(73,257)	-	(74,445)
Transferred from assets under construction	153,184	58,790	(211,974)	-
Exchange Differences	10,089	26,144	-	36,233
At 30 June 2014	1,956,586	1,396,768	117,799	3,471,153
Additions	57,671	209,647	188,503	455,821
Acquisition of subsidiary	995,487	273,284	-	1,268,771
Disposals	(10,563)	(31,198)	-	(41,761)
Transferred from assets under construction	109,519	62,524	(172,043)	-
Exchange Differences	22,247	40,116	-	62,363
At 30 June 2015	3,130,947	1,951,141	134,259	5,216,347
Depreciation and Impairment				
At 1 July 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)
Depreciation charge for the year	(85,769)	(203,730)	-	(289,499)
Disposals	2,483	16,244	-	18,727
Exchange Differences	(6,070)	(21,765)	-	(27,835)
At 30 June 2015	(476,269)	(1,148,272)	-	(1,624,541)
Net Book Value				
At 30 June 2015	<u>2,654,678</u>	<u>802,869</u>	<u>134,259</u>	<u>3,591,806</u>
At 30 June 2014	<u>1,569,673</u>	<u>457,747</u>	<u>117,799</u>	<u>2,145,219</u>

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2015 is \$406,282,000 (2014: \$48,667,000).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

16. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill \$000	Service Concession Assets \$000	Development Costs [^] \$000	Total \$000
Cost				
At 1 July 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	168,396	-	1,035	169,431
Exchange Differences	11,820	-	18	11,838
At 30 June 2014	1,099,279	84,137	46,388	1,229,804
Additions	-	9,993	13,743	23,736
Disposals	-	-	(74)	(74)
Acquisition of a subsidiary	648,936	-	23,639	672,575
Exchange Differences	26,699	-	18	26,717
At 30 June 2015	1,774,914	94,130	83,714	1,952,758
Amortisation and Impairment				
At 1 July 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)
Amortisation charge for the year	-	(6,310)	(10,132)	(16,442)
Disposals	-	-	(59)	(59)
Exchange Differences	-	-	(12)	(12)
At 30 June 2015	-	(28,312)	(46,104)	(74,416)
Net Book Value				
At 30 June 2015	1,774,914	65,818	37,610	1,878,342
At 30 June 2014	1,099,279	62,135	10,487	1,171,901

[^] *Mainly internally generated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17. IMPAIRMENT TESTING OF GOODWILL

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

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

- Australia;
- United Kingdom; 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 2015 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2016 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 (2014: 3%).

The pre-tax discount rate applied to cash flow projections is 11.5% (2014: 13.1%). The post-tax discount rate is 9.0% (2014: 9.6%).

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 2015 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 6.7% (2014: 8.3%). The post-tax discount rate applied to cash flow projections is 6.0% (2014: 7.6%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2.0% (2014: 2.0%).

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 2015 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 8.2% (2014: 7.7%). The post-tax discount rate applied to cash flow projections is 6.8% (2014: 6.3%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 1.5% (2014: 1.0%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

17. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

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

The carrying amounts of goodwill allocated to the 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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Carrying amount of goodwill	563,130	559,287	249,545	221,974	962,239	318,018	1,774,914	1,099,279

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2015 and 30 June 2014

- 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% - 38% 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 reasonably likely changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates would result in the carrying value of goodwill exceeding the recoverable amount.

For the United Kingdom, management do not consider that any reasonably likely 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 reasonably likely 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

18. TRADE & OTHER PAYABLES

	2015	2014
	\$000	\$000
Trade payables	721,860	339,543
Sundry creditors and accrued expenses	306,199	268,481
Employee and Director entitlements	580,837	325,468
Other payables	1,521	1,830
	<u>1,610,417</u>	<u>935,322</u>

(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.

	2015	2014
	\$000	\$000
19. PROVISIONS		
Current		
Restructuring provision	7,104	7,766
Unfavourable contracts	12,225	5,312
Insurance provision	16,733	18,228
Legal and compliance provision	28,363	-
Deferred lease provision	300	-
Other provisions	17,493	7,782
	<u>82,218</u>	<u>39,088</u>
Non-current		
Non-current employee and Director entitlements	28,609	26,825
Deferred lease provision	267,853	209,652
Unfavourable contracts	26,468	10,196
Insurance provision	113,950	111,306
Restructuring provision	20,677	-
Legal and compliance provision	14,964	-
Other provisions	19,734	20,087
	<u>492,255</u>	<u>378,066</u>
Total	<u>574,473</u>	<u>417,154</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

19. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease \$000	Restructuring \$000	Insurance \$000	Unfavourable contracts \$000	Legal and compliance \$000	Other provision \$000	Total \$000
At 1 July 2014	209,652	7,766	129,534	15,508	-	27,869	390,329
Arising during the year	29,296	3,214	13,472	-	13,652	29,823	89,457
Acquisition/disposal of subsidiary	-	20,659	-	33,162	29,649	6,497	89,967
Utilised during the year	-	(3,876)	(4,396)	(10,972)	-	(12,963)	(32,207)
Exchange differences	29,205	18	442	1,079	26	572	31,342
Unused amounts reversed	-	-	(8,369)	(84)	-	(15,095)	(23,548)
Discount rate adjustment	-	-	-	-	-	524	524
At 30 June 2015	<u>268,153</u>	<u>27,781</u>	<u>130,683</u>	<u>38,693</u>	<u>43,327</u>	<u>37,227</u>	<u>545,864</u>
Current 2015	300	7,104	16,733	12,225	28,363	17,493	82,218
Non-current 2015	<u>267,853</u>	<u>20,677</u>	<u>113,950</u>	<u>26,468</u>	<u>14,964</u>	<u>19,734</u>	<u>463,646</u>
	<u>268,153</u>	<u>27,781</u>	<u>130,683</u>	<u>38,693</u>	<u>43,327</u>	<u>37,227</u>	<u>545,864</u>
Current 2014	-	7,766	18,228	5,312	-	7,782	39,088
Non-current 2014	<u>209,652</u>	<u>-</u>	<u>111,306</u>	<u>10,196</u>	<u>-</u>	<u>20,087</u>	<u>351,241</u>
	<u>209,652</u>	<u>7,766</u>	<u>129,534</u>	<u>15,508</u>	<u>-</u>	<u>27,869</u>	<u>390,329</u>

(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;
- restructuring of entities with the Group, announced prior to acquisition; and
- land rich duties payable.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover 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 two 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.

Legal and compliance provision

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

20. INTEREST BEARING LOANS AND BORROWINGS

		2015	2014
		\$000	\$000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	4,019	3,709
- Lease liabilities	(ii)	66,625	3,826
- Bank loan	(iii)	71,176	11,804
- Loan – subordinated bonds	(iv)	41,529	-
Unsecured liabilities:			
- Deferred consideration	(v)	23,263	14,868
- Other loan	(vi)	55,204	-
- Bank loan	(iii)	163,382	-
		<u>425,198</u>	<u>34,207</u>
Non-current			
Secured liabilities:			
- Loans – bondholders	(i)	9,251	13,270
- Lease liabilities	(ii)	220,446	13,960
- Bank loan	(iii)	959,920	72,737
- Loan - subordinated bonds	(iv)	-	58,472
Unsecured liabilities:			
- Deferred consideration	(v)	28,301	46,347
- Other loan	(vi)	-	50,735
- Bank loan	(iii)	1,506,153	1,079,799
		<u>2,724,071</u>	<u>1,335,320</u>
Total		<u><u>3,149,269</u></u>	<u><u>1,369,527</u></u>

(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 24.

(iii) Further information on bank loans is set out in Note 28.

(iv) Loans - subordinated bonds. Further information is set out in Note 28.

(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 28.

(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 2.04% to 2.15% (2014: 2.71% to 2.74%) for Australia, 0.508% to 0.579% (2014: 0.49% to 0.55%) for UK and -0.064% to -0.014% (2014: 0.21% to 0.29%) for France respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

20. 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.

	2015		2014	
	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000	Fair Value \$000
Bank loans	2,700,631	2,749,791	1,164,340	1,182,938
Lease liabilities	287,071	314,321	17,786	20,974
Bondholders	13,270	14,330	16,979	18,638
Subordinated bonds	41,529	41,602	58,472	68,010
Deferred consideration	51,564	53,446	61,215	64,035
Outside equity interest loan	51,979	52,024	50,735	59,003
Other loan	3,225	3,225	-	-
	<u>3,149,269</u>	<u>3,228,739</u>	<u>1,369,527</u>	<u>1,413,598</u>

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:

	2015 \$000	2014 \$000
<i>Finance lease</i>		
Leased assets	406,282	48,667
<i>Fixed and floating charge</i>		
Receivables	11,301	15,162
Bank loan	526,163	143,598
Total non-current assets pledged as security	<u>943,746</u>	<u>207,427</u>

(d) Defaults & breaches

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>
21.1 Ordinary Shares		
<i>(a) Issued and paid up capital</i>		
202,081,252 ordinary shares fully paid (30 June 2014: 202,081,252 ordinary shares fully paid)	<u>713,523</u>	<u>713,523</u>

(b) Terms & conditions of issued capital

Ordinary Shares

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

21.2 Cash Flow Hedges Reserve

Nature & Purpose

This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The credit, to equity during the year to 30 June 2015 represents an increase in forecast long term interest rates.

21.3 Share Based Payment Reserve

Nature & Purpose

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

21.4 Vested Employee Equity

Nature & Purpose

Vested employee equity is used to record the difference between the value of the share based payments provided to employees as recorded in the Share Based Payment Reserve and the actual purchase price of the shares.

21.5 Convertible Adjustable Rate Equity Securities (CARES)

	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>
<i>(a) Issued & paid up capital</i>		
2,600,000 CARES shares fully paid (30 June 2014: 2,600,000 CARES shares fully paid)	<u>252,165</u>	<u>252,165</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

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

(b) Terms and conditions of CARES

Issuer	Ramsay Health Care Limited
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	\$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: Dividend Entitlement = $\frac{\text{Dividend Rate} \times \text{Face Value} \times N}{365}$
	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 Franking	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010 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: <ul style="list-style-type: none"> • 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

21.6 Treasury Shares

	2015	2014
	\$000	\$000
1,534,880 ordinary shares (30 June 2014: 1,407,253)	<u>80,190</u>	<u>50,330</u>

Nature & Purpose

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

21.7 Capital Management

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

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

Refer to Note 21.5 for further information on the existing CARES (number of securities: 2,600,000).

During 2015, dividends of \$198,636,000 (2014: \$166,470,000) were paid. For the year ended 30 June 2015 fully franked ordinary dividends of 101.0c (2014: 85.0c) per share were declared (Interim dividend of 40.5c, Final dividend of 60.5c). These dividends represented a payout ratio of approximately 51.4% of Core Earnings per Share of 196.6c. Management's target for dividends for 2016 - 2019, 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 2.6 times for the year ended 30 June 2015 (2014: 1.6 times).

The Group has committed senior debt funding until July 2018 and May 2020 (please refer to Note 28 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.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 \$000	2014 \$000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	5,933	536
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(9,663)	(8,997)
Forward exchange contracts – cash flow hedges	(1,115)	(1,240)
	<u>(10,778)</u>	<u>(10,237)</u>
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(9,442)	(3,999)
Forward exchange contracts – cash flow hedges	-	(2,203)
	<u>(9,442)</u>	<u>(6,202)</u>

(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 2.13% (2014: 2.72%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.53% (2014: of 0.55%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.00% (2014: 0.21%).

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 72% (2014: 65%) of the principal outstanding.

Foreign exchange 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 \$781,000 (2014: net loss \$2,411,000) 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.

	2015 \$000	2014 \$000
Financial assets		
Derivative instruments – interest rate swaps	5,933	536
Financial liabilities		
Derivative instruments – interest rate swaps	(19,105)	(12,996)
Forward exchange contracts – cash flow hedges	(1,115)	(3,443)
	<u>(20,220)</u>	<u>(16,439)</u>

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)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

22. 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:

	2015 \$000	2014 \$000
0-1 years	290,376	315,958
1-2 years	296,071	236,794
2-3 years	685,975	332,793
3-5 years	954,309	29,040
	<u>2,226,731</u>	<u>914,585</u>

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:

	2015 \$000	2014 \$000
Opening balance	(11,138)	(12,499)
Transferred to interest expense	6,869	8,223
Taken to equity	(5,135)	(6,229)
Related income tax	(1,041)	(633)
	<u>(10,445)</u>	<u>(11,138)</u>
Attributable to non-controlling interest	1,793	(224)
Attributable to owners of the parent	(12,238)	(10,914)
	<u>(10,445)</u>	<u>(11,138)</u>
Gain on cash flow hedge ineffectiveness recognised immediately in the Income Statement	-	-

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2015 is a GBP borrowing of £117,000,000 (2014: £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 \$26,365,000 (2014: net loss \$17,427,000) was recognised in equity during the year.

Included in bank loans at 30 June 2015 is a Euro borrowing of €444,640,000 (2014: €80,000,000) which has been designated as a hedge of the net investment in the French subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the French operations. Gains or losses on the retranslation of this borrowing are transferred to 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 \$41,738,000 (2014: net gain \$5,196,000) was recognised in equity during the year.

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

(b) Interest rate risk

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

22. 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.

23. SHARE BASED PAYMENT PLANS

23.1 Recognised share-based payment expenses

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

	2015	2014
	\$000	\$000
Expense arising from equity-settled share based payment transactions	30,737	37,941
Total expense arising from share-based payment transactions (Note 5 (e))	<u>30,737</u>	<u>37,941</u>

23.2 Executive performance rights plan (equity)

An executive performance rights scheme was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to executives of the consolidated entity. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive performance rights plan is as follows:

	2015		2014	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	2,068,000	\$22.33	1,917,000	\$16.23
- granted	698,000	\$44.70	716,000	\$31.12
- vested	(671,000)	\$15.99	(565,000)	\$12.79
- forfeited	(40,000)	\$26.23	-	-
Balance at end of year	<u>2,055,000</u>		<u>2,068,000</u>	
Exercisable at end of year	<u>-</u>		<u>-</u>	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2015:

Number of Rights	Grant Date	Vesting Date ⁽¹⁾	Weighted Average Fair Value ⁽²⁾
306,168	15-Nov-12	28-Aug-15	\$15.80
344,832	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
321,171	14-Nov-13	31-Aug-16	\$25.08
374,829	14-Nov-13	31-Aug-16	\$36.22
322,169	13-Nov-14	31-Aug-17	\$38.58
322,167	13-Nov-14	31-Aug-17	\$49.95
53,664	13-Nov-14	31-Aug-17	\$49.95
<u>2,055,000</u>			

⁽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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

23. SHARE BASED PAYMENT PLANS (CONTINUED)

23.2 Executive performance rights plan (equity) (continued)

Fair values of performance rights (equity)

Performance rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Ramsay Health Care Limited. The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 15 November 2012, 25 June 2013, 14 November 2013 and 13 November 2014.

	Granted 13-Nov-14	Granted 14-Nov-13	Granted 25-Jun-13	Granted 15-Nov-12
Dividend yield	1.91%	2.08%	2.25%	2.82%
Expected volatility	22.5%	22.5%	20.0%	22.5%
Historical volatility	21.7%	22.3%	20.0%	22.5%
Risk-free interest rate	2.9%	3.0%	2.5% - 2.8%	2.5%
Effective life of incentive right	3 years	3 years	3 years	3 years

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

24. EXPENDITURE COMMITMENTS

		2015	2014
		\$000	\$000
	Note		
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		74,937	4,900
- After one year but not more than five years		204,625	12,600
- After more than five years		49,857	3,919
Total minimum lease payments		<u>329,419</u>	<u>21,419</u>
- Less: future finance charges		<u>(42,348)</u>	<u>(3,633)</u>
- Present value of minimum lease payments		<u>287,071</u>	<u>17,786</u>
Total lease liability accrued for:			
<i>Current</i>			
- Finance leases	20	<u>66,625</u>	<u>3,826</u>
<i>Non-current</i>			
- Finance leases	20	<u>220,446</u>	<u>13,960</u>
		<u>287,071</u>	<u>17,786</u>

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 six years and the average discount rate implicit in the leases is between 2.5% to 6.5% (2014: 2.5% to 7.4%). The security over finance leases is disclosed in Note 20.

(b) Lease expenditure commitments – Group as lessee

Operating leases (non-cancellable):

Minimum lease payments

- Within one year		309,455	138,595
- After one year but not more than five years		1,121,861	516,848
- After more than five years		3,035,087	2,323,893
Aggregate lease expenditure contracted for at reporting date		<u>4,466,403</u>	<u>2,979,336</u>

Amounts provided for:

- deferred lease - current	19	300	-
- deferred lease - non- current	19	267,853	209,652
- unfavourable contract - current	19	12,225	5,312
- non-current	19	<u>26,448</u>	<u>10,196</u>
		306,826	225,160

Amounts not provided for:

- rental commitments		<u>4,159,577</u>	<u>2,754,176</u>
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Aggregate lease expenditure contracted for at reporting date		<u>4,466,403</u>	<u>2,979,336</u>
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Operating leases have lease terms of between one and twenty five years. Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

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

Ramsay Health Care Australia Pty Limited 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

25. 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.

26. DEFINED EMPLOYEE BENEFIT OBLIGATION

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

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

	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>	<u>2011</u> <u>\$000</u>
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(72,595)	(21,269)	(10,833)	(23,773)	(23,378)
Fair value of plans assets	4,880	-	-	5,631	4,537
Net (liability) - non-current	<u>(67,715)</u>	<u>(21,269)</u>	<u>(10,833)</u>	<u>(18,142)</u>	<u>(18,841)</u>

	Defined Employee Benefit Obligation	
	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>
Net benefit expense (Note 5) (recognised in superannuation expenses)	<u>3,857</u>	<u>1,556</u>

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

	Defined Employee Benefit Obligation	
	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>
Opening defined benefit obligation	21,269	10,833
Acquisition balances	49,036	9,069
Current service cost	1,860	1,116
Interest cost	2,188	440
Benefits paid	(2,192)	(980)
Actuarial losses on obligation	518	1,166
Exchange differences on foreign plans	(84)	(375)
Closing defined benefit obligation	<u>72,595</u>	<u>21,269</u>

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

Opening fair value of plans assets	-	-
Acquisition balances	4,791	-
Expected return	-	-
Contributions by employer	191	-
Benefits paid	-	-
Actuarial losses	(106)	-
Exchange differences on foreign plans	4	-
Fair value of plans assets	<u>4,880</u>	<u>-</u>
Actuarial return on plan assets	<u>-</u>	<u>-</u>

Plan assets consist of 100% of investment in bonds.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

26. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

The Group expects to contribute \$ nil to its defined benefit obligations in 2016.

	Defined Employee Benefit Obligation 2015 \$000	2014 \$000
Actuarial losses recognised in the Statement of Comprehensive Income	412	1,166
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	7,327	6,915

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

	Defined Employee Benefit Obligation 2015 (%)	2014 (%)
Discount rate	2.0 – 2.3	2.5
Future salary increases	1.5	2.5

The overall expected rate of return on assets is determined based on the market prices prevailing on the date, applicable to the period over which the obligation is to be settled.

27. AUDITORS' REMUNERATION

	2015 \$	2014 \$
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	1,817,000	1,581,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	720,000	755,000
Assurance related	5,000	3,000
Other	39,000	830,000
	<u>2,581,000</u>	<u>3,169,000</u>
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	930,000	911,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	134,000	128,000
Other	89,000	12,000
	<u>3,734,000</u>	<u>4,220,000</u>
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- Review of the financial report	3,452,000	468,000
- Taxation services	9,000	11,000
- Other non-audit services	-	27,000
	<u>3,461,000</u>	<u>506,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

28. BORROWINGS

Terms & Conditions

Ramsay and its wholly owned subsidiaries

(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 and again in March 2015 to extend its term and improve pricing. The SFA was also amended on 11 June 2014 to facilitate the funding of the acquisition of Générale de Santé, including execution of the 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

The total amounts drawn down under the SFA as at 30 June 2015 was \$790,000,000, £124,000,000 and €331,640,000 (30 June 2014: \$750,000,000, £127,000,000 and € 80,000,000).

The three year revolving facility matures in July 2018 and the five year revolving facility matures in May 2020.

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 \$10,500,000 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 2015 the total outstanding was \$14,714,286 (2014: \$10,996,149) and £3,590,968 (2014: £3,550,968).

(iii) 365 Day Facility

In 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 was to provide additional funding in connection with the acquisition of Générale de Santé.

The 365 Day Facility is on terms broadly consistent with the SFA (refer item (i) above) other than:

- Facility Limit: €133,000,000 (30 June 2014: €275,000,000); revolving debt facility;
- Term: 365 days (which may be extended for either (i) further periods of 365 days or (ii) to May 2019, 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 Générale de Santé 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).

The total amounts drawn down under the 365 Day Facility Agreement as at 30 June 2015 was € 113,000,000 (2014: Nil).

On 6 July 2015, an amount of € 78,000,000, being monies received as a result of the repayment of subordinated bonds and shareholder loans issued by Ramsay Santé, was used to repay the 365 Day Facility and the facility limit was permanently reduced from €133,000,000 to € 35,000,000.

On 11 August 2015, the € 35,000,000 outstanding under the 365 day Facility was converted into a revolving facility maturing in May 2020, with terms and conditions consistent with the 5 year senior debt revolving facility (refer item (i) above).

Ramsay Santé

(i) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

28. BORROWINGS (CONTINUED)

Ramsay Santé (Continued)

amounts drawn under the club facility as at 30 June 2015 was €48,772,500 (2014: €56,901,250) and the undrawn commitment (after the mandatory repayments and cancellations totaling €31,227,500) was €5,000,000 (2014: €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.

On 1 July 2015, Ramsay Santé merged with Générale de Santé and Générale de Santé assumed all of Ramsay Santé's liabilities, including the Ramsay Santé bank loan. The total amounts drawn under the Ramsay Santé bank loan was fully repaid on 1 July 2015 and immediately thereafter this bank loan was cancelled.

(ii) Outside Equity Interest in Ramsay Santé 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 2015, Predica, the outside equity interest held €26,477,000 (2014: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was € 2,240,251 (2014: € 13,788,010).

On 1 July 2015, Ramsay Santé merged with Générale de Santé and Générale de Santé assumed all of Ramsay Santé's assets and liabilities, including the subordinated bonds. All amounts owing under the subordinated bonds issued by Ramsay Santé to its shareholders were fully repaid on 1 July 2015 and immediately thereafter these bonds were cancelled.

(iii) Outside Equity Interest in Ramsay Santé Shareholder 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 2015, Predica, the outside equity interest had provided loans totalling €34,387,000 (2014: €34,387,000) and the interest accrued in respect of these loans was € 1,562,409 (2014: €549,000).

On 1 July 2015, Ramsay Santé merged with Générale de Santé and Générale de Santé assumed all of Ramsay Santé's assets and liabilities, including the shareholder loans. All amounts owing under the shareholder loans provided by Ramsay Santé shareholders, were fully repaid on 1 July 2015 and immediately thereafter these loans were cancelled.

Générale de Santé and controlled entities

Senior Debt Facility

On 1 October 2014 Générale de Santé (GdS) and its controlled entities executed a term and revolving facilities agreement to:

- Refinance existing GdS debt and overdraft facilities;
- Provide the Group with additional liquidity to support its capital requirements ;
- Fund the special dividend paid on 4 December 2014;
- Refinance Ramsay Santé's existing indebtedness upon the merger of Ramsay Santé and GdS. The merger was completed on 1 July 2015;
- Fund future working capital requirements; and
- Fund future capital requirements and acquisitions.

The debt facility was underwritten by three French trading banks and two international investment banks and was subsequently fully syndicated.

The debt facilities limits total €1,075,000,000 comprising:

- (i) Term Loan B facilities totalling €900,000,000;
- (ii) a revolving working capital facility of €100,000,000; and
- (iii) a capex / acquisition facility of €75,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

28. BORROWINGS (CONTINUED)

Générale de Santé and controlled entities (Continued)

The total amount drawn under the debt facilities as at 30 June 2015 was €660,000,000 (2014: nil).

The debt facilities have a maturity of six years and are repayable as a bullet on maturity. The debt facilities are secured by first ranking pledges over certain GdS controlled entities. Guarantees have also been provided by GdS and certain GdS controlled entities.

On 1 July 2015, Ramsay Santé merged with Générale de Santé and Générale de Santé assumed all of Ramsay Santé's assets and liabilities. On 1 July 2015, Générale de Santé borrowed €240,000,000, being the remaining balance of the Term Loan B facilities and contemporaneously used these funds to repay Ramsay Santé's borrowings detailed above. The remaining funds were retained by Générale de Santé as a cash balance.

Other Interest Bearing Loans

At 30 June 2015 a loan to bondholders of \$13,270,099 (2014: \$16,979,393) 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 12).

29. RELATED PARTY TRANSACTIONS

(a) 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 2015 is nil (2014: \$24,928).

During the year costs of \$30,799 (2014: \$100,139) were charged to and an amount of \$55,727 (2014: \$75,211) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of \$17,853 (2014: \$33,736) were charged by and an amount of \$36,901 (2014: \$956) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2015 costs of \$17,125 (2014: nil) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited, that had not yet been invoiced.

(b) Compensation of key management personnel

	2015	2014
	\$	\$
Non-Executive Directors		
Short term	1,772,385	1,419,793
Post-employment	179,490	195,638
	<u>1,951,875</u>	<u>1,615,431</u>
Executive Directors		
Short term	6,685,066	6,411,950
Post-employment	37,566	35,550
Performance/Incentive/Retention rights	9,852,675	6,747,208
	<u>16,575,307</u>	<u>13,194,708</u>
Executives		
Short term	2,514,224	2,417,993
Post-employment	37,566	35,550
Performance/Incentive/Retention rights	3,753,400	2,557,916
	<u>6,305,190</u>	<u>5,011,459</u>
Total		
Short term	10,971,675	10,249,736
Post-employment	254,622	266,738
Performance/Incentive/Retention rights	13,606,075	9,305,124
	<u>24,832,372</u>	<u>19,821,598</u>

30. SUBSEQUENT EVENTS

The merger of GdS and Ramsay Santé became effective on 1 July 2015 following approval by GdS and Ramsay Santé shareholders at extraordinary general meetings held on 1 July 2015. Ramsay Health Care's shareholding in the newly merged entity (now known as Ramsay Generale de Santé) is 50.9%.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

31. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest	
		2015	2014
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%
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%
Votrait No. 664 Pty Limited ^	Australia	100%	100%
Votrait 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest	
		2015	2014
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%	57%
Generale de Santé SA*	France	48.8%	-

[^] Entities included in the deed of cross guarantee as required for the class order

* Ramsay Santé SA, SAS Medipsy and Generale de Santé own a number of subsidiaries, none of which are individually material to the Group

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. 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 31, (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	
	2015	2014
	\$000	\$000
Consolidated Income Statement		
Profit from operations before income tax	461,541	403,558
Income tax expense	(135,865)	(115,912)
Net profit for the year	325,676	287,646
Retained earnings at the beginning of the year	711,959	590,485
Dividends provided for or paid	(197,787)	(166,172)
Retained earnings at the end of the year	<u>839,848</u>	<u>711,959</u>
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	72,095	69,862
Trade receivables	473,968	419,535
Inventories	100,956	96,007
Prepayments	18,311	17,735
Other current assets	3,709	2,786
Total Current Assets	<u>669,039</u>	<u>605,925</u>
Non-current Assets		
Other financial assets	627,288	411,830
Investments in joint ventures	211,573	192,815
Goodwill and intangibles	641,814	630,174
Deferred tax asset	102,232	78,932
Property, plant and equipment	1,834,718	1,701,893
Non-current prepayments	12,426	12,876
Derivative financial instruments	-	536
Other non-current assets	3,541	13,992
Total Non-current Assets	<u>3,433,592</u>	<u>3,043,048</u>
TOTAL ASSETS	<u>4,102,631</u>	<u>3,648,973</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	808,886	628,673
Interest-bearing loans and borrowings	23,297	14,870
Provisions	20,268	22,355
Derivative financial instruments	9,985	9,795
Income tax payable	21,824	11,188
Total Current Liabilities	<u>884,260</u>	<u>686,881</u>
Non-current Liabilities		
Interest-bearing loans and borrowings	1,265,412	1,001,536
Provisions	167,245	263,034
Derivative financial instruments	8,892	5,386
Total Non-current Liabilities	<u>1,441,549</u>	<u>1,269,956</u>
TOTAL LIABILITIES	<u>2,325,809</u>	<u>1,956,837</u>
NET ASSETS	<u>1,776,822</u>	<u>1,692,136</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. CLOSED GROUP (CONTINUED)

	Closed Group	
	2015 \$000	2014 \$000
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(80,190)	(50,330)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	839,848	711,959
Other reserves	51,476	64,819
TOTAL EQUITY	1,776,822	1,692,136

33. PARENT ENTITY INFORMATION

	2015 \$000	2014 \$000
Information relating to Ramsay Health Care Limited		
Current assets	1,123,740	1,111,505
Total assets	1,265,649	1,253,345
Current liabilities	(24,518)	(14,699)
Total liabilities	(24,518)	(14,699)
Issued capital	(713,523)	(713,523)
Other equity	(527,608)	(525,122)
Total shareholders' equity	(1,241,131)	(1,238,645)
Net profit for the year after tax	172,909	149,522

As a condition of the class order (set out in Note 32), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. Refer to Note 32 for further information.

34. MATERIAL PARTLY- OWNED SUBSIDIARIES

Subsidiaries that have non-controlling interests (NCIs) are:

Ramsay Santé SA
Generale de Santé SA

Combined these entities represent the French segment for management and segment reporting.

Financial information in relation to the NCIs is provided below:

(a) Proportion of equity interest and voting rights held by non- controlling interests

Refer to Note 31 which discloses the equity interest held by the Ramsay Group. The remaining equity interest is held by the non-controlling interest.

Voting rights for Generale de Santé at 30 June 2015 are 45.7% (2014: N/A). Voting rights for Ramsay Santé are the same as the equity interest held at 30 June 2015 and 30 June 2014.

(b) Accumulated balances of non-controlling interests

Refer to the Consolidated Statement of Changes in Equity

(c) Profit allocated to non-controlling interests

Refer to the Consolidated Income Statement

(d) Summarised Statement of Profit or Loss and Statement of Financial Position for 2015 and 2014

Refer to Note 11. The French segment consists of the two main subsidiaries that have non-controlling interests.

(e) Summarised cash flow information

	2015 \$000	2014 \$000
Operating	246,862	35,559
Investing	(95,268)	(236,879)
Financing	64,137	195,161
Net increase/(decrease) in cash and cash equivalents	215,731	(6,159)

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 8 September 2015.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	34,394	11,799,212	5.84
1,001 – 5,000	8,657	17,980,850	8.90
5,001 – 10,000	783	5,434,373	2.69
10,001 – 100,000	300	6,623,936	3.28
100,001 and over	51	160,242,881	79.29
Totals	44,185	202,081,252	100%

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 447 holders, for a total of 1,037 ordinary shares.

(c) 20 Largest Shareholders – Ordinary Shareholders

	Name	Number of fully paid Ordinary Shares	% of Issued Capital
1.	Paul Ramsay Holdings Pty Limited	64,999,269	32.16
2.	HSBC Custody Nominees (Australia) Limited	29,447,853	14.57
3.	J P Morgan Nominees Australia Limited	21,054,312	10.42
4.	National Nominees Limited	12,605,333	6.24
5.	Citicorp Nominees Pty Limited	6,131,020	3.03
6.	BNP Paribas Nominees Pty Limited (DRP)	3,893,958	1.93
7.	Woolwich Investments Pty Limited (The Siddle Family Trust)	3,750,000	1.86
8.	Australian Executive Trustee Limited	3,264,072	1.62
9.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	2,851,977	1.41
10.	Argo Investments Limited	1,375,437	0.68
11.	Australian Foundation Investment Company Limited	1,360,000	0.67
12.	AMP Life Limited	1,023,851	0.51
13.	Custodial Services Limited (Beneficiaries Holdings A/c)	1,020,661	0.50
14.	UBS Nominees Pty Limited	606,717	0.30
15.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	560,069	0.28
16.	HSBC Custody Nominees (Australia) Limited A/c 3	459,367	0.23
17.	Questor Financial Services Limited (TPS RF A/c)	327,774	0.16
18.	UBS Nominees Pty Limited (TP00014 15 A/c)	304,216	0.15
19.	BNP Paribas Nominees Pty Limited (Agency Lending DRP A/c)	294,350	0.15
20.	Navigator Australia Limited (MLC Investment Settlement A/c)	286,051	0.14
	Totals	155,616,287	77.01%

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 8 September 2015:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Holdings Pty Limited	64,999,269	32.16%

(e) Voting Rights

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

(f) On-market purchases

During FY2015, the Company purchased 934,402 ordinary shares on-market for the purposes of its employee share schemes (including to satisfy the entitlements of holders of vested performance rights to acquire shares under the Executive Performance Rights Plan), at an average price per ordinary share of \$56.99.

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,721	1,075,127	41.35
1,001 – 5,000	204	396,204	15.24
5,001 – 10,000	10	67,549	2.60
10,001 – 100,000	17	553,216	21.28
100,001 and over	2	507,904	19.53
Totals	3,954	2,600,000	100%

(h) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 7 holders, for a total of three CARES.

(i) 20 Largest CARES Holders

	Name	Number of fully paid Ordinary Shares	% of Issued Capital
1.	J P Morgan Nominees Australia Limited	392,904	15.11
2.	Australian Foundation Investment Company Limited	115,000	4.42
3.	Sandhurst Trustees Limited (DMP Asset Management A/c)	78,671	3.03
4.	National Nominees Limited	76,513	2.94
5.	Citicorp Nominees Pty Limited	71,402	2.75
6.	HSBC Custody Nominees (Australia) Limited	60,065	2.31
7.	Questor Financial Services Limited (TPS RF A/c)	52,724	2.03
8.	Navigator Australia Limited (MLC Investment Settlement A/c)	25,580	0.98
9.	Argo Investments Limited	25,000	0.96
10.	Sandhurst Trustees Limited (VAT A/c)	21,020	0.81
11.	Longhurst Management Services Pty Limited	20,969	0.81
12.	Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	18,702	0.72
13.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	18,500	0.71
14.	UBS Wealth Management Australia Nominees Pty Limited	17,461	0.67
15.	Australian Executor Trustees Limited (No 1 A/c)	16,365	0.63
16.	Peroda Nominees Pty Limited (Berman Super Fund A/c)	15,236	0.59
17.	Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	13,102	0.50
18.	Woodduck Pty Limited	11,000	0.42
19.	Citicorp Nominees Pty Limited (DPSL A/c)	10,906	0.42
20.	Australian Executor Trustees Limited	9,427	0.36
	Totals	1,070,547	41.17%

(j) On-Market Buy-Backs

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

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