



Ramsay Health Care Limited

Annual Report 2016



People caring for people

Annual General Meeting 2016

The 2016 Annual General Meeting of Ramsay Health Care Limited ABN 57 001 288 768 will be held at the Shangri-La Hotel, Sydney, Australia at 10.30am, Wednesday, 9 November 2016. 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 2017

RESULTS RELEASE DATES:

Interim Results – 23 February 2017
Preliminary Final Results – 30 August 2017

DIVIDEND PAYMENT DATES – ORDINARY SHARES:

Interim Dividend: 29 March 2017 (Record Date: 8 March 2017)
Final Dividend: 28 September 2017 (Record Date: 6 September 2017)

DIVIDEND PAYMENT DATES – CARES:

Thursday, 20 April 2017 (Record Date: 3 April 2017)
Friday, 20 October 2017 (Record Date: 5 October 2017)

ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting of Ramsay Health Care Limited is scheduled to be held on 16 November 2017 (venue & time to be advised)

For more information

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

www.ramsayhealth.com



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The Ramsay Health Care network



223
Hospitals



15
Healthcare &
treatment facilities



25,000
Hospital beds



1,150
Operating theatres



38
Emergency
departments



4,000
Mental health beds



200
Pharmacies



60,000
Employees

Hospitals & facilities

Ramsay Health Care operates 238 hospitals, day surgery centres, treatment facilities, rehabilitation & psychiatric units across six countries.

United Kingdom
36

France
123

Italy
1

Indonesia
3

Malaysia
3
+ 1 nursing college

Australia
71

FY16 Highlights

Revenue

\$8.7 billion



Group revenue **up** 18.1% on previous year

EBIT

\$897.1 million



Group earnings before interest & tax **up** 11.6% on previous year

Core NPAT

\$481.4 million



Core net profit after tax **up** 16.8% on previous year

Core EPS

231.4 cents



Core earnings per share **up** 17.7% on previous year

Full Year Dividend, Fully Franked

119.0 cents



Full year dividend (fully franked) **up** 17.8% on previous year



3,000,000
Patients



1,500,000
Operations

Summary of financial performance for the 2016 financial year

YEAR ENDED 30 JUNE	2016 (\$ millions)	2015 (\$ millions)	Increase
Revenue	\$8,684.1	\$7,355.5	18.1%
EBITDAR	\$1,669.4	\$1,412.0	18.2%
EBITDA	\$1,268.9	\$1,106.3	14.7%
EBIT	\$897.1	\$803.9	11.6%
Core NPAT ¹	\$481.4	\$412.1	16.8%
Core EPS (cents per share) ²	231.4c	196.6c	17.7%
Final dividend - fully franked (cents per share)	72.0c	60.5c	19.0%
Full year dividend - fully franked (cents per share)	119.0c	101.0c	17.8%

1 CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT¹ IS BEFORE NON-CORE ITEMS AND FROM CONTINUING OPERATIONS. RAMSAY GÉNÉRALE DE SANTÉ HAS BEEN CONSOLIDATED FROM THE ACQUISITION DATE OF 1 OCTOBER 2014. THE NON-CONTROLLING INTEREST'S SHARE OF RAMSAY GÉNÉRALE DE SANTÉ NPAT HAS BEEN REMOVED IN ARRIVING AT THE CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT.

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



63,000
Babies delivered



1,000,000
Ramsay Emergency
Department attendances



Chairman's Report

I AM PLEASED TO PRESENT THIS 2016 ANNUAL REPORT FOR RAMSAY HEALTH CARE. IT HAS BEEN ANOTHER STRONG & SUCCESSFUL YEAR WITH THE COMPANY PRODUCING RECORD EARNINGS WHILE AT THE SAME TIME, PROVIDING QUALITY & SAFE HEALTHCARE TO OVER THREE MILLION PATIENTS, DELIVERING 63,000 BABIES IN OUR MATERNITY FACILITIES & EMPLOYING OVER 60,000 PEOPLE AROUND THE WORLD.

In terms of earnings, Ramsay Health Care reported Core Net Profit After Tax (NPAT) of \$481.4 million for the year which was a 16.8% increase on the previous year. Core NPAT delivered Core EPS of 231.4 cents for the year, an increase of 17.7% on the previous corresponding period.

This solid performance combined with our confidence in the earnings outlook for the coming year, enabled Directors to reward shareholders with a 17.8% increase in total dividends for the 2016 year (119.0c fully franked).

Importantly, these excellent results enabled the Company to continue to invest in growth in our facilities and our people.

In fiscal year 2016, we completed the acquisition of nine hospitals in Lille, France, which gives Ramsay Générale de Santé a strong presence in this

region. Our business in France now has 124 facilities and is not only a leader in the market in terms of its size but also a leading quality healthcare provider admitting almost 1.8 million patients each year.

In terms of our brownfield expansion programme, projects worth \$300 million were completed during the year, delivering over 500 beds and 26 operating theatres. To ensure our facilities are equipped to meet the growing demand for healthcare in the future, the Board approved a further \$200 million in brownfield developments over the period.

Globally, Ramsay Health Care is set to benefit from the ongoing increase in demand for quality healthcare services and is well-placed for further growth. The Company's robust balance sheet and strong cash flow generation continue to provide us with the flexibility to fund the increasing demand for brownfield capacity expansion, future acquisitions, and ongoing working capital needs. At the same time, our enduring "Ramsay Way" culture, the depth and experience of our senior management teams around the world, and our market leadership position, give the Board confidence to pursue new acquisitions and strategic opportunities when they arise.

To this end, the Board is very supportive of Ramsay Health Care's newly announced strategy to establish strategically located community pharmacies throughout Australia which

Globally, Ramsay Health Care is set to benefit from the ongoing increase in demand for quality healthcare services & is well-placed for further growth

will be initially based in close proximity to our hospitals and their catchment areas. With over 200 hospital pharmacy dispensaries operating across our global hospital portfolio, Ramsay is already experienced in this area and the strategy of extending not only traditional pharmacy services to the community but a range of community-based healthcare services has the full support of the Board.

The Board was pleased to allocate another 96,000 shares to our long serving Australian employees as part of our Employee Share Scheme which recognises that our people are the key to our success. Over 720,000 shares have been allocated since this Scheme commenced four years ago.

The Paul Ramsay Foundation remains a long term major shareholder of Ramsay Health Care meaning that almost one third of the Company's earnings go to the Foundation for the enduring benefit of the Australian community. In its first full year of operation, the Foundation has invested almost \$50 million in a range of causes related to education, youth unemployment, indigenous health and mental health.

The Foundation is focused on doing justice to Paul Ramsay's remarkable bequest and to this end is placing more emphasis on achieving systemic change through supporting a range of high quality community causes and programmes. The Foundation has also recently announced an annual \$5 million donation to the Ramsay

Hospital Research Foundation which has been established to fund quality programmes and medical research in Ramsay facilities.

Finally, long serving Director Tony Clark AM has announced that he will retire from the Ramsay Health Care Board at the conclusion of the 2016 Annual General Meeting. Tony's significant contribution during his 17 years on the Board, and to the industry generally, have been invaluable. I thank him for his contribution to Ramsay Health Care throughout this time. Tony will remain a Director of the Paul Ramsay Foundation Board.

In conclusion, and on behalf of the Board, I would like to thank Ramsay Health Care's dedicated employees throughout the world, the doctors who work with us and our talented senior management teams for their role in delivering these excellent results and your commitment to quality healthcare outcomes. I also thank my fellow Directors for their role in ensuring the effective governance of Ramsay Health Care on behalf of our shareholders. ▀



MICHAEL SIDDLE
CHAIRMAN





Managing Director's Report

RAMSAY HEALTH CARE DELIVERED ANOTHER EXCELLENT RESULT IN FINANCIAL YEAR 2016, WITH ALL SEGMENTS PERFORMING AT OR ABOVE EXPECTATIONS. SOLID VOLUME GROWTH, ONGOING EFFICIENCIES, STRATEGIC ACQUISITIONS, & FURTHER INVESTMENT IN OUR FACILITIES, CONTINUE TO UNDERPIN OUR STRONG FINANCIAL PERFORMANCE & CONTRIBUTED TO ANOTHER RECORD PROFIT RESULT.

In financial year 2016, revenue increased by 18.1% across the Group due to a number of factors, including organic growth, the acquisition of the HPM Group of nine hospitals in Lille, France, the opening of a further 500 beds and 26 operating theatres as well as Ramsay Générale de Santé contributing a full 12 months revenue (compared to 9 months in the previous financial year).

Most importantly, Ramsay Health Care remains focused on providing the best and safest care to the three million plus patients who enter our hospitals each year and a safe working environment for staff. I am very pleased to report that our strong commitment to clinical governance and occupational health and safety, underpinned by a rigorous risk management system, ensured that, in financial year 2016, we continued to achieve outstanding results in the areas of patient care and staff safety against

national benchmarks, in all areas in which we operate.

Operations

During the year, Ramsay Health Care's Australian and Asian business achieved revenue growth of 8.8% and EBIT growth of 11.6% on the back of solid volume growth, brownfield developments and ongoing efficiencies.

We were very pleased to win the exclusive contract to treat the New Caledonian medivac market (CAFAT) in our Sydney facilities, and to be announced as the provider of hospital services at the new public Albury Wodonga Regional Cancer Centre which opened in September 2016.

Ramsay's UK business delivered another good result with NHS admissions growing by 8% driven by record referrals. Operating margins (EBITDAR) remain high at 26.1% and EBIT increased 9.5% to £44.3 million.

In spite of further tariff reductions in France, Ramsay Générale de Santé hospitals continued to perform well, achieving good volume growth across all major specialties and on the back of excellent growth in emergency presentations. Revenue increased by 27.3% and EBIT increased by 2.2%, benefitting from having an additional three months earnings from Ramsay Générale de Santé (acquired October 2014) and six months earnings from HPM which was acquired in December 2015. HPM has now been integrated into our French portfolio of hospitals and puts us in a leading position in this region.

Most importantly, Ramsay Health Care remains focused on providing the best & safest care to the three million plus patients who enter our facilities each year & a safe working environment for staff

Our Malaysian and Indonesian facilities (part of our joint venture with Sime Darby) recorded robust operational performances during the year.

Brownfields Capacity Expansion

In Australia, during financial year 2016, Ramsay completed developments worth over \$255 million including major developments at Hollywood Private Hospital in Perth (90 beds; six theatres), Cairns Private Hospital (56 beds), Joondalup Health Campus (a new 30 bed paediatric wing), and Lake Macquarie Private Hospital (a new private emergency centre). Reflecting the increasing demand for quality rehabilitation services stemming from an ageing community, two new rehabilitation facilities were opened during the year in Melbourne (Masada Private Hospital) and Wollongong (Figtree Private Hospital).

In January 2016, we opened Wollongong Private Hospital, a new 151 bed, 10 theatre hospital. This new hospital is a significant development for the region and has already attracted many new specialists to Wollongong. We expect it will help stem the outflow of Illawarra's private patients to Sydney.

In June 2016, St George Private Hospital in southern Sydney, opened a new development including 35 beds and four operating theatres.

Ramsay UK opened three more operating theatres at Oaklands, Mt Stuart and New

Hall hospitals. We also completed a day chemotherapy unit and an outpatient department expansion during the year.

In France, major repositioning developments are underway in Dijon, Lyon and Marseille and continue to track well. These developments will complete over the course of the next two years.

Importantly, our pipeline of major developments includes expansions opening in the first half of financial year 2017 at Peninsula Private in Melbourne; North Shore Private Hospital in Sydney and New Farm Clinic in Brisbane.

Following on from our commitments in previous years, the Board approved a further \$200 million in developments through the year which will come on stream in 2017 and in the years beyond.

Acquisitions & Strategic Developments

In December 2015, Ramsay Générale de Santé finalised the acquisition of the HPM Group of hospitals in Lille, bringing its total cluster of hospitals in Lille to 11, and giving Ramsay's French business a strong presence in this region. Ramsay now has 123 facilities in France (one facility in Italy) and remains the clear private hospital leader in that country.

During the year, we commenced a strategy to look to care for patients beyond our hospital walls. Drawing on the experience we have gained in the operation of our 200 hospital pharmacies across the world, Ramsay Health Care began establishing strategically located

community pharmacies across Australia, concentrating initially in close proximity to our hospitals. This will allow us to provide extended services to patients discharged from our hospitals and also extend care to the chronically ill.

Quality & Safety

We made further strides in quality and safety during the year. Across the world, all of our businesses continued to record excellent results against national benchmarks for areas including infection rates, falls risk and medication management. All our facilities also maintained their accreditation ensuring that they are achieving and delivering the highest standards of care to patients.

In the UK, Ramsay UK achieved excellent results in patient satisfaction with Ramsay UK having six out of the top 15 hospitals nationally scoring 100% in the NHS 'friends and family test' during the period.

Extending on our strategic alliance with the International Consortium for Health Outcomes Measurement (ICHOM) and our excellent experience in patient reported outcomes measures particularly in the UK, Ramsay commenced major research studies during the year to investigate and benchmark patient outcomes after hospital admission in the areas of lower back pain, cataract surgery and anxiety and depression.

The Company also increased its resources and investment in other areas of research including clinical trials and antimicrobial stewardship. Our business

FY16 Brownfield highlights



\$300 million
Brownfield developments



26
New operating theatres



500
New beds

in France has made significant strides in clinical trials and following on from their excellent results and publications, Ramsay is pursuing this approach globally. To this end, we centralised our clinical trials in Australia and, in 2017, will roll out a program of clinical trials to our 10 largest cancer care hospitals.

Innovation and investment in our facilities and research allows us to continuously improve the quality of the organisation and patient care. With the Paul Ramsay Foundation as a major shareholder, we are uniquely placed to benefit from the opportunity to drive increased investment in research and improving patient outcomes, which will benefit not only Ramsay Health Care's patients but the wider community.

I am pleased to report that the Paul Ramsay Foundation will make an annual \$5 million contribution to the Ramsay Hospital Research Foundation for medical research and improving patient outcomes. A full report on these initiatives will be contained in next year's annual report.

Outlook

All regions are experiencing ageing and growing populations, a proliferation of chronic disease and the emergence of medical innovation and targeted therapies for the most challenging diseases, and with these comes greater demand for healthcare.

We continue to invest in our facilities and our technology to ensure that we can attract the best specialists and meet the growing needs of the communities we serve. As the leading private provider in Australia and France and one of the largest private hospital operators in the world, it also behoves us to invest in

research and quality programs that will drive better outcomes for our patients. We look forward to making enormous strides in this area in the coming year.

At the same time we are also looking into the future about how we best support patients beyond the hospital walls and the community pharmacy strategy will enable us to do that.

Ramsay Health Care continues to investigate other opportunities internationally to grow our business, building on the success we have had thus far in the global healthcare marketplace.

I would like to take this opportunity to thank the Board of Ramsay Health Care, the Ramsay Global Executive team and all our doctors and staff around the world for their support and commitment during the year. ▲

CHRISTOPHER REX
MANAGING DIRECTOR



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 Committee and is Chair of the Nomination Committee.

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

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

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

- Prime Media Group Limited (Retired November 2015)



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

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

- Prime Media Group Limited (Retired November 2014)





Patricia E Akopiantz

BA MBA

NON-EXECUTIVE DIRECTOR – Appointed 28/04/15

Ms Patricia 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 the Chairman of AMP Bank Limited and as a non-executive director on the Board of AMP Limited. She is also Chairman of AMP's People and Remuneration Committee and a Member of AMP Limited's Nominations and Governance Committee.

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

- AMP Limited (Appointed March 2011)

Anthony J Clark AM

FCA FAICD

NON-EXECUTIVE DIRECTOR – Appointed 06/10/98

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

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

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

- Carlton Investments Limited (Appointed June 2000)
- Amalgamated Holdings Limited (Resigned October 2013)
- Sphere Minerals Limited (Resigned June 2016)

I Patrick S Grier AM

MAICD

NON-EXECUTIVE DIRECTOR – Appointed 01/07/08

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

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

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

Mr Grier was also a director of Careers Australia Group Limited until October 2013.

Mr Grier is a member of the Skin Cancer Network Advisory Board. He was previously Chairman of the Domain Principal Group.

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

- Estia Health Limited (Chairman, Appointed November 2014)
- 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, a leading Australian law firm and has been a solicitor for 40 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Mr McGeoch is also a past Chairman of Sky City Entertainment Group Limited.

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

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)



Kerry C D Roxburgh

B.Comm MBA MESAA

NON-EXECUTIVE DIRECTOR – Appointed 03/07/97

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

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

He is Chairman of Eclipx Group Limited and of Tyro Payments Ltd.

He is also a member of the Advisory Board of AON Risk Solutions in Australia.

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

Until 31 December 2015, he was Chairman of Tasman Cargo Airlines Pty Ltd and Deputy Chairman of Marshall Investments Pty. Ltd.

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

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



Margaret L 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 Limited, Bank of Queensland Limited and Scentre Group Limited and is Chair of Penguin Random House Australia and New Zealand. She is a member of the Audit Committee for Telstra, a member of each of the Technology and Remuneration Committees for Bank of Queensland and a member of each of the Audit and Risk and Human Resources Committees at Scentre Group.

Ms Seale is a professional non-executive director with 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.

In her most recent executive role, Ms Seale was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. Ms Seale stepped down from Random House in November, 2012. During her time at the helm, the publishing industry transitioned from an entirely print world to a mixed print and digital environment. Prior to this she held national sales and marketing roles in a number of industries.

Ms Seale was educated at the University of Sydney.

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

- Telstra Corporation Limited (Appointed May 2012);
- Bank of Queensland Limited (Appointed January 2014); and
- Scentre Group Limited (Appointed February 2016).



Christopher P Rex

CEO & MANAGING DIRECTOR

– Appointed 01/07/08

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

Mr Rex has played a key role in developing the Company's excellent record in hospital management and his ability to run hospitals efficiently and effectively is widely acknowledged. Chris has been instrumental in setting Ramsay's growth strategy, a strategy which has seen the Company's revenues expand to over \$8 billion and included the transformational acquisition of Affinity Healthcare in 2005 and Ramsay's subsequent growth overseas in Europe, the UK and Asia. In addition to its market leading position in Australia, Ramsay is now the largest operator of private hospitals in France, and is ranked in the top five hospital operators in the world by revenue and market capitalisation.

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) the peak body representing private hospitals in Australia. He was a Board member of the Schizophrenia Research Foundation and also a Director of Football Federation Australia and Sydney FC.

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



Bruce R Soden

B.Comm CA FAICD

CFO & GROUP FINANCE DIRECTOR

– Appointed 02 /01/97

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

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

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

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

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

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



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 (DHA) 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 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 (**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.

2016 Initiatives & Highlights

Commencing in February 2016, Professor John Horvath AO joined the Company as its Strategic Medical Advisor. Professor Horvath assists the Company in developing and implementing innovative clinical programmes which enhance the Company's performance and reputation as a global leader in the delivery of safe and quality care to patients. Professor Horvath is also a member of the Company's Global Risk Management Committee.

Significant work has been undertaken to embed a global risk management structure. The Global Risk Management Committee has reviewed and updated the Risk Management Framework and undertaken a Strategic and Operational Risk Assessment on the Group as a whole while each of Ramsay Australia, Ramsay UK and Ramsay Générale de Santé in France have established a risk management sub-committee.

The Board established the Ramsay Human Rights and Labour Policy, which sets out (among other things) the Company's commitment to only engage workers who have capacity, are of legal age and a free will to work.

Since 2011 (including 2016) the Company has been included in the FTSE4Good Index, an index which objectively measures the performance of companies that meet globally recognised corporate responsibility standards.

The Company's governance framework is designed to ensure that the Company is effectively managed, that statutory obligations are met and that the culture of personal and corporate integrity – *The Ramsay Way* – is reinforced. The Company remains steadfast in its commitment to maintaining the culture and principles of The Ramsay Way across all aspects of its business, 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 13 September 2016 (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

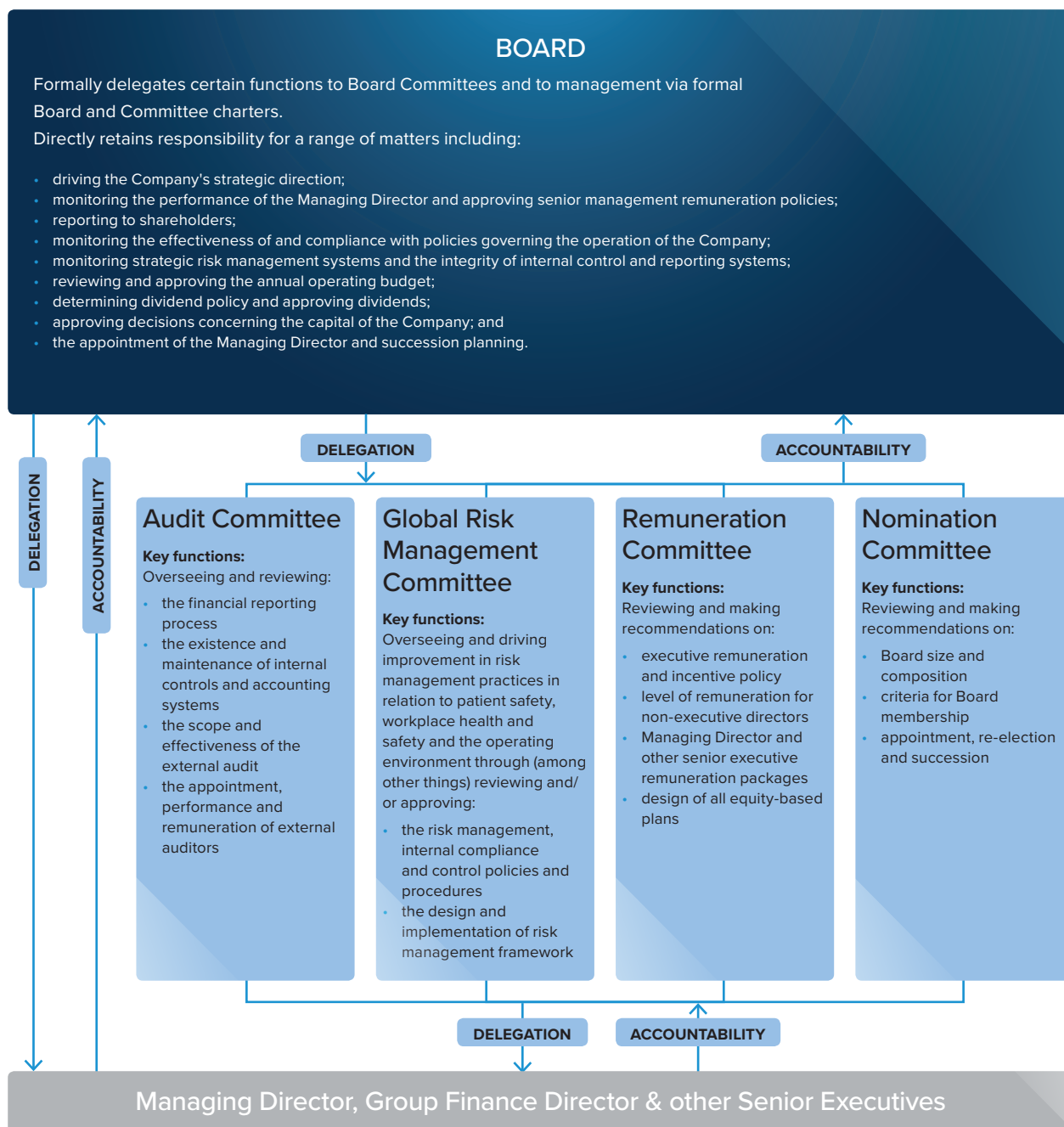
The Company's Board is committed to effectively representing and promoting the Company, thereby adding long-term value to all shareholders. The Board is accountable to shareholders for the oversight of the Company's business and affairs and, as such, is responsible for the overall strategy, governance 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 November 2015, will continue to be reviewed as required, particularly with the continued expansion of the Company's global business.

2. Governance Framework: The Board & its Standing Committees

The governance framework in place ensures accountability, both of the Board and senior executives, 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.
Global Risk Management Committee (Global RMC)	Comprised of at least three members, two of whom must be Non-Executive Directors with at least one also 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), Mr Neil Wykes (General Manager, Audit & Risk), Professor John Horvath AO (Strategic Medical Advisor).
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 Michael Siddle (Chair), Mr Rod McGeoch AO, Mr Kerry Roxburgh and Ms Patricia Akopiantz. Mr Siddle was appointed Chair of the Nomination Committee during FY2016. Previously, Mr McGeoch AO was Chair of the Nomination Committee. Ms Akopiantz was appointed to the Nomination Committee during FY2016.

The number of scheduled Board and Committee meetings held during the year ended 30 June 2016 and the number of meetings attended by each of the directors is set out in the table below:

	Board	Audit Committee	Global Risk Management Committee	Remuneration Committee	Nomination Committee
	Attended (Held)	Attended (Held)	Attended (Held)	Attended (Held)	Attended (Held)
M. S. Siddle	10 (11)			4 (5)	7 (7)
P. J. Evans	11 (11)	7 (7)	4 (4)	5 (5)	
C. P. Rex	11 (11)		4 (4)		
B. R. Soden	11 (11)		4 (4)		
P. E. Akopiantz	11 (11)	7 (7)			1 (1) ¹
A. J. Clark AM	11 (11)	6 (7)			
I. P. S. Grier AM	11 (11)		4 (4)		
R. H. McGeoch AO	11 (11)			5 (5)	7 (7)
K. C. D. Roxburgh	11 (11)	7 (7)	4 (4)		7 (7)
M. L. Seale	10 (11)		4 (4)		

¹ MS AKOPIANTZ WAS APPOINTED TO THE NOMINATION COMMITTEE ON 21 JUNE 2016

3. Board Composition

The Board currently consists of eight non-executive and two executive Directors. Of the eight Non-Executive Directors, a majority (seven) 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 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 annually assesses the appropriate mix of competencies, skills, experience and expertise required by the Board, and assesses the composition of the Board by reference to its Board Skills Matrix.

During FY2016, the Board undertook a formal skills/experiences evaluation to better inform the Board of the specific skills and experiences relevant to its role, the depth of such skills and experiences and how important those skills and experiences are to the success of the Board and the Company. As part of this evaluation, each Director was asked to assess the extent of their skills/experiences in respect of specific areas on a Level 1 (Expert/Extensive Experience) to Level 5 (limited/no experience) basis.

The following table sets out the results of the FY2016 Board Skills Evaluation by describing each relevant skill/experience and the percentage of Directors that have at least a solid amount of experience (i.e. Level 3) in respect of that skill or experience.

Skill and Experience	% of Directors possessing relevant skill / experience
Sectors/Activities	
Health Care Senior executive or directorship experience in operating private hospitals or the health care sector generally	80%
Mergers & Acquisitions (M&A) Senior executive or directorship strategic & operational experience in M&A and business partnerships, including joint ventures	80%
Operational experience in Major Business CEO or senior executive or directorship experience in a major business focusing on business operations	100%
International Experience	
Multinational/Cross-Border Experience (including Asia and/or Europe) Senior executive or directorship experience in a business with multinational operations	100%
Specific Skills and Experience	
Strategy Senior executive or directorship experience in developing or implementing corporate strategy	100%
Political Relationships Experience with understanding, developing & maintaining long term political relationships	70%
Public Policy and Interface with Government Departments Experience in public and regulatory policy; developing and maintaining relationships with multiple levels of government	40%
Capital management & Finance CFO, senior accounting/finance practitioner or equivalent experience in financial analysis, interpretation, accounting and reporting, capital markets, corporate finance, financial risk management and internal financial controls	80%
Technology/IT Knowledge or experience in the use and governance of critical information technology infrastructure and applications	50%
Disruption Managing disruption and structuring business for future growth in industry sectors impacted by digital trends, technology or other disruptive factors	50%

Human relations/People & Culture Experience in setting & communicating corporate culture, motivation of key human capital talent, overseeing management and evaluating the suitability of CEOs and other key executives	90%
Corporate Governance Knowledge and experience in best practice corporate governance	90%
Consumer Goods/Retail Senior executive experience in consumer goods or retail industry (including online)	40%
Risk management Experience in best practice risk management practices	80%
Marketing/communications Senior executive or directorship experience in or oversight of marketing and communications	90%
Workplace Health & Safety Experience in workplace health and safety practices	60%
Legal & Regulatory Legal qualifications and/or regulatory experience	50%

Further, as part of the FY2016 Board Skills Evaluation, Directors were asked how important each of the above skills and experiences are to the success of the Board and the Company in achieving its strategic goals. Those skills and experiences deemed to be most important to the Company are experience in Health Care, Major Business Operations, Multinational/Cross-Border Businesses and Corporate Strategy.

In considering future Board appointments to fill any casual vacancies that might arise, the Board and Nomination Committee will use the above matrix to assist in the identification of the Board's strengths and where its existing skills and experience may best be enhanced or supplemented. In light of the Company's business continuing to expand across geographical boundaries, any potential candidate with relevant international experience will be considered favourably.

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.

4. Appointment, Induction & 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 reviewed and updated its written agreements with 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. In respect of the Board's most recent appointments in April 2015, 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 and meetings with key executives. 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 individual 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 directors of Paul Ramsay Holdings Pty Limited and directors of 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 trustees of the Foundation have indicated that, in accordance with Mr Ramsay's will, the intention is for the Foundation to remain as a significant long-term shareholder in the Company.

Following the Board's recent annual review of each Director's independence, it was concluded that Mr Siddle's, 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:

- none of Mr Siddle, Mr Evans or 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 Limited likely to create any conflict between their duties as a Director to both companies;
- in practice, they each 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 Siddle, Mr Evans and Mr Clark AM are independent of management; and
- 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.

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 was 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. The Board considers that Mr Siddle exercises independent judgement in making decisions in the best interests of the Company.

In the case of Ms Patricia Akopiantz, Mr Rod McGeoch AO, Mr Kerry Roxburgh 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 Siddle, Evans, McGeoch AO, Roxburgh and Clark AM 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 Siddle, Mr Evans, Mr McGeoch AO, Mr Roxburgh, Mr Clark AM, Ms Akopiantz 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 each of these 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 Chris 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.
- 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 it is now more than 8 years 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 Non-Executive Directors and 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, private hospitals generally and in property development. Mr Siddle was the Deputy Chairman of the Board for many years and, 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:

- 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;
- promote awareness of the importance of independent judgements in the Board's decision-making;
- provide leadership to the other independent Non-Executive Directors and support them in presenting diverse perspectives on issues being considered by the Board; and
- promote constructive interaction between the independent Non-Executive 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 & Director Performance

During the second half of FY2016, the Board engaged the services of Ernst & Young to perform an independent third party evaluation of the Board, the Directors and the Board Committees. Previously, an annual evaluation of the Board and the Board Committees was undertaken 'in-house' by the Directors completing a confidential questionnaire covering the role, composition, behaviours and processes of the Board and the performance of Directors.

Ernst & Young reported its results and an analysis of those results to the Board. The results indicated that the Board and the Board Committees are functioning well and that the Board has an appropriate role regarding company strategy. Further, it was found that Directors universally considered that all Board members demonstrate independence of thought.

Ernst & Young also reported that some Directors considered the roles of some Board Sub-Committees need to be reviewed. Following Ernst & Young's evaluation, the Board appointed Ms Patricia Akopiantz as an additional member of the Nomination Committee.

It is intended that the Board will engage an external consultant to undertake independent evaluations of the Board, the Directors and the Board Committees on a more regular basis and at least once every three years.

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.

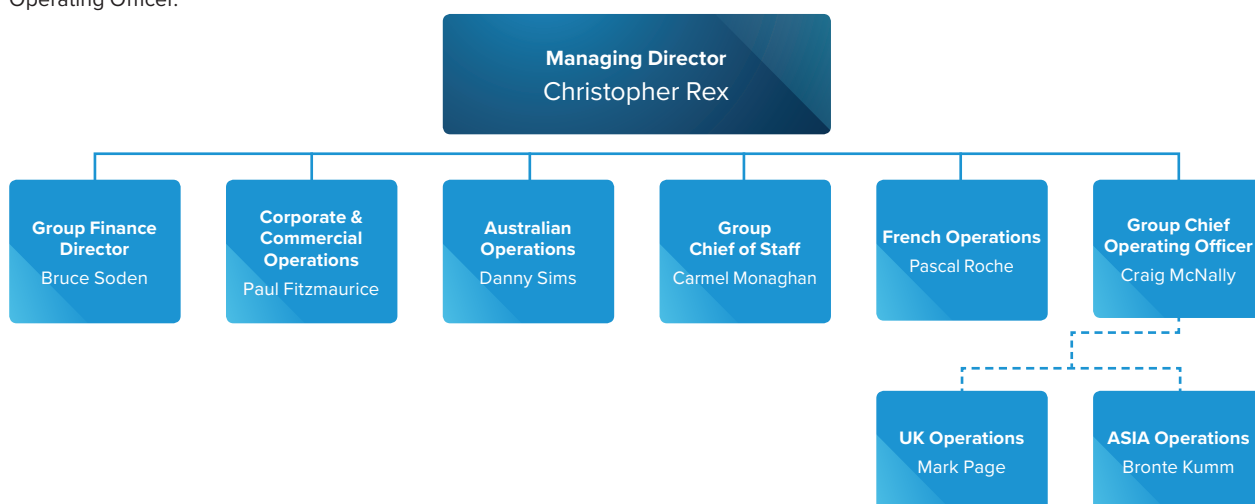
The role of Company Secretary is set out in more detail in the Company's Board Charter.

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 and the Group Chief Operating Officer.



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. This Statement is regularly reviewed and updated as required (last in November 2015) 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 services agreement. The Company considers that the unique working environment and unique 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 current 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 FY2016 and examples of the KPIs for other senior executives are set out in the FY2016 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's workforce. 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, including diversity criteria in its Recruitment and Selection Guidelines. Further, the Company has had a Diversity Policy in place since May 2010. Both the Guidelines and the Diversity Policy have since been updated 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.

In each of its geographical business units, the Company has in place a Flexible Work Practices Policy to promote balance of work and outside responsibilities and interests, such as family and carers', study, community and cultural needs, with the aim of accommodating employees' needs for flexibility subject to meeting the operational needs of the business. For example, 35% of Ramsay UK's workforce are part-time and in 2015, Ramsay UK launched a pilot-flexi leave scheme designed to support those employees with child and elderly care responsibilities to obtain effective work life balance in order to maintain and progress their careers.

The representation of women throughout the organisation is strong. In 2016 women comprised 82% of employees throughout the Group. Women occupy 16.7% of senior executive¹ positions and, in Ramsay Australia, 76% of all management positions. These figures do not reflect the level of female management representation in our hospital facilities, which is generally exceptional. For example, in both Ramsay Australia and Ramsay UK, more than 50% of hospital and facility CEOs are women while in Ramsay Générale de Santé 39% of hospital and facility CEOs are women.

Leadership programmes have also been developed and designed to support and prepare employees for their first move into supervisory roles through their progression to senior management and leadership positions. The diversity profile of applicants and successful candidates is informally assessed to ensure that such leadership programmes is broadly reflective of our workforce.

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 directors.

The Company's appointment of two female Board members in 2015 means women account 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 assessing and selecting 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 FY2016 and the measurable objectives set for FY2017 and adopted by the Board are set out in the table below.

Measurable Diversity Objective	Timeframe	Progress in FY2016	Relevance for FY2017
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 our talent identification, Leadership Development and succession planning processes to ensure high potential females are encouraged to consider leadership and management roles and to prepare them to take on executive management roles.	Ongoing	The Company is redesigning its Ramsay Australia leadership programmes with the first of the new leadership programmes scheduled to commence in Q2 FY2017.	The revised Leadership programs will aim to develop enhanced capabilities for front line managers, middle managers and senior managers.

¹ 'SENIOR EXECUTIVE' POSITIONS ARE THOSE REPORTING DIRECTLY TO CHRIS REX, MANAGING DIRECTOR AND CEO

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 FY2017 with a focus on identifying mentees in areas of forecasted shortages in key management positions.
Aim to increase the percentage of women in executive and senior management positions subject to the identification of candidates with appropriate skills.	Ongoing	35% of the Group's senior management positions ² , including over 50% in Ramsay Australia, are currently held by women. The revised Leadership development programmes each have as an explicit objective, a requirement to advance female participation in nomination and selection processes and to ensure the removal of barriers to entry to the programmes.	The Company will continue to seek opportunities for high calibre female managers in senior management positions in FY2017 and beyond.
Ensure online Discrimination, Bullying and Harassment training modules are completed by all senior managers.	Ongoing	95% of Ramsay Australia managers completed the online Discrimination, Bullying and Harassment module (up from 86% in FY2015). 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	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 FY2017.
To engage an external consultant to assist identifying potential candidates, including a balance of men and women candidates, for the next Board position (as and when required).	Ongoing	There were no casual Board vacancies arising in FY2016.	Any future Board appointments will continue to have an emphasis on the diversity objectives as specified in the Diversity Policy

In relation to the Australian business, the Company has again been assessed in 2016 as compliant with the *Workplace Gender Equality Act 2012*.

14. Ethical & Responsible Behaviour

Code of Conduct & 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 France, the Company continues to assess the appropriateness of a formal whistleblower policy against the cultural and legislative dynamic in that country. In relation to the Company's Asian joint venture, a new formal whistleblowing policy was implemented in March 2015.

² 'SENIOR MANAGEMENT' POSITIONS IN THIS CONTEXT ARE THOSE DIRECTLY REPORTING TO THE RAMSAY AUSTRALIA, RAMSAY UK AND RAMSAY GÉNÉRALE DE SANTÉ CEOS.

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 have 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 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).

Global Anti-Bribery & Corruption Policy

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 has in place a Global Anti-Bribery and Corruption Policy. This 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 and was rolled out across each business unit throughout FY2016. The Policy also sets out the Company’s expectations of its third party suppliers, and includes a requirement for the Company’s employees to take steps to satisfy themselves that the Company is dealing with suppliers that do not engage in bribery/corruption.

The Board, through the Global RMC, has primary responsibility for ensuring that the Global Anti-Bribery and Corruption Policy is complied. The Global RMC has further delegated responsibility to test compliance with our Global Anti Bribery & Corruption Policy to the General Manager – Audit & Risk, who reports to the Global RMC on a quarterly basis. During FY2016, the Global RMC requested the General Manager – Audit & Risk to engage Deloitte to assist the Company in devising a programme to test the Company’s internal controls on preventing (and detecting) bribery and corruption in the Company’s business. It is expected that this programme will be finalised and rolled-out throughout the business in FY2017.

Global Human Rights & Labour Policy (Modern Slavery Act Statement)

During FY2016, the Board established the Ramsay Human Rights & Labour Policy. The Policy, which applies to all of the Company’s businesses worldwide, sets out (among other things) the Company’s commitment to only engage workers who have capacity, are of legal age and have a free will and consent to work. This Global Policy also sets out the steps that must be taken by the Company’s business units to uphold this commitment.

Each year, the Modern Slavery Act 2015 requires the Company to prepare a Statement on the steps it has taken to mitigate the risk of slavery or human trafficking in its business or supply chain. The Company’s FY2016 Modern Slavery Act Statement can be viewed via a link on the Company’s homepage, www.ramsayhealth.com, under the ‘Sustainability’ tab.

Other Policies

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, Human Rights & Labour 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 2016 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, which was reviewed and updated in FY2016, 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.

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 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).

Assurance

Prior to the Board's approval of the Company's FY2016 financial statements and in accordance with s295A of the *Corporations Act 2001 (Cth)* and the ASX Recommendations, 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 HY2016 financial information.

The Company's external auditor, Ernst & Young, will again attend the Company's 2016 AGM and be available to answer shareholder questions concerning the audit of the Company's FY2016 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 Global 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 Global RMC is responsible for managing all other enterprise risks, with particular focus on clinical, workplace health and safety and environmental risks.

Strategic & Operational 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.

During FY2016, the Global RMC and the Board invested considerable time evaluating the Company's Strategic and Operational Risk Profile. Material strategic and operational risks were identified and assessed and the effectiveness of relevant risk mitigation strategies were scrutinised. The Global RMC was satisfied that appropriate controls were in place to address these risks. The Strategic and Operational Risk Profile has been distributed throughout each of the Company's business units and will be reviewed periodically.

The Company's risk management framework

The Company has in place a Risk Management Framework which is consistent the definition of an 'appropriate framework' in 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 strategic, financial, patient safety, workplace health and safety, the operating environment 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 2016 Annual Report. The Company does not consider that it has any *material* environmental or social sustainability risks (as those terms are defined in the ASX Recommendations).

Global Risk Management Committee

The Global RMC helps drive a positive culture towards risk management that promotes open disclosure and quality improvement in risk management activities in these key areas.

The Global RMC Charter was reviewed and updated during FY2016. The Charter provides that the objectives of the Committee is to oversee and drive improvement in risk management practices in:

- patient safety;
- workplace health and safety; and
- the Company's operating environment (e.g. IT/cybersecurity, building and facilities and regulatory compliance).

There are currently eleven (11) members on the Global RMC comprising a mix of Non-Executive Directors (four), executive Directors (two), senior executives/management personnel (four) and the Strategic Medical Advisor, Professor John Horvarth. 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 Global 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 Global RMC not being comprised of a majority of independent Directors, the Board considers that the Global 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 Global RMC meetings and attendance by each Director Global 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 Global RMC reviews the Risk Management Framework at least annually. The Global RMC undertook a comprehensive review of the Risk Management Framework in FY2016 and made changes to reflect the Company's expanding geographic footprint as well as to address the changing nature of some risks, including cyber security. The Global RMC is satisfied that the Risk Management Framework is sound.

Risk Sub-Committees

The Board has an integrated risk management reporting framework that is befitting of a transnational organisation.

Risk management structures have been established in respect of each of the Company's Australian, France, UK, Malaysian and Indonesian businesses. Risk management subcommittees have now been established in Ramsay Australia, Ramsay Générale de Santé and Ramsay UK. 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 Global RMC in writing at least on a quarterly basis and in a consistent format.

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 the Company's risk management and governance strategy as they each oversee and report on their respective area of specialisation and responsibility.

Clinical Governance

Commencing in February 2016, Professor John Horvath AO joined the Company as its Strategic Medical Officer. Professor Horvath assists the Company in developing and implementing innovative clinical programmes which enhance the Company's performance and reputation as a global leader in the delivery of safe and quality care to patients. Professor Horvath is a member of the Company's Global RMC.

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 this 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. This Strategic Alliance with ICHOM 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 was reviewed and updated during FY2016 as a result of revisions to ASX Guidance Note 8. This Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of senior executives for achieving compliance. More specifically, the Policy:

- explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act;
- 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); and
- 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:

- 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 Managing Director 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 Charter was reviewed and updated during FY2016.

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, following shareholder approval at the 2015 AGM, the Company implemented the Non-Executive Director Share Rights Plan under which Non-Executive Directors were granted share rights that converted into ordinary shares as part of their annual board fees. Further details about the Non-Executive Director's Share Rights Plan are contained in the FY2016 Remuneration Report.

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 13 September 2016.

ASX Corporate Governance Council's Principles

	ASX Principle	Reference³	Compliance as at the date of this Statement
Principle 1	Lay solid foundations for management & 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 executive directors). The CEO is the only executive with a formal services 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 Workplace Gender Equality Act, 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

³ ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

ASX Corporate Governance Council's Principles

	ASX Principle	Reference ³	Compliance as at the date of this Statement
Principle 2	Structure the Board to add value		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</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 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.</p>	2 and 3	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>
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	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	5 and Board of Directors Section (for length of service details)	<p>Yes</p> <p>Yes</p> <p>Yes</p>
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	Yes
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	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	14	<p>Yes</p> <p>Yes</p>

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ASX Corporate Governance Council's Principles

	ASX Principle	Reference ³	Compliance as at the date of this Statement
Principle 4	Safeguard integrity in corporate reporting		
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	2 and 15	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>
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	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	15	<p>Yes</p> <p>Yes</p>
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

³ ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

ASX Corporate Governance Council's Principles

	ASX Principle	Reference ³	Compliance as at the date of this Statement
Principle 7	Recognise and manage risk		
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; and</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 independent members. Executive membership means that a majority are not independent directors.</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	16	<p>Yes</p> <p>Yes</p>
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>N/A</p>
7.4	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.	16 and Board of Directors section	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; and</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 and the Remuneration Report	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p>
8.2	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.	19 and	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>

³ ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

Additional Listing Rule Disclosures

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 13 September 2016.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	43,644	13,460,597	6.66
1,001 – 5,000	8,503	17,473,305	8.65
5,001 – 10,000	759	5,247,638	2.60
10,001 – 100,000	273	6,149,434	3.04
100,001 and over	45	159,750,278	79.05
Totals	53,224	202,081,252	100%

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 410 holders, for a total of 696 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	28,400,470	14.05
3. J P Morgan Nominees Australia Limited	22,854,681	11.31
4. National Nominees Limited	9,418,385	4.66
5. Citicorp Nominees Pty Limited	6,893,899	3.41
6. BNP Paribas Nominees Pty Limited (DRP)	3,847,567	1.90
7. Woolwich Investments Pty Limited (The Siddle Family Trust)	3,750,000	1.86
8. Australian Executor Trustee Limited	3,674,043	1.81
9. RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	3,347,284	1.66
10. AMP Life Limited	1,507,029	0.75
11. Australian Foundation Investment Company Limited	1,415,000	0.70
12. BNP Paribas Nominees Pty Limited (Agency Lending DRP A/c)	1,405,396	0.70
13. Argo Investments Limited	1,375,437	0.68
14. Custodial Services Limited (Beneficiaries Holdings A/c)	1,216,081	0.60
15. Citicorp Nominees Pty Limited (Colonial First State Invest A/c)	563,603	0.28
16. HSBC Custody Nominees (Australia) Limited GSCO ECA A/c	413,971	0.20
17. IOOF Investment Management Limited (IPS Super A/c)	345,161	0.17
18. UBS Nominees Pty Limited (TP00014 15 A/c)	339,352	0.17
19. Mr Christopher Paul Rex	275,903	0.14
20. Australian United Investment Company Limited	275,000	0.14
Totals	156,317,531	77.35%

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 13 September 2016:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Paul Ramsay Foundation Pty Limited as trustee for the Paul Ramsay Foundation	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 FY2016, the Company purchased 740,801 ordinary shares on-market for the purposes of its employee and Non-Executive Director share plans (including to satisfy the entitlements of holders of vested performance rights to acquire shares under the Executive Performance Rights Plan), at an average price per ordinary share of \$62.44.

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,750	1,079,123	41.51
1,001 – 5,000	219	418,350	16.09
5,001 – 10,000	12	77,357	2.98
10,001 – 100,000	17	515,413	19.82
100,001 and over	2	509,757	19.61
Totals	4,000	2,600,000	100%

(h) Less than marketable parcels of CARES

The number of CARES held in less than marketable parcels is 3 holders, for a total of 6 CARES.

(i) 20 Largest CARES Holders

Name	Number of fully paid Ordinary Shares	% of Issued Capital
1. J P Morgan Nominees Australia Limited	394,757	15.18
2. Australian Foundation Investment Company Limited	115,000	4.42
3. Sandhurst Trustees Limited (DMP Asset Management A/c)	82,222	3.16
4. National Nominees Limited	64,417	2.48
5. HSBC Custody Nominees (Australia) Limited	58,037	2.23
6. IOOF Investment Management Limited (IPS Super A/c)	50,157	1.93
7. Citicorp Nominees Pty Limited	48,443	1.86
8. RBC Investor Services Australia Nominees Pty Limited (BKCUST A/c)	41,804	1.61
9. Argo Investments Limited	25,000	0.96
10. Longhurst Management Services Pty Limited	20,969	0.81
11. Navigator Australia Limited <MLC Investment Settlement A/C>	18,849	0.73
12. Citicorp Nominees Pty Limited (Colonial First State Investment A/c)	18,702	0.72
13. Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	14,868	0.57
14. Australian Executor Trustees Limited (No 1 A/c)	14,113	0.54
15. Citicorp Nominees Pty Limited (DPSL A/c)	12,185	0.47
16. Jiliby Pty Limited	12,000	0.46
17. St Hedwig Village	12,000	0.46
18. Peroda Nominees Pty Limited (Berman Super Fund A/c)	11,400	0.44
19. Edsgear Pty Limited	10,247	0.39
20. JGW Investments Pty Limited	9,250	0.36
Totals	1,034,420	39.78%

(j) On-Market Buy-Backs

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

Corporate directory

Directors

Non Executive Directors

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

Executive Directors

Christopher Rex (Managing Director & CEO)
Bruce Soden (Group Finance Director & CFO)

Group General Counsel & Company Secretary

John O'Grady

Auditor

Ernst & Young

200 George Street
Sydney NSW 2000

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

Financial Report

FOR THE YEAR ENDED **30 JUNE 2016**

RAMSAY HEALTH CARE LIMITED & CONTROLLED ENTITIES
A.B.N. 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 2016.

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

Director	Ramsay Health Care Limited		
	Ordinary Shares	Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
M.S. Siddle	3,903,256	-	-
P.J. Evans	7,901	-	-
C.P. Rex	1,198,760	5,334	411,060
B.R. Soden	400,791	2,000	177,503
A.J. Clark AM	80,692	1,700	-
I.P.S. Grier AM	692	-	-
R.H. McGeoch AO	58,023	257	-
K.C.D. Roxburgh	73,192	-	-
P. Akopiantz	2,059	-	-
M. Seale	1,997	-	-

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

Interests in Contracts or Proposed Contracts with the Company

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Principal Activities

Ramsay is a global hospital group operating 223 hospitals and day surgery facilities across Australia, the United Kingdom, France, Indonesia, Malaysia and Italy. The Group is committed to being a leading provider of health care services by delivering high quality outcomes for patients and ensuring long term profitability. Ramsay is well-respected in the health care industry for operating quality private hospitals and for its excellent record in hospital management, staff engagement and patient care.

Ramsay facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 25,000 beds and places, the Group employs circa 60,000 staff, across six 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 consult in its facilities. Ramsay takes a leadership role in shaping the world that we live in through its focus on the environment, good corporate governance and societal issues at large. 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, culminating in its acquisition of a controlling interest in Générale de Santé (GdS) in October 2014. GdS is a leading operator of private hospitals in France comprising 75 facilities (including 61 hospitals) in the fields of medicine, surgery, obstetrics and rehabilitation. The addition of GdS 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 (RGdS)) was finalised on 1 July 2015. This newly merged entity acquired HPM, a group of nine hospitals in Lille in December 2015.

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).

**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>	2016	2015	% Change
	\$000	\$000	
Revenue from services	8,684,116	7,355,489	18.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,224,427	1,067,108	14.7%
Earnings before interest and tax (EBIT)	840,353	761,167	10.4%
Net profit attributable to owners of the parent	450,297	385,542	16.8%
	2016	2015	% Change
Basic earnings per share (after CARES dividend)	217.6c	185.0c	17.6%
Diluted earnings per share (after CARES dividend)	216.1c	183.5c	17.8%

Ramsay's net profit attributable to the owners of the parent for the year ended 30 June 2016 was \$450.3 million, a 16.8% increase on the previous corresponding period. Diluted earnings per share is 216.1 cents for the year, a 17.8% increase.

The Company's solid volume growth, ongoing efficiencies, strategic acquisitions and further investment in our facilities, continue to underpin strong financial performance.

Operational Highlights – Australia / Asia

During the year, Ramsay's Australian and Asian business achieved revenue growth of 8.8% and EBIT growth of 11.6% on the back of solid volume growth, brownfield developments and ongoing efficiencies.

Operational Highlights – UK

Ramsay's UK business delivered another good result with NHS admissions growing by 8% driven by record referrals. Operating margins (EBITDAR) remain high at 26.1% and EBIT increased 9.5% to £44.3 million.

Operational Highlights – France

In spite of further tariff decreases in France, Ramsay Générale de Santé hospitals continued to perform well achieving good volume growth across all major specialities and on the back of excellent growth in emergency presentations. Revenue increased by 27.3% and EBIT increased by 2.2%, both benefitting from having an additional three months of operations from Ramsay Générale de Santé (acquired October 2014) and six months of operations from HPM which was acquired in December 2015. HPM has now been integrated into our French portfolio of hospitals and puts us in a leading position in this region.

Financial Position

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

	2016	2015	% Change
	\$000	\$000	
Total assets	8,264,524	7,621,685	8.4%
Total liabilities	(6,218,463)	(5,783,891)	7.5%
Net assets	2,046,061	1,837,794	11.3%

Ramsay's total assets increased by 8.4% due mainly to an increase in property, plant and equipment of \$269 million (net of depreciation) due to the brownfields development program and the acquisition of HPM, and the recognition of \$179 million of goodwill in relation to the acquisition of HPM.

Total liabilities increased by 7.5% predominately due to borrowings to fund the HPM acquisition, brownfield developments, and the restructuring of debt on the merger of Ramsay Santé and GdS.

The Group is again in a net current liability position at 30 June 2016 (2015: net current liability position). Typically the Group receives cash from the provision of patient services ahead of cash paid out to suppliers. 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 11.3% which is largely attributable to the current year's profit after tax of \$450 million less dividends paid of \$230 million to Ramsay shareholders.

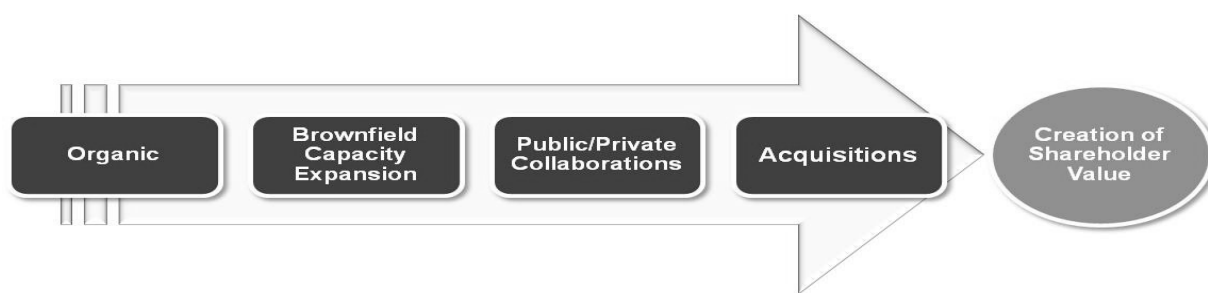
Cash Flow

Continuing strong and consistent operating cash flow and effective working capital management delivered a high cash conversion rate for the Group 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, over \$200 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 FY17 include:

- Peninsula
- New Farm Clinic
- North Shore
- Baringa
- Waverley

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 December 2015, RGdS completed its acquisition of a controlling interest in HPM in France for an enterprise value of \$261 million (being assumption of debt of \$54 million and cash paid of \$207 million). Refer to Note 9 for further information. This acquisition enables the Group to reinforce its market leadership in the Lille metropolitan area in France.

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

Ramsay regularly engages with its doctors to maintain a strong relationship. 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 @ 72.0 cents per share (2015: 60.5 cents)	\$145,499,000 (2015: \$122,259,000)
Interim dividend paid during the year @ 47.0 cents per share (2015: 40.5 cents)	\$94,978,000 (2015: \$81,842,000)

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

Final dividend recommended @ \$2.57 per security (2015: \$2.51)	\$6,670,000 (2015: \$6,524,000)
Interim dividend paid during the year @ \$2.47 per security (2015: \$2.65)	\$6,433,000 (2015: \$6,888,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2015: 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 2016 was authorised for issue on 13 September 2016 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 1,319,207 (2015: 1,394,000) ordinary shares under the Executive Performance Rights Plan that are yet to vest. Refer to Note 16 of the financial statements for further details of any rights outstanding as at 30 June 2016.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Dear Shareholders

We are pleased to present the 2016 Remuneration Report.

This Remuneration Report focuses on demonstrating how closely 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 shareholders and other stakeholders with all the information needed to properly understand Ramsay's remuneration framework and outcomes for each financial year.

FY2016 was another year of strong performance by Ramsay, both in terms of financial results and achievement of strategic milestones. In particular, Ramsay's continued growth in core EPS and NPAT demonstrates the Board's and management's commitment to delivering value to the Company's shareholders.

Our remuneration framework aligns executive remuneration outcomes with shareholder interests by rewarding executives for delivering sustained performance and also 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.

*As disclosed last year, significant time has been spent tailoring both Ramsay's key management personnel (**KMP**) remuneration and non-executive director (**NED**) remuneration. This included aligning the LTI EPS hurdles with the Company's published market guidance and providing greater transparency by disclosing the vesting schedule upfront. The Board is pleased with the positive feedback it received in response to these changes as well as the strong support of Ramsay shareholders at the 2015 AGM. The Board would like to thank all Ramsay shareholders and stakeholders for their support.*

During FY2016, as in previous years, the Remuneration Committee sought independent advice on its KMP and NED remuneration policies and practices.

After consideration of this independent advice, the Remuneration Committee recommended and the Board approved KMP and NED remuneration arrangements for FY2017 in line with those arrangements implemented in FY2016. For example, executive LTIs will continue to be granted on a face value basis while the share rights will again be offered to NEDs under the Ramsay Non-Executive Share Rights Plan approved by shareholders last year.

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 hold 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 McGeoch AO
Chairman
Remuneration Committee
13 September 2016

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 2016 (**FY2016**). 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 FY2016

Key Management Personnel			
Non-Executive Directors		Executives	
Name	Position	Name	Position
M.S. Siddle	Chairman	C.P. Rex	Chief Executive Officer and
P.J. Evans	Deputy Chairman		Managing Director
R.H. McGeoch AO	Director	B.R. Soden	Group Chief Financial Officer and
K.C.D. Roxburgh	Director		Group Finance Director
A.J. Clark AM	Director	C.R. McNally	Group Chief Operating Officer
I.P.S. Grier AM	Director	D.A. Sims	Chief Executive Officer –
P. Akopiantz	Director		Ramsay Health Care Australia
M. Seale	Director		

There have been no changes to the KMP between the end of FY2016 and 13 September 2016, the date of this Remuneration Report.

The Remuneration Report is presented in the following sections:

Table 2 – 2016 Remuneration Report: Overview

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

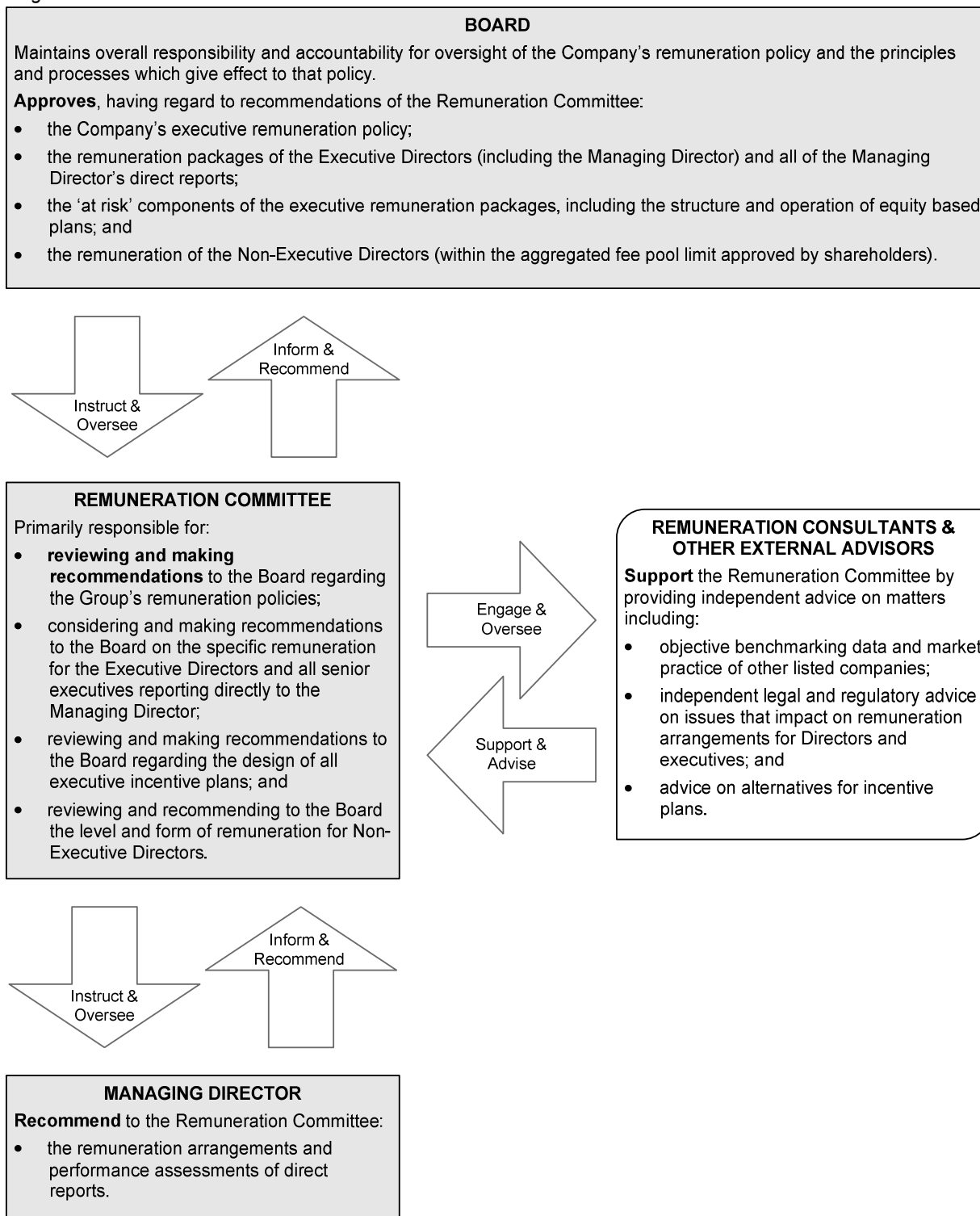
REMUNERATION REPORT – Audited (continued)

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 (continued)

Maintaining independence

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

- 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 analysis 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 the 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 Remuneration Committee and the Board.

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 FY2016, 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 quantum of LTI grants to executive directors; and
- the Non-Executive Director remuneration packages.

Godfrey's fees for providing the remuneration recommendations in FY2016 were \$12,100 (including GST). Godfrey did not provide any other advice to the Company during FY2016 and accordingly the Company did not make any payments to Godfrey other than those disclosed above.

The recommendations that were provided by Godfrey in FY2016 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 (continued)

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 & 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.
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 this 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 longer term 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 FY2016 is set out in the table below:

Table 4 – Relative mix of remuneration components for KMP Executives for FY2016

	% of Total Remuneration (Annualised)		
	Fixed Remuneration	Performance Based 'At-Risk' Remuneration	
		Maximum STI Opportunity ¹	Maximum LTI Opportunity ²
C.P. Rex	15%	15%	70%
B.R. Soden	22%	11%	67%
C.R. McNally	21%	10%	69%
D.A. Sims	21%	10%	69%

1. Assumes all applicable STI Key Performance Indicators (**KPIs**) are achieved in full.
2. Assumes all applicable LTI hurdles are achieved in full. Refer to table 17 for the value of each KMPs Maximum LTI Opportunity.

REMUNERATION REPORT – Audited (continued)

Supporting business objectives

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

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

Diagram 2 - Aligning Remuneration Structures to Corporate Strategy and Objectives

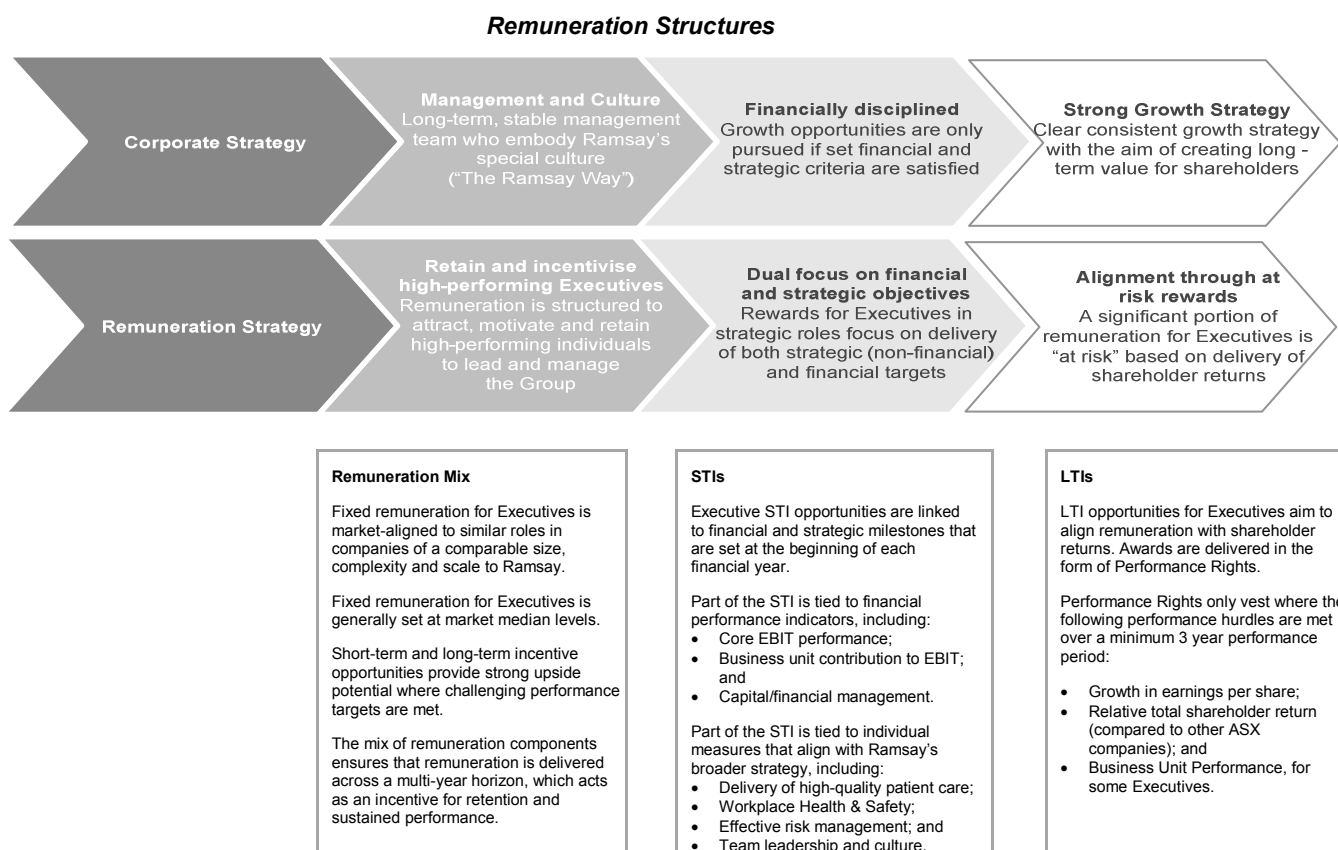
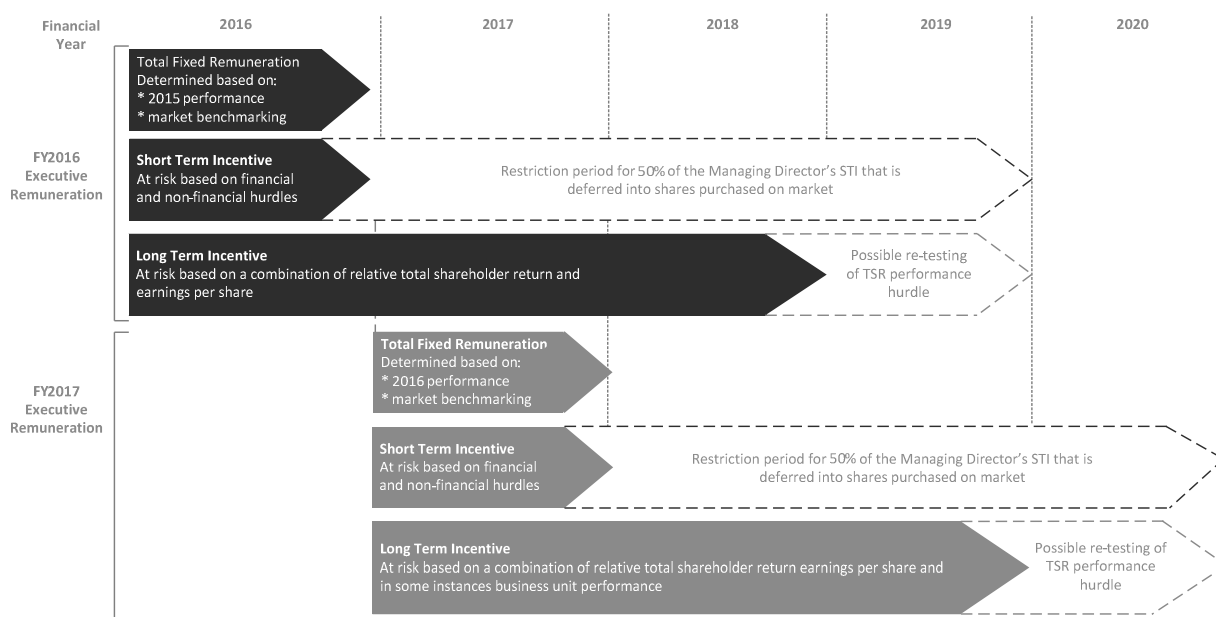


Diagram 3 illustrates the remuneration cycle for Executives. The remuneration components are explained in further detail in the 'Remuneration components' section below.

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

REMUNERATION REPORT – Audited (continued)

Diagram 3 – Remuneration cycle for Executives



By staggering the delivery of benefits over a multi-year horizon, the Company ensures that Executives are retained and rewarded for delivering ongoing improvements in the Group's performance and are focused on achieving and maintaining sustained returns instead of short-term results or behaviours that involve excessive risk. Staggering the point at which rewards deliver value to Executives 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.

FY2016 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 Remuneration Report. However, the Board recognises that the statutory tables do not provide a clear indication of the actual value of remuneration earned by the Executives during the year.

The following table summarises the actual reward outcomes for the Executives for FY2016, being the amounts the Executives became entitled to in FY2016 having satisfied any applicable performance hurdles. This includes their fixed remuneration for FY2016, the STIs that they earned based on FY2016 performance, the LTIs that vested based on multi-year performance up to and including the end of FY2016 (i.e. LTI grants made in 2013), and any other payments received by them during FY2016.

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

REMUNERATION REPORT – Audited (continued)

The key difference between remuneration figures provided in table 5 compared to the statutory table (table 18) is that under the applicable accounting standards the statutory table requires the value of equity grants to be estimated and apportioned over the relevant vesting period, irrespective of whether those awards ultimately vest. By contrast, the *actual* reward outcomes table below only captures equity grants that vested based on performance and delivered value to the Executive in FY2016.

Table 5 – Remuneration, including actual reward outcomes of the Executives for FY2016

	Cash salary	STI ¹	LTI ²	Superannuation	Other ³	Total
C.P. Rex	\$2,318,000	\$2,297,330	\$13,324,190	\$19,308	\$18,327	\$17,977,155
B.R. Soden	\$1,456,420	\$723,100	\$5,753,627	\$19,308	\$33,183	\$7,985,638
C.R. McNally	\$857,207	\$425,500	\$3,633,870	\$19,308	\$30,418	\$4,966,303
D.A. Sims	\$857,207	\$425,500	\$3,633,870	\$19,308	\$31,952	\$4,967,837

1. *This figure represents the actual STI earned for performance in FY2016 (to be paid in FY2017). 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 Auditor has signed the statutory financial statements in September 2016.*
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 FY2016. 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 FY2016, which remained unvested as at 30 June 2016, do not appear in this table as no actual value was realised by Executives from these Performance Rights during FY2016.*
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 FY2016. The high levels of 'at-risk' rewards earned in FY2016 reflect the Group's continuing strong performance, both in absolute terms and relative to the Company's peers.

5 year history – alignment of performance and remuneration outcomes

The following table 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 (continued)

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	
2016	\$71.76	119¢	90.82%	231.4¢	\$897.1	\$481.4	\$17,877
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

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 FY2016 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 either maximum STI bonuses or close to maximum bonuses for all Executives, the Board emphasises that this result is not an indication of the key performance indicators (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, FY2012-FY2016

Financial Year	2012	2013	2014	2015	2016
% of maximum STI awarded (average for Executives)	93%	97%	100%	100%	99.5%

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 the Company's peers.

The Company's sustained growth in EPS has resulted in full vesting of performance 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, which is relevant for performance rights granted in FY2011 to FY2013.

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

REMUNERATION REPORT – Audited (continued)

Table 8 – EPS Performance

Financial Year	Aggregate 3-year¹ Minimum EPS Threshold (cents per share)	Aggregate 3-year¹ Maximum EPS Target (cents per share)	Actual Aggregate 3-year¹ EPS Achieved (cents per share)	EPS component vesting under LTI programme
2016	529.9	557.9	591.9	100%
2015	438.1	468.0	496.4	100%
2014	362.0	393.8	415.9	100%

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

For the LTIs granted in 2013 and 2014, the Board set the threshold EPS performance required for vesting (i.e. the minimum EPS target to be achieved before any vesting occurs) at 95% of the maximum EPS target.

For the FY2016 LTI grants, the Board set the EPS target by reference to the Company's published market guidance to align the EPS targets with the market's expectations of the Group's performance. The EPS targets for LTI grants in FY2017 will also be set by referenced to the Company's market guidance.

Similarly, the Company'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 determined the comparator group to be the S&P/ASX100 index (with certain exclusions as explained in table 14). The same comparator group is to apply for the FY2017 grants.

For grants made in FY2013 (vested in 30 June 2016), FY2014 (due to vest 30 June 2017) and FY2015 (due to vest 30 June 2018), the comparator group is the S&P/ASX200 index.

Table 9 sets out the TSR results over the last three years (i.e., the TSR results relevant to LTIs that vested on 30 June 2016). Further details of how the TSR hurdles are measured are set out in table 14.

Table 9 – Relative 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
2016	50%	75%	90.82%	100%
2015	50%	75%	97.83%	100%
2014	50%	75%	96.81%	100%

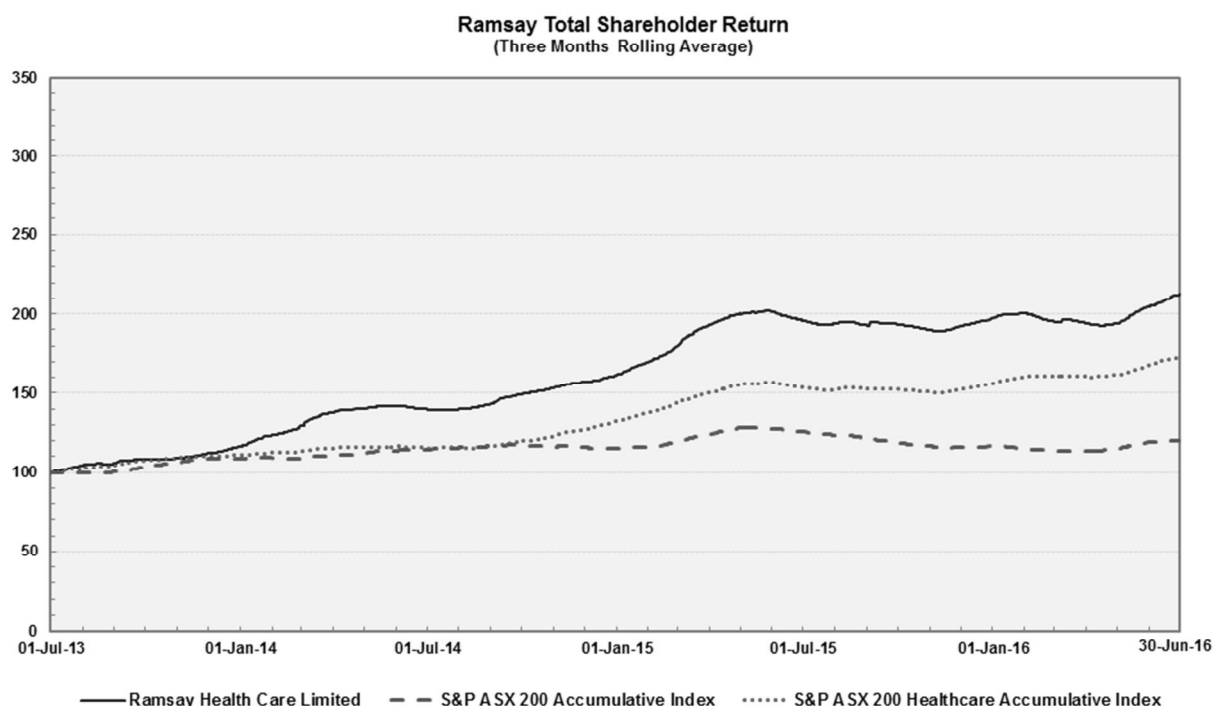
1. *TSR measured over the 3-year performance period up to the close of each relevant Financial Year*

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.

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

REMUNERATION REPORT – Audited (continued)

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



Source: Orient Capital Pty Limited

Further details of the terms of the STI and LTI programmes are set out in Section 3: Executive Remuneration 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.

The Company'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 the Company was in a position to again make an offer under its general Employee Share Programme in 2016 (in respect of FY2017).

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 had previously participated in the programme, 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.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT – Audited (continued)

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 of the Board's approach to setting Executive remuneration is to discourage excessive risk taking or short term thinking by Executives. The Company'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 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 the Company adopts across all aspects of its business (refer to the Corporate Governance Statement in the 2016 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 the Company 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 to ensure fixed remuneration levels do not exceed the desired market median level. Fixed remuneration for all Executives (including the Managing Director) was increased by 3% for FY2016 and increased by 2.5% for FY2017. 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.

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

REMUNERATION REPORT – Audited (continued)

Short-term Incentive (STI)

Table 10 – Summary of STI Programme

<p>What is the STI programme?</p>	<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>															
<p>Who participates in the STI programme?</p>	<p>The Executives (including the Managing Director) as well as other key executives and senior managers on a discretionary basis.</p>															
<p>Why does the Board consider the STI programme an appropriate incentive?</p>	<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>															
<p>Are both target and stretch performance conditions imposed?</p>	<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>															
<p>Are both financial and non-financial performance considered?</p>	<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 FY2016</i></p> <table border="1" data-bbox="544 1816 1374 2033"> <thead> <tr> <th></th> <th>% Financial KPIs</th> <th>% Non-financial KPIs</th> </tr> </thead> <tbody> <tr> <td>C.P. Rex</td> <td>44%</td> <td>56%</td> </tr> <tr> <td>B.R. Soden</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>C.R. McNally</td> <td>50%</td> <td>50%</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	44%	56%	B.R. Soden	50%	50%	C.R. McNally	50%	50%	D.A. Sims	50%	50%
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**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited (continued)

<p>What are the key performance indicators (KPIs)?</p>	<p><i>Managing Director</i></p> <p>The KPIs for the Managing Director's FY2016 STI are set out in the table below.</p> <p><i>Table 12 – FY2016 KPIs for the Managing Director</i></p> <table border="1" data-bbox="544 432 1398 1368"> <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 FY2016 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"> Ensuring the success of global management and structure; Deriving material savings from global procurement; Development of robust quality & risk management practices/processes; Maintaining the 'Ramsay Way'; Delivering safe, high quality patient care; Sourcing and review of acquisition opportunities; Navigating the Company to best achievable outcomes with funders; Succession planning for key management positions; and Maintaining close relationships with governments. </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 the preceding paragraphs to 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 FY2016 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 FY2016 <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 FY2016 <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"> Delivering safe, high quality patient care; Implementing and striving for success in the 5 year strategic plan; and Promotion of the 'Ramsay Way' culture. 		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 FY2016 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"> Ensuring the success of global management and structure; Deriving material savings from global procurement; Development of robust quality & risk management practices/processes; Maintaining the 'Ramsay Way'; Delivering safe, high quality patient care; Sourcing and review of acquisition opportunities; Navigating the Company to best achievable outcomes with funders; Succession planning for key management positions; and Maintaining close relationships with governments.
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**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited (continued)

	<ul style="list-style-type: none"> • 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.
<p>Why were the performance conditions (KPIs) chosen?</p>	<p>The following is provided for the purposes of section 300A(1)(ba)(ii) of the Act. Underpinning the KPIs are the Company's key 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>
<p>What were the methods used to assess whether the performance conditions (KPIs) were satisfied and why were those methods chosen?</p>	<p>The following is provided for the purposes of section 300A(1)(ba)(iii) of the Act. Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual Executives. Where applicable, 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. Programmes implemented during FY2016 aimed at driving quality clinical governance in the Company's facilities, including implementation in programmes arising from the Company's Strategic Alliance with the International Consortium for Health Outcomes Measurement (ICHOM), is an example or qualification of the "development of robust quality and risk management practices/processes" 'stretch' KPI.</p> <p>Where quantitative assessment is not practicable, qualitative performance appraisals are undertaken by the Remuneration Committee and the Board. Where available, the Remuneration Committee and the Board draws on the outcomes of 360-degree feedback reviews in making these assessments, which are periodically conducted by the Company 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> <p>These methods of assessing performance were chosen because they are, as far as practicable, objective and capable of being independently audited.</p>
<p>Who assesses STI performance?</p>	<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>
<p>In what form is the STI delivered?</p>	<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 on-market purchase of ordinary shares</p>

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

REMUNERATION REPORT – Audited (continued)

	in the Company (and at the prevailing market price). The shares acquired cannot be dealt with by the Managing Director until the earlier of his ceasing employment with the Group or 3 years from the date the shares are acquired. The restrictions on trading these shares have been imposed to further strengthen the link between the Managing Director's remuneration and shareholder interests.
What if an Executive ceases employment?	If an Executive ceases employment with the Company before KPI 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 FY2016?	STI payments for FY2016 are set out in table 13 below.

STI payments for FY2016

The methodology for assessing STI payments, based upon performance against KPIs is set out in the table above and, for the purposes of section 300A(1)(ba)(iii) of the Act, 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 FY2016. The Group's financial performance in FY2016 was again outstanding, with Core EPS and Core NPAT exceeding the previous year by 17.7% and 16.8% 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 just short of 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 99.1% 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 FY2016 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 FY2016, the Remuneration Committee recommended to the Board that each of the Executives receive 100% of their STIs for FY2016. This recommendation was accepted and approved by the Board.

STI payments are only paid after the Auditor has 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 FY2016.

Table 13 – STI bonuses for Executives FY2016 – to be paid in FY2017

Executive	Minimum potential STI Bonus	Maximum potential STI bonus	Actual STI for FY2016, to be paid in FY2017 subject to target KPIs	Actual STI for FY2016, to be paid in FY2017 subject to 'stretch' KPIs	Actual STI awarded as % of maximum STI
C.P. Rex ^{1, 2}	Nil	2,318,000	1,390,800	906,530	99.1%
B.R. Soden	Nil	723,100	723,100	Not applicable	100%
D.A. Sims	Nil	425,500	425,500	Not applicable	100%
C.R. McNally	Nil	425,500	425,500	Not applicable	100%

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

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

REMUNERATION REPORT – Audited (continued)

2. As Mr Rex exceeded target performance levels for FY2016 and fell just short of meeting the 'stretch' targets, his total FY2016 STI award is 99.1% of the total maximum STI available for the financial year. Mr Rex's FY2016 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 FY2016 STI award depends on movements in the Company's share price over the period for which the shares will be restricted.

Long-term Incentive (LTI)

Table 14 – Summary of LTI Programme

What is the purpose of the LTI programme?	The purpose of the LTI programme is to align Executive reward with shareholder wealth by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
Who participates in the LTI programme?	Participation in the LTI programme is only offered to a small number of senior executives who are able to significantly contribute to the generation or 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.
How is the number of Performance Rights granted determined?	For grants made in FY2016, the number of rights granted to the Executives was determined on a face value basis in line with the value of their FY2015 grants (i.e. by dividing the face value of the FY2015 grant by the prevailing share price as at the start of FY2016). The FY2017 LTI grants for Executives, including Mr Rex and Mr Soden, will be set at a face value that is in line with their FY2016 LTI grants. This will result in a lower number of performance rights being awarded for FY2017 compared to FY2016 (given the Company's share price has increased since the FY2016 grant).
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 senior executives with global responsibilities 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 most participants, grants of Performance Rights are subject to a third Business Unit Performance hurdle. This additional hurdle 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

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REMUNERATION REPORT – Audited (continued)

	<ul style="list-style-type: none"> the remaining component is tested against the Business Unit Performance hurdle. <p>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.</p>										
<p>How is the relative TSR hurdle measured?</p>	<p>The relative TSR hurdle is determined by measuring and ranking the Company's TSR relative to the TSRs of a comparator group of companies.</p> <p>For LTI grants made prior to FY2016 (including the FY2013 grant, which vested on 30 June 2016), the Board determined that the TSR comparator group be comprised of companies in the S&P/ASX 200 index as at the start of the 3-year performance period, excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors.</p> <p>For the FY2016 LTI grants, the Board changed the comparator group to the S&P/ASX100 index. The Board considered the change to be appropriate on the basis that companies in this index are now a more appropriate comparator group given the Company's sustained growth in market capitalisation in recent years.</p> <p>Broad industry groups are used for the purposes of assessing relative TSR performance because there are too few Australian healthcare companies with similar business drivers to the Company 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 1077 1396 1332"> <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>	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 FY2016 grant, the EPS hurdle is measured by comparing the Company's aggregate EPS over 3 years against the aggregate EPS target based on the Company's market guidance for EPS disclosed at the start of each financial year.</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.</p>										

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DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited (continued)

	<p>The annual targets are then aggregated to provide the threshold and maximum 3-year targets for vesting of Performance Rights. No re-testing of the EPS hurdle is permitted.</p>																					
<p>What are the EPS Targets and Thresholds for grants made prior to FY2016?</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, including the FY2013 grant that vested on 30 June 2016.</p> <p><i>Table 16 – EPS hurdle vesting schedule</i></p> <table border="1" data-bbox="528 544 1359 907"> <thead> <tr> <th>Aggregate EPS performance</th> <th>% of Performance Rights subject to the EPS hurdles that vest</th> </tr> </thead> <tbody> <tr> <td>Less than aggregate threshold EPS target</td> <td>Nil</td> </tr> <tr> <td>Equal to aggregate threshold EPS target</td> <td>50%</td> </tr> <tr> <td>Greater than aggregate threshold EPS target up to the aggregate maximum EPS target</td> <td>Between 50% and 100% increasing on a straight line basis</td> </tr> <tr> <td>Greater than aggregate maximum EPS target</td> <td>100%</td> </tr> </tbody> </table> <p>The Company is able to disclose that for the year ended 30 June 2016 the maximum EPS target was set at 219.2 cents per share and the threshold EPS target was 95% of this target (208.2 cents per share). The EPS achieved in FY2016 was 231.4 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																					
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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>What are the EPS Targets and Thresholds for grants made in FY2016</p>	<p>For the LTI grants made in FY2016, the Board restructured the vesting schedule that is to apply to the EPS hurdle. Vesting will occur on a stepped basis rather than the sliding scale outlined above. This means that no additional rights will vest for EPS performance that is between the following specified points:</p> <ul style="list-style-type: none"> • 0% of rights subject to the EPS hurdle will vest where the EPS performance is well short of the Company's market guidance. • 25% of rights subject to the EPS hurdle will vest where the EPS performance is just below the lower end of the Company's market guidance. • 50% of rights subject to the EPS hurdle will vest where the lower end of the Company's market guidance is achieved. • 75% of rights subject to the EPS hurdle will vest where the mid-point of the Company's market guidance is achieved. • 90% of rights subject to the EPS hurdle will vest where the upper end of the Company's guidance is achieved. • 100% of rights subject to the EPS hurdle will vest where the EPS performance is well above the upper end of the Company's market guidance, in line with the 'stretch' incentive intended. <p>The table below illustrates the level of growth required for the FY2016 and FY2017 targets having regard to the Company's original published market guidance for FY2016 of an increase in EPS of 12% to 14%, actual EPS for FY2016 being 231.4 cents per share and the Company's published market guidance for FY2017 of an increase in EPS of 10% to 12%.</p> <table border="1" data-bbox="528 1688 1399 2051"> <thead> <tr> <th>% increase in EPS for FY2016 over FY2015</th> <th>% increase in EPS for FY2017 over FY2016</th> <th>% of Performance Rights subject to EPS hurdle to vest</th> </tr> </thead> <tbody> <tr> <td>Less than 11%</td> <td>Less than 9%</td> <td>0%</td> </tr> <tr> <td>11%</td> <td>9%</td> <td>25%</td> </tr> <tr> <td>12%</td> <td>10%</td> <td>50%</td> </tr> <tr> <td>13%</td> <td>11%</td> <td>75%</td> </tr> <tr> <td>14%</td> <td>12%</td> <td>90%</td> </tr> <tr> <td>15%</td> <td>13%</td> <td>100%</td> </tr> </tbody> </table>	% increase in EPS for FY2016 over FY2015	% increase in EPS for FY2017 over FY2016	% of Performance Rights subject to EPS hurdle to vest	Less than 11%	Less than 9%	0%	11%	9%	25%	12%	10%	50%	13%	11%	75%	14%	12%	90%	15%	13%	100%
% increase in EPS for FY2016 over FY2015	% increase in EPS for FY2017 over FY2016	% of Performance Rights subject to EPS hurdle to vest																				
Less than 11%	Less than 9%	0%																				
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14%	12%	90%																				
15%	13%	100%																				

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

REMUNERATION REPORT – Audited (continued)

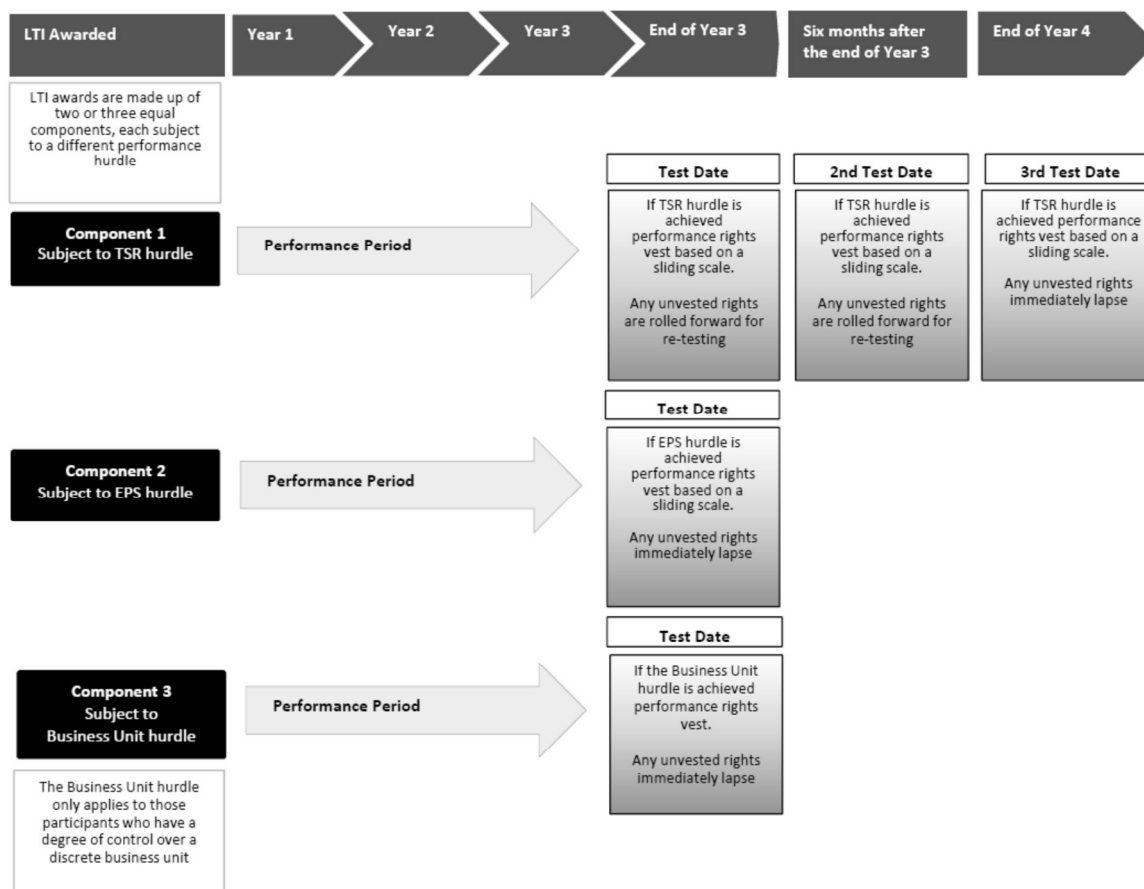
<p>Why have the performance hurdles been chosen?</p>	<p>The following information is provided for the purposes of section 300A(1)(b)(ii) of the Act.</p> <p><i>Relative TSR</i></p> <p>The relative TSR hurdle has been chosen because it provides a direct link between Executive reward and shareholder return, 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><i>EPS</i></p> <p>The EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings and is directly linked to shareholder returns and the Company's overall strategic objectives.</p> <p><i>Business Unit Performance</i></p> <p>The Business Unit Performance measure is an additional hurdle applied to 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 and encourages a long term strategic approach from Executives. <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 FY2016?</p>	<p>The grants made to the Executives are summarised in the following table 17. 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 2016 AGM.</p>

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

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DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited (continued)

Diagram 4 – Operation of LTI hurdles



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

Details of the Performance Rights granted under the LTI programme in FY2016 are set out below.

Table 17 – Performance Rights granted to Executives in FY2016

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	95,530	\$46.98	\$4,487,999
	Core EPS	95,530	\$61.96	\$5,919,039
		191,060		\$10,407,038
B.R. Soden	TSR	41,252	\$46.98	\$1,938,019
	Core EPS	41,251	\$61.96	\$2,555,912
		82,503		\$4,493,931
C.R. McNally	TSR	26,054	\$46.98	\$1,224,017
	Core EPS	26,053	\$61.96	\$1,614,244
		52,107		\$2,838,261

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

REMUNERATION REPORT – Audited (continued)

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	17,369	\$46.98	\$815,996
	Core EPS	17,369	\$61.96	\$1,076,183
	Business Unit	17,369	\$61.96	\$1,076,183
		52,107		\$2,968,362

1. *These Performance Rights are subject to performance over a 3-year period from 1 July 2015 to 30 June 2018. As the Performance Rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, FY2016 Performance Rights have not yet been forfeited or vested.*
2. *The grants made to Executives constituted their full LTI entitlement for FY2016 and were made on 13 November 2015 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 16 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).*

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REMUNERATION REPORT – Audited (continued)

Total remuneration

Details of each Executive's remuneration for FY2016 (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 FY2016 and FY2015

Name	Short term			Post-employment			Share based payment rights	Total \$	Total performance related
	Salary & fees \$	Non monetary \$	Accrued Bonus ² \$	Long service leave entitlements \$	Super-annuation \$	Accrued termination benefits \$			
C.P. Rex									
FY2016	2,318,000	18,327	2,297,330	53,296	19,308	-	8,962,779	13,669,040	82%
FY2015	2,250,000	22,319	2,250,000	54,820	18,783	-	6,881,233	11,477,155	80%
B.R. Soden									
FY2016	1,456,420	33,183	723,100	43,886	19,308	-	3,870,285	6,146,182	75%
FY2015	1,414,000	46,797	701,950	47,552	18,783	-	2,971,442	5,200,524	71%
C.R. McNally									
FY2016	857,207	30,418	425,500	26,213	19,308	-	2,444,387	3,803,033	75%
FY2015	832,240	23,564	413,090	28,686	18,783	-	1,876,700	3,193,063	72%
D.A. Sims									
FY2016	857,207	31,952	425,500	19,330	19,308	-	2,487,754	3,841,051	76%
FY2015	832,240	-	413,090	19,798	18,783	-	1,876,700	3,160,611	72%
Totals									
FY2016	5,488,834	113,880	3,871,430	142,725	77,232	-	17,765,205	27,459,306	79%
FY2015	5,328,480	92,680	3,778,130	150,856	75,132	-	13,606,075	23,031,353	75%

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 FY2015 and FY2016 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 16 to the financial statements.

**RAMSAY HEALTH CARE LIMITED
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REMUNERATION REPORT – Audited (continued)

Executive Service Agreement

Mr Christopher Rex

In 2013, Mr Rex's contracted term as Managing Director was extended by three years until 30 June 2016 and is now continuing on a rolling basis until terminated by either party. As at the date of this Report, neither Mr Rex nor the Company have given notice to the other that they wish to terminate the contract.

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 FY2016).
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 FY2016).
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 (continued)

Other statutory disclosures

Table 20 below shows the movements (during FY2016 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	15-Nov-12	220,000	28-Aug-15	220,000	13,324,190	-	-
Performance Rights	14-Nov-13	220,000	31-Aug-16	220,000	17,589,264	-	-
	13-Nov-14	220,000	31-Aug-17	-	-	-	-
	13-Nov-15	191,060	31-Aug-18	-	-	-	-
B.R. Soden							
Equity Settled	15-Nov-12	95,000	28-Aug-15	95,000	5,753,628	-	-
Performance Rights	14-Nov-13	95,000	31-Aug-16	95,000	7,595,364	-	-
	13-Nov-14	95,000	31-Aug-17	-	-	-	-
	13-Nov-15	82,553	31-Aug-18	-	-	-	-
C.R. McNally							
Equity Settled	15-Nov-12	60,000	28-Aug-15	60,000	3,633,870	-	-
Performance Rights	14-Nov-13	60,000	31-Aug-16	60,000	4,797,072	-	-
	13-Nov-14	60,000	31-Aug-17	-	-	-	-
	13-Nov-15	52,107	31-Aug-18	-	-	-	-
D.A. Sims							
Equity Settled	15-Nov-12	60,000	28-Aug-15	60,000	3,633,870	-	-
Performance Rights	14-Nov-13	60,000	31-Aug-16	60,000	4,797,072	-	-
	13-Nov-14	60,000	31-Aug-17	-	-	-	-
	13-Nov-15	52,107	31-Aug-18	-	-	-	-

- 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:
 - \$60.5645 on 28 August 2015
 - \$79.9512 on 31 August 2016
- The performance conditions applicable to Performance Rights which vested on 28 August 2015 and 31 August 2016 were fully satisfied, and no Performance Rights lapsed or were forfeited for the respective performance periods.*

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

REMUNERATION REPORT – Audited (continued)

4. NON-EXECUTIVE DIRECTOR REMUNERATION

Guiding principles

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

Table 21 – Non-Executive Director remuneration – Guiding Principles

Principle	Explanation
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of \$3,500,000 (including the superannuation guarantee levy) was approved by shareholders at the 2015 AGM.
Fees are set by reference to key considerations	The aggregate fee pool and the manner in which it is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board, having regard to: <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	To create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in the Company. To support Non-Executive Directors in building their shareholding in the Company, shareholders were asked to approve and did approve the Non-Executive Director Share Rights Plan at the 2015 AGM. Under the Plan, Non-Executive Directors receive a portion of their remuneration in the form of share rights which on exercise convert into shares in the Company. These shares are initially subject to a holding lock. 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 are not subject to any performance conditions in order to preserve the Non-Executive 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.
Reviews of remuneration	The Remuneration Committee and the Board annually reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of good corporate governance.

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

REMUNERATION REPORT – Audited (continued)

Board & committee fees

Table 22 – Components of Non-Executive Director Remuneration

Component	Explanation
<p>Board fees/Committee fees</p>	<p>Fees, per annum, for FY2016</p> <ul style="list-style-type: none"> • Board: <ul style="list-style-type: none"> - Chairman - \$707,308 - Deputy Chairman - \$331,058 - Members - \$277,308 • Audit Committee: <ul style="list-style-type: none"> - Chairman - \$54,698 - Members - \$27,349 • Risk Management Committee: <ul style="list-style-type: none"> - Chairman - \$48,622 - Members - \$24,311 • Remuneration Committee: <ul style="list-style-type: none"> - Chairman - \$40,000 - Members - \$20,000 • 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 FY2016, which was made after considering independent advice from Godfrey Remuneration Group (Godfrey). 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. The Board is of the view that the increases in fees for Non-Executive Directors for FY2016 were 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.</p> <p>The above Chairman, Deputy Chairman and base Board fees also include amounts referable to compulsory superannuation contributions made on behalf of each Non-Executive Director as well as share rights granted to each Non-Executive Director in FY2016 following shareholders approving the Non-Executive Director Share Rights Plan at the 2015 Annual General Meeting.</p> <p>In FY2016, Non-Executive Directors were each granted 692 share rights, which converted to ordinary shares in the Company in March 2016. The number of share rights granted was calculated in accordance with the following formula:</p> $\frac{20\% \text{ of the FY2016 base board fee}}{\text{Value per share right}}$ <p>where the:</p> <ul style="list-style-type: none"> - FY2016 base board fee was \$215,000; and - value per share right equals the VWAP of the Company's ordinary shares traded on the ASX over the 5 trading day period commencing on the trading day after the preliminary full year results are released for the prior financial year (FY2015). For FY2016, the VWAP used to determine the number of share rights granted to each Non-Executive Director was \$62.1181. <p>The Company proposes to deliver a portion of remuneration to Non-Executive Directors for FY2017 and future years in the form of share rights (further discussed below).</p>

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

REMUNERATION REPORT – Audited (continued)

Other fees/benefits	Other than as set out below, no additional fees for special duties or exertions were paid during FY2016. Non-Executive Directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.
Post-employment benefits	Superannuation contributions are made on behalf of the Non-Executive Directors (at the FY2016 rate of 9.5%) which satisfies the Company's statutory superannuation obligations. This is capped at the statutory limit, which was \$19,308 per Director for FY2016. Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.

Non-Executive Director Share Rights Plan

As part of the review of Non-Executive Director remuneration conducted during FY2015, the Board 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 building their shareholdings in the Company and enhance the alignment of interests between Non-Executive Directors and shareholders.

The share rights were fully vested at the time of granting in November 2015 (i.e. they were not subject to performance conditions or potential forfeiture) and were automatically exercised and converted into shares in the Company in March 2016. The shares are subject to dealing restriction: a holding lock is in place 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).

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 2016, 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 2015	Benefits Paid in FY2016	Total Bond Rate Adjustment	Total Provision 30 June 2016
\$2,879,813	\$2,539,729 ¹	-	\$50,920 ¹	\$2,590,649

1. Cumulatively an amount of \$2,590,649 (2015: \$2,539,729) has been provided as at 30 June 2016 and \$50,920 (2015: \$60,104) expensed in the current year.

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

REMUNERATION REPORT – Audited (continued)

Total remuneration

Details of Non-Executive Directors' remuneration for FY2016 and FY2015 (calculated in accordance with applicable accounting standards) are set out in table 24.

Table 24 – Non-Executive Director Remuneration for FY2016 and FY2015

Director	Short-term benefits (\$)		Post-employment benefits (\$)		Total (\$)
	Fees ¹	Non-monetary benefits	Superannuation Contributions ²	Retirement Benefits ³	
Current Non-Executive Directors					
M.S. Siddle (Chairman)					
FY2016	688,000	-	19,308	10,144	717,452
FY2015	550,000	-	18,783	11,974	580,757
P.J. Evans (Deputy Chairman)					
FY2016	435,070	-	19,308	12,815	467,193
FY2015	311,858	-	18,783	15,126	345,767
R.H. McGeoch AO					
FY2016	298,000	-	19,308	8,657	325,965
FY2015	210,700	-	18,783	10,219	239,702
K.C.D. Roxburgh					
FY2016	309,660	-	19,308	10,375	339,343
FY2015	226,660	-	18,783	12,246	257,689
A.J. Clark AM					
FY2016	285,349	-	19,308	8,929	313,586
FY2015	202,349	-	18,783	10,539	231,671
I.P.S. Grier AM					
FY2016	282,311	-	19,308	-	301,619
FY2015	199,311	-	18,783	-	218,094
P. Akopiantz					
FY2016	285,349	-	19,308	-	304,657
FY2015	36,024	-	3,344	-	39,368
M. Seale					
FY2016	282,311	-	19,308	-	301,619
FY2015	35,483	-	3,344	-	38,827
Totals					
FY2016	2,866,050	-	154,464	50,920	3,071,434
FY2015	1,772,385	-	119,386	60,104	1,951,875

1. Includes fees received in the form of share rights under the Non-Executive Directors Share Rights Plan.
2. 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.
3. 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.

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

REMUNERATION REPORT – Audited (continued)

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 FY2016.

Other disclosable transactions

Paul Ramsay Holdings Pty Limited granted a licence to the economic entity to occupy office space at a commercial arm's length licence fee. In addition, any expenditure incurred by the economic entity on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2016 is \$nil (2015: nil).

During the year costs of \$24,317 (2015: \$30,799) were charged to and an amount of \$24,317 (2015: \$55,727) was received from Paul Ramsay Holdings Pty Limited for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of \$88,257 (2015: \$17,853) were charged by and an amount of \$101,989 (2015: \$36,901) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2016 costs of \$10,067 (2015: \$17,125) 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 FY2016 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 2015		Received on Vesting of LTI		Received as Other Remuneration ¹		Other Net Change purchase / (sale)		Held at 30 June 2016	
	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES
Non-Executive Directors										
M.S. Siddle	3,902,564	-	-	-	692	-	-	-	3,903,256	-
P. J. Evans	7,209	-	-	-	692	-	-	-	7,901	-
R.H. McGeoch AO	57,331	257	-	-	692	-	-	-	58,023	257
K.C.D. Roxburgh	79,500	-	-	-	692	-	(7,000)	-	73,192	-
A. J. Clark AM	82,000	1,700	-	-	692	-	(2,000)	-	80,692	1,700
I. P.S Grier AM	-	-	-	-	692	-	-	-	692	-
P.E. Akopiantz	-	-	-	-	692	-	1,367	-	2,059	-
M.L. Seale	-	-	-	-	692	-	1,305	-	1,997	-
Executive Directors										
C. P. Rex	749,271	5,334	220,000	-	9,489	-	-	-	978,760	5,334
B. R. Soden	260,791	2,000	95,000	-	-	-	(50,000)	-	305,791	2,000
Executives										
C. R. McNally	310,333	-	60,000	-	-	-	(25,284)	-	345,049	-
D. A. Sims	150,550	-	60,000	-	-	-	(49,000)	-	161,550	-

¹ Includes ordinary shares allocated to Non-Executive Directors upon exercise of share rights granted in accordance with the terms of the Non-Executive Directors Share Rights Plan.

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

REMUNERATION REPORT – Audited (continued)

Table 26 – The movement during FY2016 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:

	UNVESTED					VESTED
	Performance Rights / Share Rights	Held at 1 July 2015	Granted/ (Forfeited)	Performance Rights / Share Rights Exercised	Rights held at 30 June 2016	Vested during FY2016
Non-Executive Directors						
M.S. Siddle	Share Rights	-	692	692	-	692
P. J. Evans	Share Rights	-	692	692	-	692
R.H. McGeoch AO	Share Rights	-	692	692	-	692
K.C.D. Roxburgh	Share Rights	-	692	692	-	692
A. J. Clark AM	Share Rights	-	692	692	-	692
I. P.S Grier AM	Share Rights	-	692	692	-	692
P. Akopiantz	Share Rights	-	692	692	-	692
M. Seale	Share Rights	-	692	692	-	692
Executive Directors						
C. P. Rex	Performance Rights	660,000	191,060	220,000	631,060	220,000
B. R Soden	Performance Rights	285,000	82,503	95,000	272,503	95,000
Other KMP Executives						
D. A. Sims	Performance Rights	180,000	52,107	60,000	172,107	60,000
C. R. McNally	Performance Rights	180,000	52,107	60,000	172,107	60,000

DIRECTORS' MEETINGS

Details of the number of meetings of the Board and its Committees held during the year and each of the Directors' attendance at these meetings are set out in the Corporate Governance Statement of this Annual Report (in "The Board and its Standing Committees" section).

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

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 and Siddle
Nomination Committee	Messrs McGeoch (c), Siddle and Roxburgh

(c) : Designates the chairman of the committee

AUDITORS' INDEPENDENCE DECLARATION AND MODIFICATION OF AUDITOR ROTATION

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.

On 24 June 2014, at the recommendation of the Audit Committee, the Directors granted an extension of the Group's audit partner for a further two years as permitted under the Corporations Act 2001. The initial period of five years expired in June 2014 and the extension is subject to an annual performance assessment by the Chair of the Audit Committee.

The Audit Committee is satisfied that the extension is consistent with maintaining the quality of the audit provided to the Company and would not give rise to a conflict of interest for the reasons set out below:

1. Extending the time period of the Lead Partner only, with the existing Independent Review Partner role providing oversight on audit quality and independence, will both maintain independence and ensure the preservation of knowledge on the engagement.
2. The existing independence and service metrics in place are sufficient to ensure that auditor independence would not be diminished by such an extension.

INDEMNIFICATION OF AUDITOR

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded off to the nearest thousand unless otherwise specified under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the Class Order applies.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

NON-AUDIT SERVICES

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

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

Tax services	\$	748,723
Other services	\$	701,807

Signed in accordance with a resolution of the Directors.



M.S. SIDDLE
Chairman



C.P. REX
Managing Director

Sydney, 13 September 2016



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200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

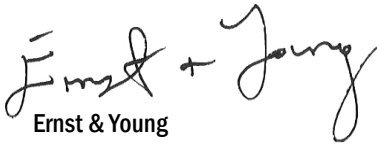
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Auditor's Independence Declaration to the Directors of Ramsay Health Care Limited

As lead auditor for the audit of Ramsay Health Care Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



David Simmonds
Partner
13 September 2016

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 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

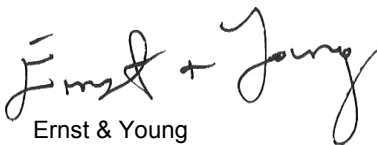
- a. the financial report of Ramsay Health Care Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in the Overview note.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



David Simmonds
Partner
Sydney
13 September 2016

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 2016 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 the Overview note.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



M.S. SIDDLE
Chairman



C.P. REX
Managing Director

Sydney, 13 September 2016

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
Revenue and other income			
Revenue from services	2	8,684,116	7,355,489
Interest income		7,081	5,290
Other income - income from the sale of development assets		2,153	1,621
Other income - net profit on disposal of non-current assets		4,201	4,123
Total revenue and other income		8,697,551	7,366,523
Employee benefits costs	3	(4,486,757)	(3,787,940)
Occupancy costs	3	(678,752)	(549,136)
Service costs		(303,720)	(296,822)
Medical consumables and supplies		(2,005,754)	(1,669,491)
Depreciation, amortisation and impairment	3	(384,074)	(305,941)
Cost of goods sold - book value of development assets sold		(1,026)	(834)
Total expenses, excluding finance costs		(7,860,083)	(6,610,164)
Share of profit of joint venture	14a	9,966	10,098
Profit before tax and finance costs		847,434	766,457
Finance costs	3	(138,498)	(126,155)
Profit before income tax		708,936	640,302
Income tax	13	(197,674)	(221,216)
Net profit for the year		511,262	419,086
Attributable to non-controlling interest		60,965	33,544
Attributable to owners of the parent		450,297	385,542
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	5	217.6	185.0
Diluted earnings per share			
Profit (after CARES dividend)	5	216.1	183.5

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Net profit for the year	511,262	419,086
Items that will not be reclassified to net profit		
Actuarial gain / (loss) on defined benefit plans	5,528	(412)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
Loss taken to equity	(54,747)	(5,135)
Transferred to Income Statement	4,957	6,869
Net (loss) / gain on bank loan designated as a hedge of a net investment	(20,382)	15,373
Foreign currency translation	(14,825)	(2,667)
Income tax relating to components of other comprehensive income / (expense)	13,505	(1,041)
Other comprehensive (expense) / income for the year, net of tax	<u>(65,964)</u>	<u>12,987</u>
Total comprehensive income for the year	<u>445,298</u>	<u>432,073</u>
Attributable to non-controlling interests	50,264	35,486
Attributable to the owners of the parent	<u>395,034</u>	<u>396,587</u>
	<u>445,298</u>	<u>432,073</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7a	328,989	315,861
Trade and other receivables	8a	1,141,607	996,234
Inventories	8b	205,012	191,745
Income tax receivable	13	21,521	26,180
Prepayments		112,041	99,620
Other current assets		11,396	12,318
		<u>1,820,566</u>	<u>1,641,958</u>
Assets classified as held for sale		22,692	11,818
Total current assets		<u>1,843,258</u>	<u>1,653,776</u>
Non-current assets			
Other financial assets		31,516	26,596
Investments in joint venture	14a	210,765	211,573
Property, plant and equipment	10	3,860,184	3,591,806
Intangible assets	11	2,059,957	1,883,049
Deferred tax asset	13	199,726	204,977
Non-current prepayments		12,068	12,426
Derivative financial instruments	7c	-	5,933
Non-current receivables	8a	47,050	31,549
		<u>6,421,266</u>	<u>5,967,909</u>
Total non-current assets		<u>6,421,266</u>	<u>5,967,909</u>
TOTAL ASSETS		<u>8,264,524</u>	<u>7,621,685</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8c	1,726,832	1,610,417
Interest-bearing loans and borrowings	7b	117,927	425,198
Derivative financial instruments	7c	18,808	10,778
Provisions	14b	80,612	82,218
Income tax payable	13	49,560	42,021
		<u>1,993,739</u>	<u>2,170,632</u>
Total current liabilities		<u>1,993,739</u>	<u>2,170,632</u>
Non-current liabilities			
Interest-bearing loans and borrowings	7b	3,326,821	2,724,071
Provisions	14b	476,327	492,255
Defined employee benefit obligation	14d	70,626	67,715
Derivative financial instruments	7c	44,710	9,442
Other creditors		10,110	9,572
Deferred tax liability	13	296,130	310,204
		<u>4,224,724</u>	<u>3,613,259</u>
Total non-current liabilities		<u>4,224,724</u>	<u>3,613,259</u>
TOTAL LIABILITIES		<u>6,218,463</u>	<u>5,783,891</u>
NET ASSETS		<u>2,046,061</u>	<u>1,837,794</u>
EQUITY			
Issued capital	6	713,523	713,523
Treasury shares	6	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	6	252,165	252,165
Other reserves		(30,304)	23,926
Retained earnings		1,176,349	955,114
		<u>2,022,889</u>	<u>1,864,538</u>
Parent interests		<u>2,022,889</u>	<u>1,864,538</u>
Non-controlling interests		<u>23,172</u>	<u>(26,744)</u>
TOTAL EQUITY		<u>2,046,061</u>	<u>1,837,794</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Issued Capital (Note 6.1) \$000	Treasury Shares (Note 6.2) \$000	CARES (Note 6.3) \$000	Other Reserves \$000	Retained Earnings \$000	Non- controlling interests \$000	Total \$000
As at 1 July 2014	713,523	(50,330)	252,165	20,545	766,656	41,085	1,743,644
Total Comprehensive Income	-	-	-	10,342	386,245	35,486	432,073
Dividends paid	-	-	-	-	(197,787)	(106,099)	(303,886)
Shares purchased for executive performance share plan	-	(53,338)	-	-	-	-	(53,338)
Treasury shares vesting to employees	-	23,478	-	(23,478)	-	-	-
Share based payment expense for employees	-	-	-	35,485	-	-	35,485
Acquisition of subsidiary/non-controlling interest	-	-	-	(18,968)	-	2,784	(16,184)
As at 30 June 2015	713,523	(80,190)	252,165	23,926	955,114	(26,744)	1,837,794
As at 1 July 2015	713,523	(80,190)	252,165	23,926	955,114	(26,744)	1,837,794
Total Comprehensive Income	-	-	-	(56,395)	451,429	50,264	445,298
Dividends paid	-	-	-	-	(230,194)	(4,503)	(234,697)
Shares purchased for executive performance share plan	-	(45,837)	-	-	-	-	(45,837)
Treasury shares vesting to employees	-	37,183	-	(37,183)	-	-	-
Share based payment expense for employees	-	-	-	39,348	-	-	39,348
Acquisition of subsidiary/non-controlling interest	-	-	-	-	-	4,155	4,155
As at 30 June 2016	713,523	(88,844)	252,165	(30,304)	1,176,349	23,172	2,046,061

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
Cash flows from operating activities			
Receipts from customers		8,575,325	7,280,444
Payments to suppliers and employees		(7,341,415)	(6,154,266)
Income tax paid		(197,871)	(204,028)
Finance costs		(131,070)	(175,915)
Net cash flows from operating activities	7a	904,969	746,235
Cash flows from investing activities			
Purchase of property, plant and equipment		(510,264)	(486,172)
Proceeds from sale of property, plant and equipment		2,249	27,157
Proceeds from sale of other assets		2,488	-
Interest received		7,081	5,290
Acquisition of business, net of cash received	9	(213,718)	(624,606)
Acquisition of non-controlling interest		-	(21,862)
Deferred payment on investment in joint venture	7a	(23,298)	(14,876)
Net cash flows used in investing activities		(735,462)	(1,115,069)
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(230,194)	(197,787)
Dividends paid to outside equity interest		(4,503)	(106,099)
Hospital infrastructure payments to be reimbursed		(9,431)	-
Repayment of principal to bondholders		(4,012)	(3,709)
Repayment of finance lease - principal		(67,278)	(17,732)
Purchase of ordinary shares		(45,837)	(53,338)
Proceeds from borrowings		866,710	1,360,473
Repayment of borrowings		(565,571)	(468,850)
Repayment of outside equity interest		(96,732)	-
Net cash flows (used in) / from financing activities		(156,848)	512,958
Net increase in cash and cash equivalents		12,659	144,124
Net foreign exchange differences on cash held		469	3,852
Cash and cash equivalents at beginning of year		315,861	167,885
Cash and cash equivalents at end of year	7a	328,989	315,861

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

OVERVIEW

The financial report of Ramsay Health Care Limited ('The Company') for the year ended 30 June 2016 was authorised for issue on 13 September 2016 in accordance with a resolution of the Directors. Ramsay Health Care Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments and the assets and liabilities recognised through business combinations which have been measured at fair value;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- discloses comparative information on a consistent basis and as used in the annual financial statements for the year ended 30 June 2015;
- presents all values as rounded to the nearest hundred thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- adopts all new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2015, all of which did not have a material impact on the financial statements; and
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

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

	2016	2015
	\$000	\$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	450,297	385,542
Add/(less) non-core items:		
- Non-cash rent expense relating to leased UK hospitals *	21,871	22,168
- Non-cash unfavourable lease contracts expense	8,183	-
- Amortisation - service concession assets	3,139	2,927
- Net profit on disposal of non-current assets	(4,201)	(3,570)
- Income from the sale of development assets	(2,153)	(1,621)
- Book value of development assets sold	1,026	834
- Acquisition, disposal, and development costs	19,114	21,984
- Impairment of non-current assets	9,731	-
Income tax on non-core items	(28,437)	(11,453)
Non-controlling interest in non-core items net of tax	2,855	(4,722)
	<u>31,128</u>	<u>26,547</u>
Core profit (segment result) after tax	481,425	412,089
Core earnings per share		
Core profit after tax (above)	481,425	412,089
Less: CARES Dividend	(12,958)	(13,734)
Core profit after tax used to calculate core earnings per share	<u>468,467</u>	<u>398,355</u>
Weighted average number of ordinary shares adjusted for effect of dilution	202,415,611	202,598,503
Diluted core earnings per share	231.4c	196.6c
Weighted average number of ordinary shares	200,948,992	200,985,638
Basis core earnings per share	233.1c	198.2c

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

OVERVIEW (CONTINUED)

(a) Basis of preparation (continued)

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

	Statutory Consolidated Income Statement	Non-core items as listed at (a)(i)	Core (segment) Consolidated Income Statement
<i>For the year ended 30 June 2016</i>			
Revenue from services	8,684,116	-	8,684,116
Interest income	7,081	-	7,081
Other income - income from the sale of development assets	2,153	(2,153)	-
Other income - net profit on disposal of non-current assets	4,201	(4,201)	-
Total revenue and other income	8,697,551	(6,354)	8,691,197
Employee benefits costs	(4,486,757)	-	(4,486,757)
Occupancy costs	(678,752)	30,054	(648,698)
Service costs	(303,720)	19,114	(284,606)
Medical consumables and supplies	(2,005,754)	-	(2,005,754)
Depreciation, amortisation and impairment	(384,074)	12,870	(371,204)
Cost of goods sold - book value development assets sold	(1,026)	1,026	-
Total expenses, excluding finance costs	(7,860,083)	63,064	(7,797,019)
Share of profit of joint venture	9,966	-	9,966
Profit before tax and finance costs	847,434	56,710	904,144
Finance costs	(138,498)	-	(138,498)
Profit before income tax	708,936	56,710	765,646
Income tax	(197,674)	(28,437)	(226,111)
Net profit for the year	511,262	28,273	539,535
Attributable to non-controlling interest	60,965	(2,855)	58,110
Attributable to owners of the parent	450,297	31,128	481,425
	511,262	28,273	539,535
<i>For the year ended 30 June 2015</i>			
Revenue from services	7,355,489	-	7,355,489
Interest income	5,290	-	5,290
Other income - 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 before tax and finance costs	766,457	42,722	809,179
Finance costs	(126,155)	-	(126,155)
Profit before income tax	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 2016**

OVERVIEW (CONTINUED)

(b) Notes to the Financial Statements

In preparing the 2016 financial report, Ramsay has made changes to the presentation and layout of the notes to the financial statements. These changes have been made to enhance the disclosure of information required to understand the financial statements. The notes have been grouped into sections that are based on materiality and relevance to the financial position and performance of the Group. Where necessary, additional information has been provided to assist with understanding the Group's results.

(c) New Accounting Standards and Interpretations

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	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new 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 adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</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. <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <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.</p> <p>This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI.</p>	1 January 2018	The group is currently evaluating the impact of the new accounting 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 2016**

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 9 (cont'd)	<i>Financial Instruments (cont'd)</i>	<p>These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</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>Hedge accounting</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.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>			
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(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</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	The adoption of this new amendment will not have any material 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 2016**

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets 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.</p> <p>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.</p> <p>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.</p>	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (<i>Interpretation 13 Customer Loyalty Programmes</i>, <i>Interpretation 15 Agreements for the Construction of Real Estate</i>, <i>Interpretation 18 Transfers of Assets from Customers</i>, <i>Interpretation 131 Revenue—Barter Transactions Involving Advertising Services</i> and <i>Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 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:</p> <p>(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</p> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p>	1 January 2018	The group is currently evaluating the impact of the new accounting 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 2016**

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 <i>Separate Financial Statements</i> , and consequentially amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> , to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (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. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: <i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i> <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. <i>AASB 7 Financial Instruments: Disclosures:</i> <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. 	1 January 2016	The adoption of these new amendments will not have any material 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 2016**

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2015-1 (cont'd)	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (cont'd)	<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>: 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.</p>			
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 group is currently evaluating the impact of the new accounting standard.	1 July 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. 	1 January 2019	The group is currently evaluating the impact of the new accounting standard.	1 July 2019

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 16 (cont'd)	Leases (cont'd)	AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.			
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The group is currently evaluating the impact of the new accounting standard.	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> ▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ▶ Share-based payment transactions with a net settlement feature for withholding tax obligations ▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled 	1 January 2018	The group is currently evaluating the impact of the new accounting standard.	1 July 2018

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

(d) Basis of consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

OVERVIEW (CONTINUED)

(d) Basis of consolidation (continued)

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 and assumptions

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

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

(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 Générale 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

OVERVIEW (CONTINUED)

(h) 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 receivables. The Group determines the classification of its financial assets at initial recognition.

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

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.

Derecognition

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

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

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

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

(ii) Impairment of financial assets

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

(iii) Financial liabilities

Initial recognition and measurement

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

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

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

Derecognition

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

OVERVIEW (CONTINUED)

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

(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 2015 and 2016.

I. RESULTS FOR THE YEAR

1. SEGMENT INFORMATION

Identification of reportable segments

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

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

	Asia Pacific \$000	UK \$000	France \$000	Total \$000
Year ended 30 June 2016				
Revenue				
Revenue from services	4,413,623	873,839	3,396,654	8,684,116
Total revenue before intersegment revenue	4,413,623	873,839	3,396,654	8,684,116
Intersegment revenue	6,156	-	-	6,156
Total segment revenue	4,419,779	873,839	3,396,654	8,690,272
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹				
	719,548	130,262	419,144	1,268,954
Depreciation and amortisation	(137,143)	(39,399)	(194,662)	(371,204)
Loss on disposal of non-current assets	(687)	-	-	(687)
Earnings before interest and tax (EBIT) ²	581,718	90,863	224,482	897,063
Interest				(131,417)
Income tax expense				(226,111)
Segment (core) net profit after tax ³				539,535
Attributable to non-controlling interest				(58,110)
Segment (core) net profit after tax, attributable to owners of the parent ⁴				481,425
Non-core items net of tax				(31,128)
Net profit attributable to owners of the parent				450,297

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	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				
	651,497	111,113	343,740	1,106,350
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 before interest, tax, depreciation, amortisation and non-core items.

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

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

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

	Asia Pacific \$000	UK \$000	France \$000	Adjustments & Eliminations \$000	Total \$000
As at 30 June 2016					
Assets & liabilities					
Segment assets	4,870,350	1,475,076	3,300,667	(1,381,569)	8,264,524
Segment liabilities	(2,436,835)	(733,101)	(3,048,527)	-	(6,218,463)
As at 30 June 2015					
Assets & liabilities					
Segment assets	4,586,448	1,587,173	2,945,334	(1,497,270)	7,621,685
Segment liabilities	(2,304,715)	(798,144)	(2,725,721)	44,689	(5,783,891)

2015 comparatives have been updated to reflect finalisation of Générale de Santé acquisition accounting.

	2016 \$000	2015 \$000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	8,690,272	7,360,706
Inter segment sales elimination	(6,156)	(5,217)
Interest income	7,081	5,290
Other income - income from the sale of development assets	2,153	1,621
Other income - profit on disposal of non-current assets	4,201	4,123
Total revenue and other income	8,697,551	7,366,523

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

I. RESULTS FOR THE YEAR (CONTINUED)

2. REVENUE

	2016	2015
	\$000	\$000
Revenue from patients	8,566,598	7,246,177
Rental income	36,493	35,972
Income from ancillary services	81,025	73,340
Revenue from services	8,684,116	7,355,489

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.

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 risks and rewards of ownership are transferred.

3. EXPENSES

	2016	2015
	\$000	\$000
(a) Depreciation		
Depreciation - Plant and equipment	238,788	203,730
Depreciation - Buildings	112,535	85,769
Total depreciation	<u>351,323</u>	<u>289,499</u>
(b) Amortisation		
Service concession assets	6,533	6,310
Development cost	16,487	10,132
Total amortisation	<u>23,020</u>	<u>16,442</u>
(c) Impairment		
Impairment - Property, plant and equipment	2,499	-
Impairment - Land and buildings	7,232	-
Total impairment	<u>9,731</u>	<u>-</u>
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses	<u>430,488</u>	<u>327,887</u>

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>(21,871)</u>	<u>(22,168)</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 2016 was lower than the rent expensed by \$21,871,000 (2015: \$22,168,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

I. RESULTS FOR THE YEAR (CONTINUED)

3. EXPENSES (CONTINUED)

	2016	2015
	\$000	\$000
(e) Employee benefits cost		
Wages and salaries	3,676,679	3,149,711
Workers' compensation	23,168	16,346
Superannuation	155,036	142,578
Termination benefits	8,699	9,844
Social charges and contributions on wages and salaries	461,051	339,305
Other employment	125,882	99,419
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)	36,242	30,737
	<u>4,486,757</u>	<u>3,787,940</u>
(f) Finance costs		
Interest expense	129,652	121,435
Finance charges - Lease liability	9,686	4,821
	<u>139,338</u>	<u>126,256</u>
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	3,206	3,848
Finance costs capitalised	(4,046)	(3,949)
	<u>138,498</u>	<u>126,155</u>

(g) Recognition and Measurement

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

4. DIVIDENDS

	Parent	
	2016	2015
	\$000	\$000
(a) Dividend on ordinary shares paid during the year:		
<i>(i) Interim dividend paid</i>		
Franked dividends – ordinary (47.0 cents per share) (2015: 40.5 cents per share)	94,977	81,842
<i>(ii) Previous year final dividend paid</i>		
Franked dividends – ordinary (60.5 cents per share) (2015: 51.0 cents per share)	122,259	103,061
	<u>217,236</u>	<u>184,903</u>
(b) Dividend proposed and not recognised as a liability:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (72.0 cents per share) (2015: 60.5 cents per share)	145,499	122,259
(c) Dividends declared and paid during the year on CARES:		
<i>Current year interim and previous year final dividend paid</i>		
Franked dividends - CARES	12,958	13,734
(d) Dividends proposed and not recognised as a liability on CARES:		
<i>Final dividend proposed</i>		
Franked dividends - CARES	6,670	6,524

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

I. RESULTS FOR THE YEAR (CONTINUED)

4. DIVIDENDS (CONTINUED)

	Parent	
	2016 \$000	2015 \$000
(e) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2015: 30%)	450,524	385,541
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	<u>14,302</u>	<u>13,163</u>
	<u>464,826</u>	<u>398,704</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	<u>(65,215)</u>	<u>(55,193)</u>
	<u><u>399,611</u></u>	<u><u>343,511</u></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% (2015: 30%). \$152,169,000 (2015: \$128,784,000) of the proposed dividends will be franked at the rate of 30% (2015: 30%).

5. EARNINGS PER SHARE

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

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

	2016 \$000	2015 \$000
Net profit for the year attributable to the owners of the parent	450,297	385,542
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	<u>(12,958)</u>	<u>(13,734)</u>
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	<u>437,339</u>	<u>371,808</u>
	2016 Number of Shares	2015 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,948,992	200,985,638
Effect of dilution – share rights not yet vested (a)	<u>1,466,619</u>	<u>1,612,865</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>202,415,611</u>	<u>202,598,503</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.

	2016 Cents per Share	2015 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	217.6	185.0
- diluted (after CARES dividend) for the year	216.1	183.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

II. CAPITAL – FINANCING

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING

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

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

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

During 2016, dividends of \$230,194,000 (2015: \$198,637,000) were paid. For the year ended 30 June 2016 fully franked ordinary dividends of 119.0c (2015: 101.0c) per share were declared (Interim dividend of 47.0c, Final dividend of 72.0c). These dividends represented a payout ratio of approximately 51% of Core Earnings per Share of 231.4c. Management's target for dividends for 2017 - 2020, 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 2.5 times for the year ended 30 June 2016 (2015: 2.6 times).

The Group has committed senior debt funding until July 2018 and May 2020 (please refer to Note 7d for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

- Total Net Leverage Ratio (Net Debt/*EBITDA)
- Interest Cover Ratio (*EBITDA/ Net Interest)
- Minimum Shareholders Funds

The wholly owned Subsidiaries of the Group (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.*

Details of Capital – Financing are as follows:

	Note	2016 \$000	2015 \$000
Equity	6	2,046,061	1,837,794
Net Debt	7	3,179,277	2,847,695
		<u>5,225,338</u>	<u>4,685,489</u>

6. EQUITY

	Note	2016 \$000	2015 \$000
Share capital	6.1	713,523	713,523
Treasury shares	6.2	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	6.3	252,165	252,165
Other reserves		(30,304)	23,926
Retained earnings		1,176,349	955,114
Non-controlling interests		23,172	(26,744)
		<u>2,046,061</u>	<u>1,837,794</u>

	2016 \$000	2015 \$000
	<u>713,523</u>	<u>713,523</u>

6.1 Ordinary Shares

(a) Issued and paid up capital

202,081,252 ordinary shares fully paid (30 June 2015: 202,081,252 ordinary shares fully paid)	<u>713,523</u>	<u>713,523</u>
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.1 Ordinary Shares (Continued)

(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.

(c) Recognition and Measurement

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

6.2 Treasury Shares

	2016	2015
	\$000	\$000
1,470,702 ordinary shares (30 June 2015: 1,534,880)	<u>88,844</u>	<u>80,190</u>

Nature & Purpose

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

6.3 Convertible Adjustable Rate Equity Securities (CARES)

	2016	2015
	\$000	\$000
<i>(a) Issued & paid up capital</i>		
2,600,000 CARES shares fully paid (30 June 2015: 2,600,000 CARES shares fully paid)	<u>252,165</u>	<u>252,165</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.3 Convertible Adjustable Rate Equity Securities (CARES) (continued)

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.

7. NET DEBT

	Note	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Cash assets	7a	328,989	315,861
Interest bearing liabilities - current	7b	(117,927)	(425,198)
Interest bearing liabilities - non-current	7b	(3,326,821)	(2,724,071)
Derivative net assets / (liabilities) - debt related	7c	(63,518)	(14,287)
		<u>(3,179,277)</u>	<u>(2,847,695)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

7a. CASH AND CASH EQUIVALENTS

	2016 \$000	2015 \$000
Cash at bank and on hand	328,989	241,842
Short term deposits	-	74,019
Total cash and cash equivalents	<u>328,989</u>	<u>315,861</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.

Recognition and Measurement

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.

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>328,989</u>	<u>315,861</u>
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Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax for the year	511,262	419,086
Adjustments for:		
Share of profit of joint venture	(9,966)	(10,098)
Depreciation, amortisation and impairment	384,074	305,941
Interest received	(7,081)	(5,290)
Share based payments expense	36,242	30,737
Net gain on disposal of non-current assets	(4,641)	(4,910)
Changes in assets & liabilities		
Deferred tax	(5,541)	(10,724)
Receivables	(108,791)	(75,045)
Other assets	(3,878)	11,177
Creditors and accruals	127,960	57
Provisions	(8,832)	61,921
Inventory	(11,183)	(10,080)
Tax provisions	5,344	33,463
Net cash from operating activities	<u>904,969</u>	<u>746,235</u>

Disclosure of financing facilities

Refer to Note 7d.

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. On 1 July 2015, \$23 million (1 July 2014: \$15 million) deferred payment was paid to Sime Darby Berhad. As at 30 June 2016, \$30 million deferred payment remained and was payable on 1 July 2016.

Acquisition of Non-Controlling Interest - 2015

	\$000
Cash payment in relation to subsequent purchase of non-controlling interest in Générale de Santé SA	<u>16,049</u>
Cash payment in relation to purchase of non-controlling interest in other entity	<u>3,150</u>
Total cash payments for acquisitions of non-controlling interests	<u>19,199</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS

		<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Current			
Secured liabilities:			
- Loans - bondholders	(i)	4,361	4,019
- Lease liabilities	(ii)	63,373	66,625
- Bank loan	(iii)	20,133	71,176
- Loan – subordinated bonds	(iv)	-	41,529
Unsecured liabilities:			
- Deferred consideration	(v)	30,060	23,263
- Other loan	(vi)	-	55,204
- Bank loan	(iii)	-	163,382
		<u>117,927</u>	<u>425,198</u>
Non-current			
Secured liabilities:			
- Loans – bondholders	(i)	4,897	9,251
- Lease liabilities	(ii)	196,114	220,446
- Bank loan	(iii)	1,461,332	959,920
Unsecured liabilities:			
- Deferred consideration	(v)	-	28,301
- Bank loan	(iii)	1,664,478	1,506,153
		<u>3,326,821</u>	<u>2,724,071</u>
Total		<u><u>3,444,748</u></u>	<u><u>3,149,269</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 17.

(iii) Further information on bank loans is set out in Note 7d.

(iv) Loans - subordinated bonds. Further information is set out in Note 7d.

(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 7a.

(vi) Other loan. This was a loan received from the Ramsay Santé outside equity interest to fund their share of the Medipsy acquisition.

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 1.845% to 1.96% (2015: 2.04% to 2.15%) for Australia, 0.512% to 0.558% (2015: 0.508% to 0.579%) for UK and -0.364% to -0.286% (2015: -0.064% to -0.014%) for France respectively.

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

	2016		2015	
	<u>Carrying Amount \$000</u>	<u>Fair Value \$000</u>	<u>Carrying Amount \$000</u>	<u>Fair Value \$000</u>
Bank loans	3,145,943	3,205,134	2,700,631	2,749,791
Lease liabilities	259,487	279,998	287,071	314,321
Bondholders	9,258	9,732	13,270	14,330
Subordinated bonds	-	-	41,529	41,602
Deferred consideration	30,060	30,060	51,564	53,446
Outside equity interest loan	-	-	51,979	52,024
Other loan	-	-	3,225	3,225
	<u><u>3,444,748</u></u>	<u><u>3,524,924</u></u>	<u><u>3,149,269</u></u>	<u><u>3,228,739</u></u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Interest rate, foreign exchange & liquidity risk

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

Assets pledged as security

The carrying amounts of assets pledged as security for non-current interest bearing liabilities are set out in the following table:

	2016 \$000	2015 \$000
<i>Finance lease</i>		
Leased assets	401,403	406,282
<i>Fixed and floating charge</i>		
Receivables	7,118	11,301
Bank loan	823,596	526,163
Total non-current assets pledged as security	<u>1,232,117</u>	<u>943,746</u>

Defaults & breaches

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

Subsequent Measurement

Loans and borrowings

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

7c. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 \$000	2015 \$000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	-	5,933
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(18,808)	(9,663)
Forward exchange contracts – cash flow hedges	-	(1,115)
	<u>(18,808)</u>	<u>(10,778)</u>
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(44,710)	(9,442)
	<u>(44,710)</u>	<u>(9,442)</u>

(i) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

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

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 1.955% (2015: 2.13%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.56% (2015: 0.53%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of -0.297% (2015: 0.00%).

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 78% (2015: 72%) 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 nil (2015: net loss \$781,000) was included in Other Comprehensive Income in respect of these contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Instruments used by the Group (continued)

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

(ii) Interest rate risk

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

(iii) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management constantly monitor the fair value of favourable contracts outstanding with any individual counterparty. Management only deal with prime financial institutions with appropriate credit rating in order to manage its credit risk.

(iv) Recognition and Measurement

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Recognition and Measurement (continued)

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

(i) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement as other operating expenses.

The Group uses 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.

Subsequent Measurement

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

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

(v) Fair Value of Derivative Financial Instruments

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

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

Recognition and Measurement

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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:

	2016 \$000	2015 \$000
0-1 years	280,758	290,376
1-2 years	753,164	296,071
2-3 years	249,142	685,975
3-5 years	1,832,295	954,309
	<u>3,115,359</u>	<u>2,226,731</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.

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2016 is a GBP borrowing of £117,000,000 (2015: £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 gain on the bank loan designated as a hedge of the net investment in a subsidiary of \$29,477,000 (2015: net loss \$26,365,000) was recognised in equity during the year.

Included in bank loans at 30 June 2016 is a Euro borrowing of €366,640,000 (2015: €444,640,000) 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 loss on the bank loan designated as a hedge of the net investment in a subsidiary of \$51,797,000 (2015: net gain \$41,738,000) was recognised in equity during the year.

Included in loans at 30 June 2016 is a borrowing of MYR 90,100,000 (2015: MYR 151,905,000) which has been designated as a hedge of the net investment in the Malaysian 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 Malaysian operations. A net gain on the MYR borrowing designated as a hedge of the net investment in the Malaysian operations of \$808,000 (2015: net gain \$1,130,000) was recognised in equity during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

II. CAPITAL – FINANCING (CONTINUED)

7d. 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). On 11 August 2015, €35,000,000 outstanding under the 365 Day Facility was converted and included as a facility in the SFA, please refer below for details.

The current SFA consists of:

- a three year revolving facility - with total commitments of \$400,000,000, £86,666,667 and €100,000,000;
- a five year revolving facility - with total commitments of \$800,000,000, £93,333,333 and €298,504,000; and
- a revolving facility, maturing in May 2020 – with total commitments of €35,000,000 – commenced on 11 August 2015. The balance outstanding on the 365 Day Facility (refer to item (iii) below) was converted into this facility. This facility has the same terms and conditions as the five year revolving facility.

The total amounts drawn down under the SFA as at 30 June 2016 was \$920,000,000, £117,000,000 and €366,640,000 (30 June 2015: \$790,000,000, £124,000,000 and €331,640,000).

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 2016 the total outstanding was \$12,714,734 (2015: \$14,719,286) and £3,590,968 (2015: £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.

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 Générale de Santé and controlled entities

Senior Debt Facility

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

- Refinance existing RGdS 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 Générale de Santé. The merger was completed on 1 July 2015;
- Fund future working capital requirements; and
- Fund future capital requirements and acquisitions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS (CONTINUED)

Senior Debt Facility (continued)

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 €1,045,000,000 (2015: €1,075,000,000) comprising:

- (i) Term Loan B facilities totalling €870,000,000 (2015: €900,000,000). In April 2015, an amount of €30,000,000 was used to repay and permanently cancel the Term Loan B facility limit from €900,000,000 to €870,000,000;
- (ii) a revolving working capital facility of €100,000,000 (2015: €100,000,000); and
- (iii) a capex / acquisition facility of €75,000,000 (2015: €75,000,000).

The total amount drawn under the debt facilities as at 30 June 2016 was €910,000,000 (2015: €660,000,000).

The debt facilities have a maturity of six years and are repayable as a bullet on maturity. The lenders to these debt facilities only have recourse to RGdS and certain RGdS controlled entities. The debt facilities are secured by first ranking pledges over Material Companies, granted only by RGdS and certain RGdS controlled entities. Guarantees have also been provided and are provided only by RGdS and certain RGdS controlled entities.

Other Interest Bearing Loans

At 30 June 2016 a loan to bondholders of \$9,251,181 (2015: \$13,270,099) 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 8a).

III. ASSETS AND LIABILITIES OPERATING AND INVESTING

HOW THE GROUP MANAGES ITS OVERALL FINANCIAL POSITION

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

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

	Note	2016 \$000	2015 \$000
Working Capital	8	(380,213)	(422,438)
Property, plant and equipment	10	3,860,184	3,591,806
Intangible assets	11	2,059,957	1,883,049
Current and deferred tax assets/(liabilities)	13	(124,443)	(121,068)
Other assets/(liabilities)		(190,147)	(245,860)
		<u>5,225,338</u>	<u>4,685,489</u>

8. WORKING CAPITAL

	Note	2016 \$000	2015 \$000
Trade and other receivables (current)	8a	1,141,607	996,234
Inventories	8b	205,012	191,745
Trade and other payables	8c	(1,726,832)	(1,610,417)
		<u>(380,213)</u>	<u>(422,438)</u>

8a. TRADE AND OTHER RECEIVABLES

	2016 \$000	2015 \$000
Current		
Trade and other receivables	1,169,222	1,025,064
Allowances for impairment loss	(27,615)	(28,830)
	<u>1,141,607</u>	<u>996,234</u>
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	6,801	8,552
Rental property bonds receivable	33,032	19,872
Other	7,217	3,125
	<u>47,050</u>	<u>31,549</u>
Total	<u>1,188,657</u>	<u>1,027,783</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8a. RECEIVABLES (CONTINUED)

(i) Allowances for impairment loss

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

Movements in the provision for impairment loss were as follows:

	2016	2015
	\$000	\$000
At 1 July	(28,830)	(25,633)
Charge for the year (included in service costs)	(6,423)	(6,764)
Acquisition of subsidiary	(1,260)	(8,892)
Foreign exchange translation	6	(657)
Amounts written off	8,892	13,116
At 30 June	<u>(27,615)</u>	<u>(28,830)</u>

(ii) Ageing analysis

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

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Considered impaired
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016	1,216,272	815,044	113,465	116,882	100,118	43,148	27,615
2015	1,056,613	623,875	145,484	118,802	107,612	32,010	28,830

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: \$373,613,000 (2015: \$403,908,000). 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 19.

(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.

(vi) Foreign exchange & interest rate risk

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

(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.

(vii) Impairment of Financial Assets

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8b. INVENTORIES

	2016 \$000	2015 \$000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	183,848	169,071
Development assets to be sold that are currently under construction – at cost	21,164	22,674
	<u>205,012</u>	<u>191,745</u>

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2016 totalled \$2,005,754,000 (2015: \$1,669,491,000) 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 2016 totalled \$1,026,000 (2015: \$834,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

(ii) Recognition and Measurement

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

Inventories include medical 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.

8c. TRADE AND OTHER PAYABLES

	2016 \$000	2015 \$000
Trade payables	787,534	721,860
Sundry creditors and accrued expenses	300,898	306,199
Employee and Director entitlements	637,265	580,837
Other payables	1,135	1,521
	<u>1,726,832</u>	<u>1,610,417</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 15.

9. BUSINESS COMBINATIONS

Other Acquisitions – 2016

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 2016 have been determined on a provisional basis only.

	\$000
Fair value of identifiable net assets	2,902
Non-controlling interest	(40)
Goodwill arising on acquisition	16,785
Acquisition date fair value of consideration transferred	<u>19,647</u>
The cash outflow on acquisition is as follows	
Cash paid	<u>(19,647)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

HPM – 2016

In December 2015 and January 2016, Ramsay Générale de Santé acquired 99.69% of the share capital of Hôpital Privé Métropole (HPM). Ramsay Générale de Santé has provisionally recognised the fair values of the identifiable assets and liabilities of HPM as follows, based upon the best information available as of the reporting date. The diligences underpinning this accounting are substantially complete as at 30 June 2016, however, as they remain formally open, the amounts recognised for the HPM business combination in the financial statements for the year ended 30 June 2016 have been determined on a provisional basis only. Ramsay has until the end of the measurement period to 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 HPM business combination, in order to retrospectively adjust the provisional amounts recognised:

	<u>\$000</u>
Cash	12,750
Accounts Receivable	28,836
Inventory	2,481
Corporate tax receivable	2,121
Other assets	3,916
Property, plant and equipment	112,785
Intangible assets	4,402
Other financial assets	3,974
Creditors and accruals	(54,387)
Interest-bearing liabilities	(53,828)
Provisions and other liabilities	(8,240)
Deferred income tax liability	(22,378)
Fair value of identifiable net assets	32,432
Non-controlling interest	(4,114)
Goodwill arising on acquisition	178,503
	<u>206,821</u>
Acquisition date fair value of consideration transferred	
Cash paid	<u>206,821</u>
	<u>206,821</u>
Direct costs relating to the acquisition - included within service costs	2,447
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	12,750
Cash paid	(206,821)
Net consolidated cash outflow	<u>(194,071)</u>

The goodwill of \$178,503,000 comprises the value of synergies expected to be achieved as a result of combining HPM 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 reinforce its market leadership in the Lille metropolitan area in France. 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 assets. The non-controlling interests in the acquiree at the time of the business combination represent 0.31% of the share capital of HPM and other non-controlling interests within the HPM group.

The fair value of the acquired receivables amounts to \$28,836,000. The gross contractual amount receivable is \$30,096,000, however only the fair value amount of \$28,836,000 is expected to be collected.

The results of HPM from acquisition to 30 June 2016 are not material and therefore have not been disclosed separately.

The revenue and results of the total Group for the year ended 30 June 2016, as though HPM was acquired on 1 July 2015, would not be significantly different to the Group results as reported.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

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

	\$000
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	620,250
	<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	(620,250)
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. Goodwill has been allocated to the UK and Australia to the extent they are expected to benefit from this acquisition. 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 through to 30 June 2015, 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 for the year ended 30 June 2015. If Générale de Santé had been acquired on 1 July 2014, the revenue for the Group for the year ended 30 June 2015 would have been \$7,911,557,000 and the profit before income tax from continuing operations for the Group for the year ended 30 June 2015 would not have been significantly different to the Group profit before tax as reported for the year ended 30 June 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Générale de Santé - 2015 (continued)

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>

Other Acquisitions – 2015

In 2015, 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 are as follows:

	<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>

Recognition and Measurement

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the 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.

Key Estimates and Assumptions

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings \$000	Plant & Equipment \$000	Assets Under Construction \$000	Total \$000
Cost				
At 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
Additions	34,378	165,105	318,399	517,882
Acquisition of subsidiary	80,264	31,852	623	112,739
Disposals	(7,219)	(109,056)	-	(116,275)
Assets reclassified as held for sale	(22,823)	-	-	(22,823)
Transferred from assets under construction	158,788	22,584	(181,372)	-
Exchange Differences	9,732	(25,271)	(7,604)	(23,143)
At 30 June 2016	3,384,067	2,036,355	264,305	5,684,727
Depreciation and Impairment				
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)
Depreciation charge for the year	(112,535)	(238,788)	-	(351,323)
Disposals	4,533	109,056	-	113,589
Assets reclassified as held for sale	9,104	-	-	9,104
Impairment	(7,232)	(2,499)	-	(9,731)
Exchange Differences	10,021	28,338	-	38,359
At 30 June 2016	(572,378)	(1,252,165)	-	(1,824,543)
Net Book Value				
At 30 June 2016	2,811,689	784,190	264,305	3,860,184
At 30 June 2015	2,654,678	802,869	134,259	3,591,806

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2016 is \$401,403,000 (2015: \$406,282,000).

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

(a) Recognition and Measurement

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

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

- Buildings and integral plant – 40 years – 60 years
- Leasehold improvements – over lease term
- Plant and equipment, other than plant integral to buildings – various periods not exceeding 10 years

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Recognition and Measurement (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.

(b) Key Estimates and Assumptions

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS

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

	Goodwill \$000	Service Concession Assets \$000	Development Costs [^] \$000	Total \$000
Cost				
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	31,406	-	18	31,424
At 30 June 2015	1,779,621	94,130	83,714	1,957,465
Additions	-	593	26,699	27,292
Disposals	-	-	(242)	(242)
Acquisition of a subsidiary	195,288	-	5,884	201,172
Exchange differences	(27,341)	-	(934)	(28,275)
At 30 June 2016	1,947,568	94,723	115,121	2,157,412
Amortisation and Impairment				
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	-	-	(130)	(130)
At 30 June 2015	-	(28,312)	(46,104)	(74,416)
Amortisation charge for the year	-	(6,533)	(16,487)	(23,020)
Disposals	-	-	79	79
Exchange differences	-	-	(98)	(98)
At 30 June 2016	-	(34,845)	(62,610)	(97,455)
Net Book Value				
At 30 June 2016	1,947,568	59,878	52,511	2,059,957
At 30 June 2015	1,779,621	65,818	37,610	1,883,049

[^] Mainly internally generated software costs

(ii) Goodwill – Recognition and Measurement

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The key factor contributing to the goodwill relates to the synergies existing within the acquired businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

(ii) Goodwill – Recognition and Measurement (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

(iii) Intangible assets – Recognition and Measurement

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

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

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

	Service Concession Assets	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.

(iv) Service concession assets – Recognition and Measurement

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

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

(v) Key Estimates and Assumptions

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

12. IMPAIRMENT TESTING OF GOODWILL

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

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

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

	Australia		UK		France		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Carrying amount of goodwill	1,031,256	1,014,948	268,350	306,170	647,962	458,503	1,947,568	1,779,621

2015 comparatives have been updated to reflect finalisation of Générale de Santé acquisition accounting.

(ii) Key Estimates and Assumptions

The recoverable amount of the Australian business, the UK business and the French business has been determined based on a value in use calculation using cash flow projections as at 30 June 2016 based on financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculations are as follows:

	Australia %	UK %	France %
Extrapolated growth factor (Year 5+)			
2016	3.0	2.0	1.0
2015	3.0	2.0	1.5
Pre-tax discount rate			
2016	11.0	6.5	8.7
2015	11.5	6.7	9.1

Key inputs in value in use calculations are:

- Budgeted margins – the basis used to determine the value assigned to the budgeted margins is the average margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus values assigned to margins reflects past experience and expected efficiency improvements. The margins are driven by consideration of future admissions and occupancy case mix across all facilities within the Group based on past experiences and management's assessment of growth.
- Tax rates have been estimated at 30% for Australian operations, and 19% - 34.4% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

Management has performed sensitivity testing by Cash Generating Unit (CGU) and on the aggregated CGU's based on assessing the effect of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates.

For Australia, the United Kingdom and France, management do not consider that any reasonably likely changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates would result in the carrying value of goodwill exceeding the recoverable amount.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES

	2016 \$000	2015 \$000
(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	225,202	223,351
Adjustments in respect of previous years	(7,837)	4,817
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(28,474)	(5,031)
Adjustments in respect of deferred income tax of previous years	8,783	(1,921)
Income tax expense reported in the Income Statement	<u>197,674</u>	<u>221,216</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	<u>708,936</u>	<u>640,302</u>
At the Parent Entity's statutory income tax rate of 30% (2015: 30%)	212,681	192,091
Expenditure not allowable for income tax purposes	4,757	9,550
Amounts not assessable for income tax purposes	(17,692)	(14,471)
Impact of change in tax rates on deferred tax balances	(13,540)	-
Other French income tax expense	18,245	24,796
Foreign tax rate adjustment	7,750	3,753
Other	(14,527)	5,497
Income tax expense reported in the consolidated Income Statement	<u>197,674</u>	<u>221,216</u>

(c) Recognised tax assets and liabilities

	2016 \$000	2016 \$000	2015 \$000	2015 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(15,841)	(105,227)	(6,455)	67,049
(Charged)/ credited to income	(217,365)	19,691	(228,168)	6,952
Credited to equity	-	17,353	-	5,321
Payments	201,477	-	197,000	-
Exchange differences	1,569	(5,843)	(398)	(1,348)
Acquisition of subsidiary	2,121	(22,378)	22,180	(183,201)
Closing balance	<u>(28,039)</u>	<u>(96,404)</u>	<u>(15,841)</u>	<u>(105,227)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(c) Recognised tax assets and liabilities (continued)

	Statement of Financial Position	
	2016	2015
	\$000	\$000
<i>Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:</i>		
(i) Deferred tax liabilities		
Inventory	(14,597)	(13,049)
Recognition of revenue	(14,962)	(49,323)
Depreciable assets	(223,119)	(209,233)
Other	(9,889)	(16,208)
Provisions and lease liabilities	(95,807)	(75,408)
Gross deferred tax liabilities	(358,374)	(363,221)
Set-off of deferred tax assets	62,244	53,017
Net deferred tax liabilities	(296,130)	(310,204)
(ii) Deferred tax assets		
Employee provisions	175,296	116,899
Other provisions and lease liabilities	40,809	102,931
Unearned income	9,912	11,332
Other	1,863	6,529
Losses	14,765	16,582
Derivatives	19,325	3,721
Gross deferred tax assets	261,970	257,994
Set-off of deferred tax assets	(62,244)	(53,017)
Net deferred tax assets	199,726	204,977

(d) Tax consolidation

Ramsay Health Care Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective 1 July 2003. Ramsay Health Care Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax 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 \$28,565,852 (2015: increased by \$29,262,294). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(e) Income Tax - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

(f) Other taxes – Recognition and Measurement

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

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

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

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

(g) Key Estimates and Assumptions

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

Tax losses

At 30 June 2016, there is \$5,726,854 (2015: \$5,726,854) of capital losses carried forward for which a deferred tax asset has not been recognised. As it is not probable they will be used in the foreseeable future, they have not been recognised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14a. INVESTMENT IN JOINT VENTURE

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

	2016	2015
	\$000	\$000
Investment in joint venture at beginning of period	211,573	192,815
Share of profit of joint venture	9,966	10,098
Foreign currency translation and other equity movements	(10,774)	8,660
	<u>210,765</u>	<u>211,573</u>

Recognition and Measurement

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS

	2016	2015
	\$000	\$000
Current		
Restructuring provision	4,764	7,104
Unfavourable contracts	10,244	12,225
Insurance provision	13,152	16,733
Legal and compliance provision	38,699	36,706
Deferred lease provision	300	300
Other provisions	13,453	9,150
	<u>80,612</u>	<u>82,218</u>
Non-current		
Non-current employee and Director entitlements	31,522	28,609
Deferred lease provision	254,886	267,853
Unfavourable contracts	27,909	26,468
Insurance provision	114,556	113,950
Restructuring provision	12,515	20,677
Legal and compliance provision	22,261	14,964
Other provisions	12,678	19,734
	<u>476,327</u>	<u>492,255</u>
Total	<u>556,939</u>	<u>574,473</u>

(i) Recognition and Measurement

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

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

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

(ii) Movements in provisions

	Deferred lease \$000	Restructuring \$000	Insurance \$000	Unfavourable contracts \$000	Legal and compliance \$000	Other provision \$000	Total \$000
At 30 June 2015	268,153	27,781	130,683	38,693	51,670	28,884	545,864
Arising during the year	21,871	3,450	8,272	12,720	17,589	6,497	70,399
Utilised during the year	(325)	(6,785)	(8,189)	(12,546)	(5,518)	(2,534)	(35,897)
Exchange differences	(34,513)	845	(285)	(714)	1,276	4,189	(29,202)
Unused amounts reversed	-	(8,012)	(2,773)	-	(4,057)	(11,462)	(26,304)
Discount rate adjustment	-	-	-	-	-	557	557
At 30 June 2016	<u>255,186</u>	<u>17,279</u>	<u>127,708</u>	<u>38,153</u>	<u>60,960</u>	<u>26,131</u>	<u>525,417</u>
Current 2016	300	4,764	13,152	10,244	38,699	13,453	80,612
Non-current 2016	254,886	12,515	114,556	27,909	22,261	12,678	444,805
	<u>255,186</u>	<u>17,279</u>	<u>127,708</u>	<u>38,153</u>	<u>60,960</u>	<u>26,131</u>	<u>525,417</u>
Current 2015	300	7,104	16,733	12,225	36,706	9,150	82,218
Non-current 2015	267,853	20,677	113,950	26,468	14,964	19,734	463,646
	<u>268,153</u>	<u>27,781</u>	<u>130,683</u>	<u>38,693</u>	<u>51,670</u>	<u>28,884</u>	<u>545,864</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS (CONTINUED)

(iii) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to 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, including potential uninsured and 'Incurred but not Reported' claims.

(i) Key Estimates and Assumptions

This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 10% - 20% of the estimated Ramsay claim cost.

Employee leave benefits

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

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

(ii) Long service leave

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

Deferred lease provision

The deferred lease provision is recognised in accordance with AASB117 *Leases* for contracts where there is a fixed, not variable annual increase written into the lease, requiring the lease costs to be straight lined over the 30 year lease term. The provision represents the excess of rent expensed over the rent paid. The leases are due to expire in 2037.

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty one 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.

14c. SUPERANNUATION COMMITMENTS

The Group contributes to industry and individual superannuation funds established for the provision of benefits to employees of entities within the economic entity on retirement, death or disability. Benefits provided under these plans are based on contributions for each employee and for retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life insurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION

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

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

	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>	<u>2014</u> <u>\$000</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(75,635)	(72,595)	(21,269)	(10,833)	(23,773)
Fair value of plans assets	5,009	4,880	-	-	5,631
Net (liability) - non-current	<u>(70,626)</u>	<u>(67,715)</u>	<u>(21,269)</u>	<u>(10,833)</u>	<u>(18,142)</u>

	Defined Employee Benefit Obligation	
	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Net benefit expense (Note 3) (recognised in superannuation expenses)	<u>5,338</u>	<u>3,857</u>

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

	Defined Employee Benefit Obligation	
	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Opening defined benefit obligation	72,595	21,269
Acquisition balances	3,961	49,036
Current service cost	4,460	1,860
Interest cost	932	2,188
Benefits paid	(2,079)	(2,192)
Actuarial (gains) / losses on obligation	(6,512)	518
Exchange differences on foreign plans	2,278	(84)
Closing defined benefit obligation	<u>75,635</u>	<u>72,595</u>

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

	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Opening fair value of plans assets	4,880	-
Acquisition balances	-	4,791
Expected return	53	-
Contributions by employer	-	191
Actuarial losses	(79)	(106)
Exchange differences on foreign plans	155	4
Fair value of plans assets	<u>5,009</u>	<u>4,880</u>
Actuarial return on plan assets	<u>-</u>	<u>-</u>

Plan assets consist of 100% of investment in bonds. 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.

The Group expects to contribute \$ nil to its defined benefit obligations in 2017.

	Defined Employee Benefit Obligation	
	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Actuarial (gains) / losses recognised in the Statement of Comprehensive Income	<u>(6,433)</u>	<u>412</u>
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	<u>894</u>	<u>7,327</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

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

	Defined Employee Benefit Obligation	
	2016	2015
	(%)	(%)
Discount rate	1.2	2.0 – 2.3
Future salary increases	1.0	1.5

Recognition and Measurement

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 using actuarial valuations. Actuarial gains and losses for the defined obligation are recognised in full in the period in which they occur in Other Comprehensive Income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

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

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

Key Estimates and Assumptions

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

IV. RISK MANAGEMENT

15. FINANCIAL RISK MANAGEMENT

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

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

(a) Interest rate risk

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (continued)

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

	<u>2016</u> <u>\$000</u>	<u>2015</u> <u>\$000</u>
Financial Assets		
Cash and cash equivalents	328,989	315,861
Financial Liabilities		
Bank Loans	<u>(680,007)</u>	<u>(757,406)</u>
Net exposure	<u><u>(351,018)</u></u>	<u><u>(441,545)</u></u>

Interest rate derivatives contracts are outlined in Note 7c, with a net negative fair value of \$63,518,000 (2015: negative: \$13,172,000) 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 2016, after taking into account the effect of interest rate swaps, approximately 78% (2015: 72%) 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		Other Comprehensive Income	
	Higher/(Lower)		Higher/(Lower)	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
AUD				
+ 120 basis points (2015: + 80 basis points)	(1,872)	(575)	17,588	7,546
- 120 basis points (2015: - 80 basis points)	1,872	575	(18,520)	(7,722)
GBP				
+ 70 basis points (2015: + 55 basis points)	(98)	(160)	2,318	1,471
- 70 basis points (2015: - 55 basis points)	98	160	(1,956)	(1,497)
EUR				
+ 20 basis points (2015: + 35 basis points)	(355)	(658)	80,701	11,779
- 20 basis points (2015: - 35 basis points)	355	658	4,241	(11,498)

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 2016, comparing to 2015, is due to the increase in hedging from 72% in 2015 to 78% in 2016 and the increased interest rate volatility in 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

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

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

When a derivative is entered into for the purpose of being a 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
2016	+25%	(218)	(102,268)
	-25%	272	127,827
2015	+20%	(13)	(67,752)
	-20%	15	81,255

- At reporting date, the Group had GBP exposure of £285,961,000 (2015: £284,635,000) that is not designated in a net investment hedge.
- The Group has a GBP borrowing of £117,000,000 (2015: £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 7c.

Euro (EUR)

	Change in EUR rate	Effect on Post Tax Profit Higher/ (Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		\$000	\$000
2016	+20%	(216)	(35,095)
	-20%	260	42,091
2015	+20%	(165)	(7,747)
	-20%	198	9,300

- At reporting date, the Group had Euro exposure of €141,185,000 (2015: €45,927,000) that is not designated in a net investment hedge.
- The Group has a Euro borrowing of €366,640,000 (2015: €444,640,000) that is designated as a hedge of the net investment in the French operation. Further information on the hedge is set out in Note 7c.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (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
2016	+20%	(3,509)	(30,118)
	-20%	4,211	36,144
2015	+15%	(2,125)	(14,532)
	-15%	2,444	16,710

- At reporting date, the Group had MYR exposure of MYR 541,648,000 (2015: MYR 462,491,000) that is not designated in net investment hedge.
- The Group has a MYR borrowing of MYR 90,100,000 (2015: MYR 151,905,000) that is designated as a hedge of the net investment in the Malaysian operations. Further information on the hedge is set out in Note 7c.

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

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

(c) Credit risk

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

Trade receivables

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (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.

	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	> 5 years \$000	Total \$000
Year ended 30 June 2016						
Trade and other payable	-	(1,713,298)	-	-	-	(1,713,298)
Interest-bearing loans and borrowings	-	(26,012)	(86,983)	(3,344,599)	(21,791)	(3,479,385)
Deferred consideration	-	(30,060)	-	-	-	(30,060)
Financial derivatives	-	(4,559)	(14,369)	(46,883)	-	(65,811)
	-	(1,773,929)	(101,352)	(3,391,482)	(21,791)	(5,288,554)
Year ended 30 June 2015						
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)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (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.

	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	> 5 years \$000	Total \$000
Year ended 30 June 2016						
Inflows	-	3,260	9,249	31,171	-	43,680
Outflows	-	(7,819)	(23,618)	(78,054)	-	(109,491)
Net	-	(4,559)	(14,369)	(46,883)	-	(65,811)
Discounted at the applicable interbank rates	-	(2,881)	(14,307)	(46,330)	-	(63,518)
Year ended 30 June 2015						
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)

V. OTHER INFORMATION

16. SHARE BASED PAYMENT PLANS

Executive performance rights plan (equity)

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

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

	2016		2015	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	2,055,000		2,068,000	
- granted	644,743	\$55.47	698,000	\$44.70
- vested	(717,536)	\$20.82	(671,000)	\$15.99
- forfeited	-	-	(40,000)	\$26.23
Balance at end of year	<u>1,982,207</u>		<u>2,055,000</u>	
Exercisable at end of year	-		-	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2016:

Number of Rights	Grant Date	Vesting Date ⁽¹⁾	Weighted Average Fair Value ⁽²⁾
307,170	14-Nov-13	31-Aug-16	\$25.08
355,830	14-Nov-13	31-Aug-16	\$36.22
313,169	13-Nov-14	31-Aug-17	\$38.58
366,831	13-Nov-14	31-Aug-17	\$49.95
279,512	13-Nov-15	31-Aug-18	\$46.98
359,695	13-Nov-15	31-Aug-18	\$61.96
<u>1,982,207</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 2016

V. OTHER INFORMATION (CONTINUED)

16. SHARE BASED PAYMENT PLANS (CONTINUED)

Key Estimates and Assumptions

Performance rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Ramsay Health Care Limited.

The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 14 November 2013, 13 November 2014 and 13 November 2015.

	Granted 13-Nov-15	Granted 13-Nov-14	Granted 14-Nov-13
Dividend yield	1.83%	1.91%	2.08%
Expected volatility	22.5%	22.5%	22.5%
Historical volatility	21.2%	21.7%	22.3%
Risk-free interest rate	2.2%	2.9%	3.0%
Effective life of incentive right	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.

Recognition and Measurement

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

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

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

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

Equity-settled transactions

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

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

- (i) The extent to which the vesting period has expired and
- (ii) The number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date.

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

Treasury Shares

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS

		2016	2015
		\$000	\$000
	Note		
(i) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		61,746	74,937
- After one year but not more than five years		142,475	204,625
- After more than five years		81,839	49,857
Total minimum lease payments		<u>286,060</u>	<u>329,419</u>
- Less: future finance charges		<u>(26,573)</u>	<u>(42,348)</u>
		<u>259,487</u>	<u>287,071</u>
Total lease liability accrued for:			
<i>Current</i>			
- Finance leases	7b	<u>63,373</u>	<u>66,625</u>
<i>Non-current</i>			
- Finance leases	7b	<u>196,114</u>	<u>220,446</u>
		<u>259,487</u>	<u>287,071</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% (2015: 2.5% to 6.5%). The security over finance leases is disclosed in Note 7b.

(ii) Lease expenditure commitments – Group as lessee

		2016	2015
		\$000	\$000
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		332,726	309,455
- After one year but not more than five years		1,109,241	1,121,861
- After more than five years		<u>2,884,821</u>	<u>3,035,087</u>
Aggregate lease expenditure contracted for at reporting date		4,326,788	4,466,403
Amounts provided for:			
- deferred lease - current	14b	300	300
- deferred lease - non-current	14b	254,886	267,853
- unfavourable contract - current	14b	10,244	12,225
- unfavourable contract – non-current	14b	<u>27,909</u>	<u>26,448</u>
		293,339	306,826
Amounts not provided for:			
- rental commitments		<u>4,033,449</u>	<u>4,159,577</u>

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.

(iii) Group as lessee – Recognition and Measurement

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

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

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

Onerous/Unfavourable lease

A lease whereby the carrying value 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 2016**

V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS (CONTINUED)

(iv) Group as lessor – Recognition and Measurement

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

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

Ramsay Health Care Australia Pty Limited had a 15 year agreement with the State of Victoria to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Ramsay Health Care Australia Pty Limited and the State of Victoria. A 5 year extension to this agreement was signed in the year ended 30 June 2014. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk.

18. AUDITORS' REMUNERATION

	2016	2015
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	1,796,254	1,817,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	482,551	720,000
Assurance related	40,000	5,000
Other	661,807	39,000
	<u>2,980,612</u>	<u>2,581,000</u>
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	1,031,959	930,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	266,172	134,000
Other	-	89,000
	<u>4,278,743</u>	<u>3,734,000</u>
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- Audit or review of the financial report	2,888,000	3,452,000
- Taxation services	10,000	9,000
- Other non-audit services	81,000	-
	<u>2,979,000</u>	<u>3,461,000</u>

19. RELATED PARTY TRANSACTIONS

(i) 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 granted a licence to the economic entity to occupy office space at a commercial arms-length licence fee which expired on 30 September 2015. In addition, any expenditure incurred by the economic entity on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2016 is nil (2015: nil).

During the year costs of \$24,317 (2015: \$30,799) were charged to and an amount of \$24,317 (2015: \$55,727) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of \$88,257 (2015: \$17,853) were charged by and an amount of \$101,989 (2015: \$36,901) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2016 costs of \$10,067 (2015: \$17,125) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

V. OTHER INFORMATION (CONTINUED)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Compensation of key management personnel

	2016	2015
	\$	\$
Non-Executive Directors		
Short term	2,522,050	1,772,385
Post-employment	205,384	179,490
Performance/Incentive rights	344,000	-
	<u>3,071,434</u>	<u>1,951,875</u>
Executive Directors		
Short term	6,846,360	6,685,066
Post-employment	135,798	139,938
Performance/Incentive rights	12,833,064	9,852,675
	<u>19,815,222</u>	<u>16,677,679</u>
Executives		
Short term	2,627,784	2,514,224
Post-employment	84,159	86,050
Performance/Incentive rights	4,932,141	3,753,400
	<u>7,644,084</u>	<u>6,353,674</u>
Total		
Short term	11,996,194	10,971,675
Post-employment	425,341	405,478
Performance/Incentive rights	18,109,205	13,606,075
	<u>30,530,740</u>	<u>24,983,228</u>

20. SUBSEQUENT EVENTS

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest	
		2016	2015
RHC Nominees Pty Limited ^	Australia	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Holdings Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited ^	Australia	100%	100%
Linear Medical Pty Limited ^	Australia	100%	100%
Newco Enterprises Pty Limited ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^	Australia	100%	100%
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Donvale Private Hospital Pty Limited ^	Australia	100%	100%
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%
Benchmark – Surrey Pty Limited ^	Australia	100%	100%
Benchmark – Peninsula Pty Limited ^	Australia	100%	100%
Benchmark – Donvale Pty Limited ^	Australia	100%	100%
Benchmark – Windermere Pty Limited ^	Australia	100%	100%
Benchmark – Beleura Pty Limited ^	Australia	100%	100%
Beleura Properties Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Australia Pty Limited ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited ^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited ^	Australia	100%	100%
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%
Caboulture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest	
		2016	2015
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 1988 Pty Limited ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Pindara) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Pharmacy Retail Services Pty Limited ^	Australia	100%	100%
Ramsay International Holding Company Pty Limited	Australia	100%	-
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%
Ramsay Générale de Santé SA* (formerly Générale de Santé SA)	France	50.9%	48.8%

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

V. OTHER INFORMATION (CONTINUED)

22. 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 21, (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 Cross Guarantee by way of Assumption Deeds dated 24 April 2008, 27 May 2010, 24 June 2011, 20 October 2015 and 17 December 2015. 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	
	2016	2015
	\$000	\$000
Consolidated Income Statement		
Profit from operations before income tax	517,595	461,541
Income tax expense	(150,440)	(135,865)
Net profit for the year	367,155	325,676
Retained earnings at the beginning of the year	839,848	711,959
Retained earnings adjustments for additions of entities into the class order	1,624	-
Dividends provided for or paid	(230,194)	(197,787)
Retained earnings at the end of the year	<u>978,433</u>	<u>839,848</u>
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	100,751	72,095
Trade receivables	569,132	473,968
Inventories	103,886	100,956
Prepayments	18,407	18,311
Other current assets	5,991	3,709
Total Current Assets	<u>798,167</u>	<u>669,039</u>
Non-current Assets		
Other financial assets	627,068	627,288
Investments in joint ventures	210,765	211,573
Goodwill and intangibles	1,102,735	1,093,632
Deferred tax asset	112,355	102,232
Property, plant and equipment	1,986,449	1,834,718
Non-current prepayments	12,068	12,426
Other non-current assets	6,490	3,541
Total Non-current Assets	<u>4,057,930</u>	<u>3,885,410</u>
TOTAL ASSETS	<u>4,856,097</u>	<u>4,554,449</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	856,607	808,886
Interest-bearing loans and borrowings	30,129	23,297
Provisions	35,496	20,268
Derivative financial instruments	10,377	9,985
Income tax payable	18,357	21,824
Total Current Liabilities	<u>950,966</u>	<u>884,260</u>
Non-current Liabilities		
Interest-bearing loans and borrowings	1,345,962	1,265,412
Provisions	170,774	167,245
Derivative financial instruments	23,561	8,892
Total Non-current Liabilities	<u>1,540,297</u>	<u>1,441,549</u>
TOTAL LIABILITIES	<u>2,491,263</u>	<u>2,325,809</u>
NET ASSETS	<u>2,364,834</u>	<u>2,228,640</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP (CONTINUED)

	Closed Group	
EQUITY	2016 \$000	2015 \$000
Issued capital	713,523	713,523
Treasury shares	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	978,433	839,848
Other reserves	509,557	503,294
TOTAL EQUITY	2,364,834	2,228,640

23. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	2016 \$000	2015 \$000
Current assets	1,115,045	1,123,740
Total assets	1,256,564	1,265,649
Current liabilities	(21,631)	(24,518)
Total liabilities	(21,631)	(24,518)
Issued capital	(713,523)	(713,523)
Other equity	(521,410)	(527,608)
Total shareholders' equity	(1,234,933)	(1,241,131)
Net profit for the year after tax	193,409	172,909

As a condition of the class order (set out in Note 22), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee.

24. MATERIAL PARTLY- OWNED SUBSIDIARIES

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

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

Financial information in relation to the NCI is provided below:

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

Refer to Note 21 which discloses the equity interest held by the Ramsay Group. The remaining equity interest is held by the non-controlling interest.

Voting rights for Ramsay Générale de Santé (formerly Générale de Santé) at 30 June 2016 are 50.3% (2015: 45.7%). The remaining interest is held by the non-controlling interest.

(b) Accumulated balances of non-controlling interests

Refer to the Consolidated Statement of Changes in Equity

(c) Profit allocated to non-controlling interests

Refer to the Consolidated Income Statement

(d) Summarised Statement of Profit or Loss and Statement of Financial Position for 2016 and 2015

Refer to Note 1. The French segment consists only of this subsidiary that has a material non-controlling interest.

(e) Summarised cash flow information

	2016 \$000	2015 \$000
Operating	232,117	246,862
Investing	(354,245)	(95,268)
Financing	88,285	64,137
Net increase/(decrease) in cash and cash equivalents	(33,843)	215,731





People caring for people