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Annual Report 2018



Annual General Meeting 2018

The 2018 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, 14 November 2018. 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 2019

RESULTS RELEASE DATES:

Interim Results – 28 February 2019
Preliminary Final Results – 29 August 2019

DIVIDEND PAYMENT DATES – ORDINARY SHARES:

Interim Dividend: 29 March 2019 (Record Date: 7 March 2019)
Final Dividend: 30 September 2019 (Record Date: 6 September 2019)

DIVIDEND PAYMENT DATES – CARES:

Tuesday, 23 April 2019 (Record Date: 3 April 2019)
Monday, 21 October 2019 (Record Date: 3 October 2019)

ANNUAL GENERAL MEETING 2019

The 2019 Annual General Meeting of Ramsay Health Care Limited is scheduled to be held on 14 November 2019 (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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235
Facilities

The Ramsay Health Care Network

25,500
Hospital Beds

200
Hospital & Community
Franchised
Pharmacies

3,500,000
Admissions per annum

64,000
Employees



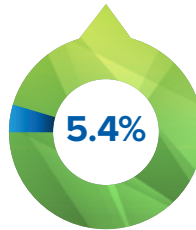
Hospitals & Facilities

Ramsay Health Care operates 235 hospitals, day surgery centres, treatment facilities, rehabilitation & psychiatric units & a nursing college across seven countries.

FY2018 Highlights

Revenue

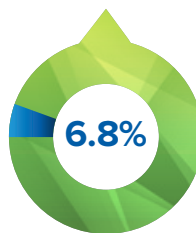
\$9.2 billion



Up 5.4% on previous year

EBIT

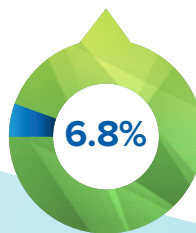
\$1.008 billion



Group earnings before interest & tax **up** 6.8% on previous year

Core NPAT

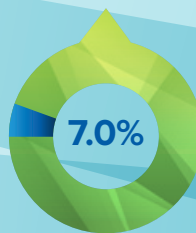
\$579.3 million



Core net profit after tax **up** 6.8% on previous year

Core EPS

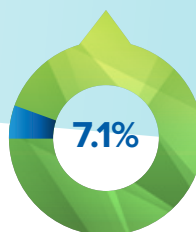
279.8 cents



Core earnings per share **up** 7.0% on previous year

Full Year Dividend, Fully Franked

144.0 cents



Full year dividend (fully franked) **up** 7.1% on previous year

ALL NUMBERS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED

Summary of Financial Performance for FY2018

YEAR ENDED 30 JUNE	2018 (\$ millions)	2017 (\$ millions)	Increase
Revenue	\$9,176.2	\$8,702.5	5.4%
EBITDAR	\$1,839.4	\$1,705.9	7.8%
EBITDA	\$1,395.9	\$1,313.9	6.2%
EBIT	\$1,007.6	\$943.4	6.8%
Core NPAT attributable to members of the parent¹	\$579.3	\$542.7	6.8%
Core EPS (cents per share)²	279.8c	261.4c	7.0%
Final Dividend - fully franked (cents per share)	86.5c	81.5c	6.1%
Full year dividend - fully franked (cents per share)	144.0c	134.5c	7.1%

ALL NUMBERS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED

- 1 CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT IS BEFORE NON-CORE ITEMS. THE MINORITY INTERESTS SHARE OF RAMSAY GÉNÉRALE DE SANTÉ CORE NPAT HAS BEEN REMOVED IN ARRIVING AT CORE NPAT ATTRIBUTABLE TO MEMBERS OF THE PARENT
- 2 CORE EPS IS DERIVED FROM CORE NET PROFIT AFTER CARES DIVIDENDS

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Chairman's Report

Michael Siddle

Dear Valued Shareholders...

I am pleased to present this 2018 Annual Report for Ramsay Health Care. This year saw a continued focus on healthcare affordability and sustainability in all the markets in which we operate, yet against this backdrop, Ramsay Health Care focused on what has made it successful – an unwavering focus on delivering high quality care to over 3.5 million patients, achieving high engagement with our employees, maintaining strong relationships with doctors, and the application of our cultural values, The Ramsay Way.

Ramsay's growth has been consistent and sustained over many years and while we experienced some challenges in FY2018, the company delivered solid results demonstrating both the efforts of our management teams and the Company's long term resilience.

Ramsay recorded a Core Net Profit After Tax (NPAT) of \$579.3 million for the year ended 30 June 2018, which was a 6.8% increase on the previous corresponding period. The Company's statutory reported net profit after tax and after net non-core items of \$388.3 million, was down 20.6% on the prior year. Core NPAT delivered Core EPS of 279.8 cents for the year, an increase of 7.0% on the 261.4 cents recorded in the previous corresponding period and in line with the revised guidance provided in June 2018.

Directors are pleased to announce a fully-franked final dividend of 86.5 cents, up 6.1% on the previous corresponding period, taking the full year dividend to 144.0 cents fully-franked, up 7.1% on the prior year. Ramsay Health Care is one of only two companies on the ASX to have raised its dividend every year for the past 18 years.

The sustainability of Ramsay's performance is based on a disciplined approach to proven operating principles. Our longstanding strategy focusing on organic growth, brownfield developments, growth through acquisition and public/private collaborations, has led to consistent growth and has resulted in Ramsay's market leading position in the major markets in which we operate as well as being a leader in some markets in specialty areas spanning medical, surgical, maternity, mental health, dialysis, emergency care and rehabilitation.

We have committed to spending more on brownfields to meet the growing and ageing populations we serve, and FY2018 was no different. The Board approved a record \$325 million in capacity expansions and redevelopments at our hospitals in Australia which will not only expand our facilities to meet growing demand but enhance the environment of care delivery for our patients. As an example, the new stand-alone, purpose-built psychiatric clinic in Sydney's north - St Leonards Clinic – is a premier facility which will improve the patient experience and replaces our long standing Northside Clinic, which had outgrown its existing site.

The focus on quality and using our vast clinical capabilities to improve care for patients by our teams around the globe has been a major success this year. Throughout 2018, we used data and registry information to identify and reduce clinical variation, to set new standards in patient care and to drive industry-leading outcomes. The Speaking Up for Patient Safety initiative is being rolled out across three of our global regions with thousands of staff and doctors participating. We have increased our focus on collecting information about the patient experience and benchmarking this across our countries, and we are investing in research to drive best practice.

I would like to take this opportunity to congratulate Craig McNally in his first year as Chief Executive Officer. Craig has brought a new and fresh approach to the position and has made some excellent appointments enhancing the Ramsay global executive team including the appointments of a new Chief Strategy Officer, a new Chief People Officer and Chief Executive appointments in our UK and Asian businesses. This year Craig

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celebrates 30 years with the Company and his capabilities and experience are a great asset to us.

This year we will farewell Patty Akopiantz and Margie Seale as directors. Both Patty and Margie were appointed in 2015 and have each made a significant contribution during their respective time on the Board. Our sincere thanks to both Patty and Margie.

We look forward to welcoming a new director to the Board – Dr Claudia Süßmuth Dyckerhoff PhD – who has extensive global healthcare experience across Europe, Asia and the USA. Dr Süßmuth Dyckerhoff is an external senior advisor with McKinsey & Company, and has led McKinsey’s Asia wide Health Systems and Services Sector where she supported healthcare companies as well as governments after transferring to China. She is a director on the boards of Hoffmann La Roche, Clariant and the med tech start-up Cyrcadia. Her experience in healthcare strategy, privatisation of assets in the health services arena, organisational redesign, capability building and operational performance improvement in hospitals, will be a great addition to the Ramsay Board and we look forward to her commencement as a director.

Looking towards 2019 and beyond, Ramsay Health Care expects the growing and ageing populations to continue to drive demand for healthcare. Our growth

initiatives including the brownfield programme and those developments we have invested in this year, which are aimed at strengthening our business, will continue to contribute strongly to earnings.

At the same time, our strong balance sheet provides headroom for expansion and we have increased our focus on investigating acquisition opportunities and new areas of growth in adjacent businesses. This company has the leadership, market positions, and financial strength to ensure we capitalise on growth opportunities, whilst ensuring that these acquisitions are a strategic fit and meet our strict financial hurdles thereby adding value to our shareholders.

I would like to thank the Ramsay leadership team, our 64,000 staff, the doctors who work with us, and my fellow directors, for your contribution to this company in its operations around the globe during the year. I would also like to thank you, our shareholders, for your continuing support of Ramsay Health Care.



Managing Director's Report

Craig McNally

Ramsay Health Care delivered a good result in FY2018, driven by the quality, diversity and scale of our hospitals, which continue to achieve above market growth, as well as our disciplined cost management focus.

In my first year as Chief Executive Officer, I am pleased with the Group's performance and the commitment by our local management teams to assist the Company in achieving what was overall, a good year.

We maintained our focus on strengthening our core and building greater efficiencies. Across all our regions we commenced the rollout of lean initiatives, digitalisation programmes, a new global procurement joint venture and strategies that will ensure we remain the most effective organisation we can be for the future.

More importantly, we are focused on building a sustainable organisation for the long term through ensuring that we are providing a superior patient and doctor experience, and high level clinical excellence. To this end, we have driven an increase in investment in the areas of innovation, customer advocacy and research, right across the Group during the past year.

We have also rolled out several globally recognised programmes including a Vanderbilt University initiated programme on improving patient safety. We have expanded our clinical trials network which, in part, means we can offer the latest cancer treatments to patients. In Australia, we are also very pleased to have achieved two internationally accredited centres of excellence in the past year, demonstrating our clinical leadership. While in France, 10 Ramsay Générale de Santé (RGdS) hospitals made it into the top 50 private hospital listing published by Le Pont and ranked first in 11 specialties out of 44. Ramsay Health Care will continue to ensure our hospitals remain the number one choice for doctors and patients into the future.

In my first year I have visited many of our hospitals around the globe including every one of our Australian facilities. It is obvious as I walk around our hospitals that our local management teams understand the business, have good staff and doctor engagement and are focused on achieving the best outcomes for our patients and the Company overall.

Results

Our FY2018 results were impacted by the significant downturn in NHS volumes in our UK business as well as softer growth rates in our Australian business and the decision to temporarily slow down the rollout of the Ramsay Pharmacy franchise network while we invest in infrastructure and resources to successfully scale this franchise business for the long term.

Notwithstanding the positive tariff adjustment in the UK which came into effect in April 2018, demand management strategies had a negative impact on NHS volumes in our Ramsay UK hospitals during the year and particularly in the second half.

In Australia, the business performed well despite industry headwinds. Our hospitals maintained admissions growth above the industry growth rate, which is being impacted by affordability concerns and the ongoing negative focus on private health insurance.

EBIT growth in Australia was positively impacted by our disciplined cost management strategies and our focus on achieving further operational efficiencies as well as some one-off benefits.

The normal growth attributable to brownfields in Australia was lower in FY2018 as we concentrated on investing in upgrading existing facilities and additional consulting suites, which will strategically position our hospitals for the long term.

In FY2018, we made significant investments to improve the standard of our amenities and patient experience.

In France, Ramsay Générale de Santé (RGdS) performed in line with expectations given the negative tariff environment. RGdS commenced a programme to centralise non-core hospital functions to a separate shared service centre. This programme, which will take three and a half years, is on track.

The Ramsay Pharmacy Franchise Network continues to expand and the number of pharmacy franchises in our network now equals 54.

In terms of procurement we continue to deliver savings. The joint venture with the US-based Ascension Health, announced during the year, commenced operations.

Growth Strategy

Despite the challenging circumstances which are currently impacting the rate of growth, long term industry fundamentals are positive and our growth levers have not changed. Organic growth, brownfield investment, public/private collaborations and acquisitions remain a major focus while we are also concentrating on broadening our service base in adjacent businesses.

Ramsay's robust balance sheet and strong cash flow generation continue to provide the Company with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. At 30 June 2018, the Group Consolidated Leverage Ratio was 2.3 times, well within our internal parameters.

In FY2019, the Australian brownfield programme will deliver \$242 million in completed projects.

The healthcare market is evolving and this requires innovation including operational excellence via process and cost optimisation, as well as a strong commitment to delivering the highest quality services, leading technology and proactive advocacy to customers, specialists and staff.

We are focused on differentiating our business and have increased our investment in a number of quality, digital, innovation and research initiatives, which are aimed at ensuring we achieve industry-leading patient outcomes in all markets in which we operate. In addition, we are exploring new models of care which will enhance our offering to patients and clinicians, both in hospital and beyond the hospital walls.

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

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People

People are our number one asset and we must ensure that we attract, engage, develop and retain the best people in the organisation. We have excellent regional teams at a country level which are focused on development.

To complement these teams, this year, we have appointed a new position to the Global team – a Group Chief People Officer –tasked with putting in place appropriate succession planning processes and developing a consistent approach to talent assessment and development including the rollout of global leadership development programs and career enhancement opportunities for our leaders.

Outlook

The long term industry fundamentals are continuing to drive the market for healthcare. We continue to expand our business to meet this demand and expect growth initiatives, including our brownfield programme and investments aimed at strengthening our business, to contribute strongly to earnings beyond FY2019.

Most importantly, Ramsay Health Care remains absolutely focused on ensuring that we continue to deliver the best outcomes for our patients, that we are focused on improving the customer experience, that we maintain the highest level of engagement and respect for our doctors, that we develop our workforce for the future, and that we continue to drive clinical excellence and innovation. Paul Ramsay's motto was "if we look after our patients and our staff and be the best at that, the rest will follow". We are committed to upholding this in everything we do.

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





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.

Board of Directors



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Craig R McNally

MANAGING DIRECTOR & CEO – Appointed 03/07/17

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

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

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

In his role as head of Ramsay’s UK and European business, Mr McNally has been responsible for leading these teams through the challenging acquisition and merger phases and ensuring their successful integration with Ramsay Health Care and adoption of The Ramsay Way culture.



Bruce R Soden B.Comm CA FAICD

FINANCE DIRECTOR & CFO – Appointed 02 /01/97

Mr Bruce Soden, a chartered accountant, is Group Finance Director and Chief Financial Officer of the Company, a role he has held since early 1997. Mr Soden is responsible for all financial operations and corporate governance functions of the business 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.

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.





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 a non-executive director of AMP Limited. She is also the Chairman of AMP Bank Limited, Chairman of AMP's People and Remuneration Committee and a Member of AMP Limited's Nominations and Governance, and the Risk committees. She is Deputy Chair of the Belvoir Theatre Company.

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

- AMP Limited (Appointed March 2011)



Rod H McGeoch AO LLB MAICD

NON-EXECUTIVE DIRECTOR – Appointed 03/07/97

Mr Rod McGeoch AO is a past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 48 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Mr McGeoch is also a past Chairman of Sky City Entertainment Group Limited.

Currently Mr McGeoch is Chairman of BGP Holdings Plc Malta and BGP Investments S.a.r.l. Luxembourg, Chairman of Vantage Private Equity Growth Limited, Chairman of Chubb Australia Insurance Limited, Director of Corporacion America Airports S.A and is also Deputy Chairman of the Sydney Cricket & Sports Ground Trust. Mr McGeoch also holds a number of honorary positions. In 1990 he was awarded Membership of the Order of Australia for services to Law and the Community and in 2013, was also awarded an Officer of the Order of Australia for distinguished service to the Community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games. Mr McGeoch was Co-Chairman of the Australian New Zealand Leadership Forum until 2017 and is also a director of Destination NSW. In January 2013, Mr McGeoch was appointed Honorary Consul General of Luxembourg in Australia.

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

- BGP Holdings Plc Malta and BGP Investment S.a.r.l Luxembourg (Appointed November 2009) (Currently Chairman)



Kerry C D Roxburgh B.Comm MBA MESAA

NON-EXECUTIVE DIRECTOR – Appointed 03/07/97

Mr Kerry Roxburgh is a 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 Eclixp 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:

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



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, Scentre Group Limited and Australian Pacific (Holdings) Pty Limited. She is a member of the Audit Committee for Telstra 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. She stepped down as Managing Director in November, 2012 but remained on the board as a non executive director, then non executive Chair of the merged company Penguin Random House until 2016. During her time at Random House, 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)
- Scentre Group Limited (Appointed February 2016)
- Bank of Queensland Limited (Resigned June 2018)



David Thodey AO

NON-EXECUTIVE DIRECTOR – Appointed 28/11/17

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

In addition to being a non-executive Director of Ramsay Health Care, Mr Thodey is currently Chairman of Australia's national scientific research agency, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Chairman of Jobs for NSW focused on job creation in NSW, as well as an Ambassador for business events in NSW. He is also the Chairman of the NSW Government's Quantum Computing Fund Advisory Panel.

Mr Thodey is on the Advisory Boards of SquarePeg Capital and Unified Healthcare Group (UHG) and is on the Investment Committee of Evans and Partners Global Disruption Fund.

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

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

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

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



John D C O'Grady LLB FAICD

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

Mr John O'Grady has a background as a corporate and commercial lawyer and is admitted to practice in New South Wales. He is a Fellow of the Australian Institute of Company Directors (AICD). He has served as a non-executive director of a number of boards, including the Defence Housing Authority and the Major Events Board in South Australia. Prior to joining Ramsay in January 2007, he was in private practice with a strong corporate governance focus and experience in contract negotiation, finance and corporate law.

Mr O'Grady heads up the Global Legal 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.

Retired Board Members



Christopher P Rex

FORMER MANAGING DIRECTOR & CEO
– Appointed 01/07/08 & retired
02/07/2017



I Patrick S Grier AM MAICD

NON-EXECUTIVE DIRECTOR – Appointed 01/07/08 &
retired 16/11/2017

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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.

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 30 June 2018 (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 Role of the Board

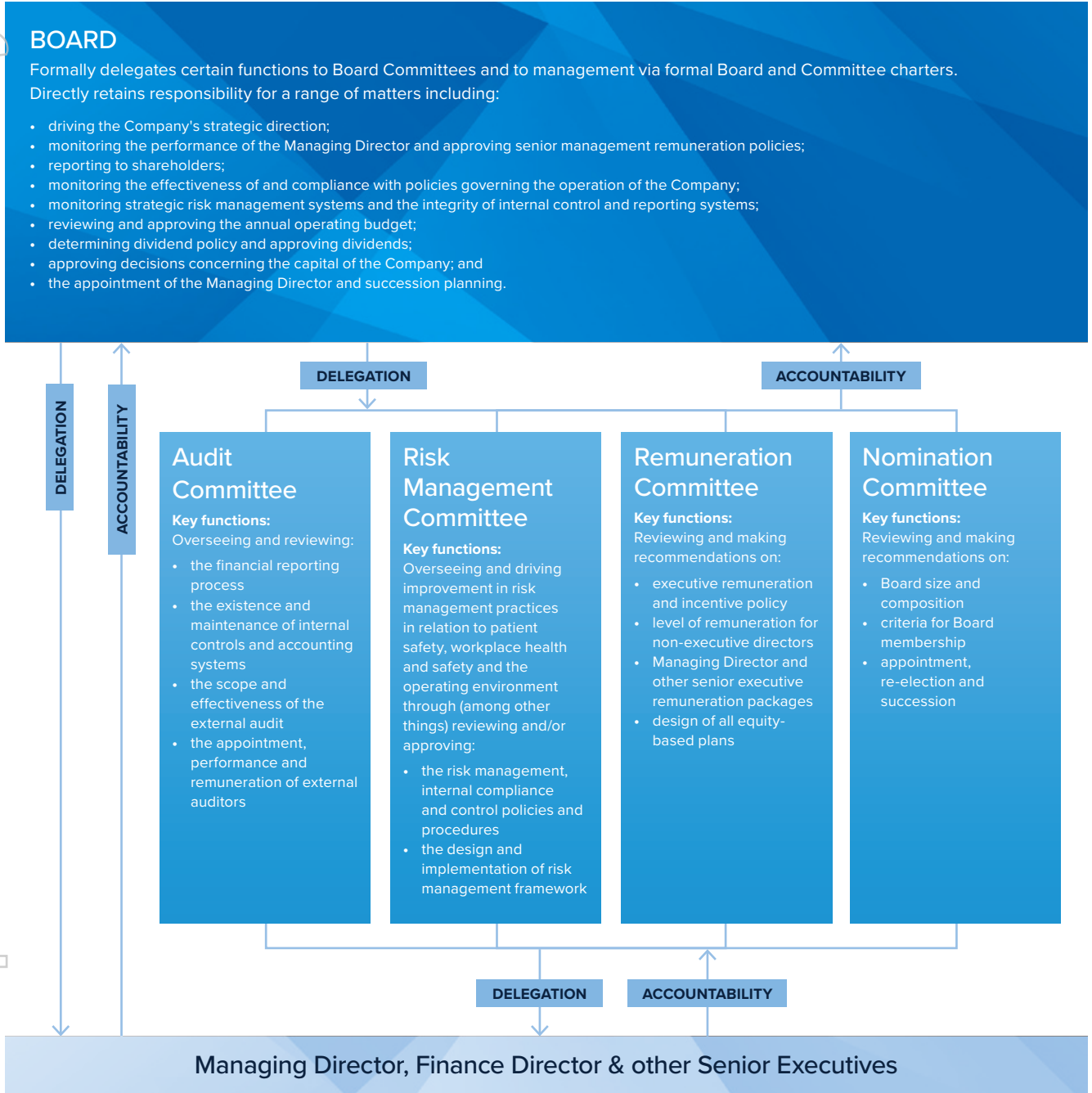
The Board is committed to effectively representing and promoting the Company, thereby adding long-term value to all shareholders. The Board is accountable to shareholders for the oversight of the Company's business and affairs and, as such, is responsible for the overall strategy, governance and performance 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 was last reviewed and updated in FY2017, and 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 February 2018, will continue to be reviewed as required.

2. Governance Framework: The Board & its Standing Committees

The governance framework in place is designed to promote and foster 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 membership of each of the Board Committees as at the date of this Corporate Governance Statement 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 and Ms Patricia Akopiantz.
Risk Management Committee	Comprised of at least three members, two of whom must be Non-Executive Directors with at least one also being a member of the Audit Committee. Chaired by an independent Non-Executive Director.	<p>Non-Executive Directors Mr Peter Evans (Chair), Mr Kerry Roxburgh, Ms Margaret Seale and Mr David Thodey AO</p> <p>Executive Directors & Senior Management Mr Craig McNally (Managing Director & CEO), Mr Bruce Soden (Group Finance Director & CFO), Ms Carmel Monaghan (Group Chief of Staff), Mr John O'Grady (Group General Counsel, Company Secretary & Chief Risk Officer), Professor John Horvath AO (Group Chief Medical Officer) and Mr Andrew Wearne (Global Chief Audit Executive).</p>
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, Mr Peter Evans and Ms Patricia Akopiantz.
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.

The number of scheduled Board and Committee meetings held during the year ended 30 June 2018 and the number of meetings attended by each of the directors in office during FY2018 is set out in the table below:

	Board ¹	Audit Committee	Risk Management Committee	Remuneration Committee	Nomination Committee
	Attended	Attended (Eligible to attend)	Attended (Eligible to attend)	Attended (Eligible to attend)	Attended (Eligible to attend)
M. S. Siddle	16 (16)			6 (6)	6 (6)
P. J. Evans	16 (16)	8 (8)	4 (4)	6 (6)	
C. R. McNally	16 (16)		4 (4)		
B. R. Soden	16 (16)		4 (4)		
P. E. Akopiantz ²	16 (16)	8 (8)		4 (4)	6 (6)
I. P. S. Grier AM ³	3 (5)		1 (1)		
R. H. McGeoch AO	16 (16)			6 (6)	6 (6)
K. C. D. Roxburgh	16 (16)	8 (8)	4 (4)		6 (6)
M. L. Seale	16 (16)		4 (4)		
D. I. Thodey AO ⁴	10 (10)		2 (2)		

1 INCLUDES SPECIAL BOARD MEETINGS.

2 MS AKOPIANTZ WAS APPOINTED TO THE REMUNERATION COMMITTEE IN FEBRUARY 2018.

3 MR GRIER AM RETIRED FROM THE BOARD AT THE CONCLUSION OF THE COMPANY'S 2017 AGM ON 16 NOVEMBER 2017.

4 MR THODEY AO WAS APPOINTED TO THE BOARD ON 28 NOVEMBER 2017.

3. Board Composition

The Board currently consists of seven Non-Executive and two Executive Directors. All of the seven Non-Executive Directors are classified as independent for the purposes of the ASX Recommendations (see section 5). 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 composition of the Board by reference to its Board Skills Matrix.

The appointment of Mr David Thodey AO as a director in November 2017 was made by the Board after considering the Board Skills Matrix. As noted in the Company's FY2017 Corporate Governance Statement, the Board stated that it would favourably consider any candidate to fill a casual vacancy that had strong CEO and international experience and technology/digital expertise. The appointment of Mr Thodey AO has strengthened the Board's collective expertise and experience in these areas.

During FY2018, the Board again undertook its annual 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 results of the 2018 Evaluation continue to demonstrate that the Board is comprised of members with an extensive, diverse and relevant skill-set with depth of experience in all key areas.

The following table sets out the various skills/experience that comprise the Company's Board Skills Matrix by describing each relevant skill/experience and the number of Directors that have at least a solid amount of experience (i.e. Level 3) in respect of that skill or experience (noting that there are nine Directors in total, including the Executive Directors).

Skill & Experience	No. of Directors possessing relevant skill/ experience (total no. of directors is 9)
Sectors/Activities	
Health Care Senior executive or directorship experience in operating private hospitals or the health care sector generally	6
Mergers & Acquisitions (M&A) Senior executive or directorship strategic & operational experience in M&A and business partnerships, including joint ventures	9
Operational experience in Major Business CEO or senior executive or directorship experience in a major business focusing on business operations	9
International Experience	
Multinational/Cross-Border Experience (including Asia &/or Europe) Senior executive or directorship experience in a business with multinational operations	9
Specific Skills & Experience	
Strategy Senior executive or directorship experience in developing or implementing corporate strategy	9
Political Relationships Experience with understanding, developing & maintaining long term political relationships	5
Public Policy & Interface with Government Departments Experience in public and regulatory policy; developing and maintaining relationships with multiple levels of government	2
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	7
Technology/IT Knowledge or experience in the use and governance of critical information technology infrastructure and applications	5
Disruption Managing disruption and structuring business for future growth in industry sectors impacted by digital trends, technology or other disruptive factors	4

Skill & Experience	No. of Directors possessing relevant skill/ experience (total no. of directors is 9)
Specific Skills & Experience...cont.	
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	8
Corporate Governance Knowledge and experience in best practice corporate governance	8
Consumer Goods/Retail Senior executive experience in consumer goods or retail industry (including online)	3
Risk management Experience in best practice risk management practices	6
Marketing/communications Senior executive or directorship experience in or oversight of marketing and communications	8
Workplace Health & Safety Experience in workplace health and safety practices	5
Legal & Regulatory Legal qualifications and/or regulatory experience	5

As part of the FY2018 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 continue to be experience in Health Care, Major Business Operations, Corporate Strategy, Public Policy and Interface with Government Departments, Multinational Businesses and Political Relationships.

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 considering any future candidate to fill a casual vacancy, candidates with multi-national and/or public policy and interface with government departments 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 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 recent appointment of Mr Thodey AO in November 2017, 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 (PRH) continues to be the Company's largest shareholder. Mr Siddle (Chairman) and Mr Peter Evans (Deputy Chairman) are directors of PRH and Paul Ramsay Ancillary Fund Pty Limited (PRAF), which is the registered holder of 100% of the shares in PRH and the trustee of the Paul Ramsay Foundation. The Paul Ramsay Foundation is the ultimately beneficiary of the PRH shares held by PRAF and therefore the RHC shares held by PRH. PRAF, in its capacity as the corporate trustee of the Paul Ramsay Foundation and registered holder of the shares in PRH, has again indicated that it intends for PRH 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 and Mr Evans' respective roles as Directors of Paul Ramsay Holdings Pty Limited and as directors of the corporate 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 same factors taken into account in assessing Mr Siddle's and Mr Evans' independence in previous years (see page 19 of Ramsay's 2017 Annual Report).

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

Further, after due consideration, the Board has formed the view that Messrs Siddle, Evans, McGeoch AO and Roxburgh continue to be independent notwithstanding their respective tenure.

The Board therefore considers all Non-Executive Directors 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 & CEO, Mr Craig McNally – as a current executive of the Company, Mr McNally is not independent.
- The Group Finance Director, Mr Bruce Soden – as a current executive of the Company, Mr Soden is not independent.

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.

The independence of each Director will again be considered in FY2019, including by reference to the proposed 4th edition of ASX Corporate Governance Council's Corporate Governance Principles and Recommendations if promulgated during FY2019.

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 FY2018, the Board commissioned an independent third party evaluation of the Board, the Directors and the Board Committees, with the assessor's findings and recommendations communicated to the Board in late FY2018.

Among other things, the independent evaluation indicated that the Board had been functioning well but that there were areas for enhancement/optimization. As a result, the Board has established a non-standing Corporate Governance Work Group, which is comprised

of Ms Akopiantz (Chair), Mr David Thodey AO and Mr John O'Grady. The purpose of the Corporate Governance Work Group is to make recommendations to optimize the Board's governance, structure and processes and to help facilitate the implementation of some of the recommendations arising from the independent evaluation.

In accordance with good governance practices, the Board will engage an external consultant to undertake independent evaluations of the Board, the Directors and the Board Committees on a regular basis.

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.

During FY2018, Mr McNally made a number of appointments to his executive team, including the appointments of Mr Olivier Chretien as the Group Chief Strategy Officer, Ms Colleen Harris as the Group Chief People Officer and Dr Andrew Jones and the new CEO of Ramsay UK. The diagram below sets out details of the senior executives reporting directly to the Managing Director as at the date of this Corporate Governance Statement.



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 was reviewed and updated in FY2018 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

The terms of employment of Mr McNally and each newly appointed senior executive are formalised in a written services agreement. For other senior executives that have been with the Company for a considerable period of time, the terms of their employment are not formalised in written services agreements. The Company considers that the unique working environment and culture developed over many years, principally founded on 'The Ramsay Way' and exemplified through the longevity and low turnover of the Company's executive team, is such that written agreements with those longstanding 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 Mr McNally in FY2018 and examples of the KPIs for other senior executives are set out in the FY2018 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.

During FY2018, the Board approved a revised Group Diversity and Inclusion Policy, which has been promulgated throughout the business. The Company also has in place very comprehensive and well-developed Workplace Diversity Guidelines for Employees, including diversity criteria in its Recruitment and Selection Guidelines.

In each of its geographical business units, the Company has in place a Flexible Work Practices Policy to promote balance of work and life 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. This is exemplified by the fact that a significant number of the Company's employees are part time with child and/or elderly care and other responsibilities and desire to obtain effective work life balance in order to maintain and progress their careers.

The Company is proud of the strong representation of women throughout the organisation. In 2018 women comprised over 80% of employees in each of the Company's operations in Australia, France, the United Kingdom and Asia. As at 30 June 2018, women occupied 20% of senior executive¹ positions and more than 50% of the Group's senior management positions².

These figures do not reflect the level of female management representation in our hospital facilities, which is generally exceptional. For example, in Ramsay Australia, Ramsay UK and Ramsay Sime Darby (Ramsay's 50:50 joint venture with Sime Darby in Asia), more than 50% of hospital and facility CEOs/General Managers are women while in Ramsay Général de Santé 35% of hospital and facility CEOs are women.

Leadership programmes are 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 assessed to ensure that such leadership programmes is broadly reflective of our workforce.

Since 2015, the Company has had two female Board members, now accounting for 22% of Board members. The Board is conscious of the importance of 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.

In order to facilitate greater gender diversity in leadership roles, the Diversity & Inclusion Policy provides that diversity and inclusion is a business imperative that assists to drive business results, enhance Ramsay's reputation and attract, recruit, engage and retain a diverse group of talented people. The Policy requires meaningful measurable objectives for achieving gender diversity to be set, with a particular emphasis on senior levels. Regular reporting on the progress against the measurable objectives to the People & Remuneration Committee will occur.

Updates on the Company's progress against those objectives during FY2018 and the measurable objectives set for FY2019 and adopted by the Board are set out in the table below.

Measurable Diversity Objective	Timeframe	Progress in FY2018	Relevance for FY2019
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	A new Executive Leadership Programme is being developed to further develop our executive talent. Part of the design of this programme will consider the importance of diversity. Following our succession planning session, an audit is completed to consider the diversity within our succession pools.	The Executive Leadership Programme and succession process will assist us to increase gender diversity at the most senior levels.
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 FY2019 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	More than 50% of the Group's senior management positions ³ , including 70% in Ramsay Australia, are currently held by women.	The Company will continue to seek opportunities for high calibre female managers in senior management positions in FY2019 and beyond.

¹ 'SENIOR EXECUTIVE' POSITIONS ARE THOSE REPORTING DIRECTLY TO CRAIG MCNALLY, MANAGING DIRECTOR & CEO

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

³ 'SENIOR MANAGEMENT' POSITIONS IN THIS CONTEXT ARE THOSE DIRECTLY REPORTING TO THE RAMSAY AUSTRALIA, RAMSAY UK, RAMSAY GÉNÉRALE DE SANTÉ & RAMSAY SIME DARBY CEOS.

Measurable Diversity Objective	Timeframe	Progress in FY2018	Relevance for FY2019
Ensure online Discrimination, Bullying and Harassment training modules are completed by all senior managers.	Ongoing	New employees must complete the online Discrimination, Bullying and Harassment module as part of their induction programme. Further, the module is scheduled for completion by all managers bi-annually.	Compliance will again be monitored in FY2019 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. Flexible working options are supported by the national Flexible Work Practices policy.	Flexible work arrangements will continue to be supported and encouraged throughout FY2019.

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

Gender Pay Equality

During FY2018, a gender pay equity audit was performed for the fixed and STI components of Hospital Executive Remuneration across Australia. The comparison demonstrated that there is no gender based pay issues within the Hospital Executive roles of Ramsay Australia with respect to the fixed and STI remuneration components. Further, in relation to employees more broadly, the majority of Ramsay's employees are covered by Enterprise Bargaining Agreements, which are designed so that people are paid equally for the same role at the same level.

Ramsay UK also publishes an annual Gender Pay Report in accordance with UK legislative requirements. The latest Report is available at <https://www.ramsayhealth.co.uk/legal-and-regulatory>

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, Ramsay Généralé de Santé has during FY2018 established a Whistleblower Policy having regard to recent legislative changes in France ('Loi Sapin 2'). In relation to the Company's Asian joint venture, Ramsay Sime Darby, a formal whistleblowing policy is also in place.

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 last reviewed and updated during FY2017, with the updated Securities Trading Policy approved by the Board on 28 April 2017.

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.

One of the key changes that was made in the new the Securities Trading Policy is that the Company has adopted "trading blackouts", rather than trading windows, for "Restricted Employees" to trade. Under the "trading blackouts", "Restricted Employees" (including Directors, officers and senior executives) and their families and trusts or companies over which they have influence or control are prohibited from trading directly or indirectly in Company securities during the two blackout periods, being:

- the period from the close of trading on the ASX on 30 June each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement to ASX of the full-year results;
- the period from the close of trading on the ASX on 31 December each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement to ASX of the half-year results; and
- any other period that the Board specifies from time to time.

The only exception to this prohibition is where the Restricted 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.

Restricted Employees are permitted to trade at any time other than during the “trading blackout” periods 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, which was last reviewed and updated during FY2017. 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. 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 Company has also adopted a Global Gifts & Hospitality Policy. This Policy supplements the Global Anti-Bribery & Corruption Policy’s guidance on accepting and offering Gifts and Hospitality by establishing:

- monetary thresholds for Gifts and Hospitality that, if exceeded, must be approved before a Gift or Hospitality may be accepted; and
- protocols in relation to the giving of Gifts and/or Hospitality by or on behalf of Ramsay.

The Board, through the Risk Management Committee, has primary responsibility for ensuring that both the Global Anti-Bribery and Corruption Policy and Global Gifts & Hospitality Policy are complied with. The Risk Management Committee has further delegated responsibility to test compliance with our Global Anti Bribery & Corruption Policy to the Global Chief Audit Executive, who reports to the Risk Management Committee and the Audit Committee on a quarterly basis. The controls in ensuring compliance with all key Ramsay policies, including the Anti-Bribery and Corruption Policy, form part of the Internal Audit Plan that is monitored and approved by the Audit Committee.

The Company will monitor the progress of the *Crimes Legislation Amendment (Combating Corporate Crime) Bill 2017 (Cth)* through parliament. If passed, the Company will review and amend its Global Anti-Bribery and Corruption Policy, if necessary, in light of the amendments ultimately passed.

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

The Board has adopted 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 (UK)* 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 FY2018 Modern Slavery Act Statement can be viewed via a link on the Company’s homepage, www.ramsayhealth.com, under the ‘Sustainability’ tab. The Company is mindful of the recently enacted *Modern Slavery Act 2018 (NSW)* and its obligations under this legislation. The Company is also monitoring the *Modern Slavery Bill 2018 (Cth)* and what will be required of it should the legislation ultimately be passed.

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 Global Index every year since 2011. The FTSE4Good Global Index is a global index identifying companies that demonstrate strong environmental, social and governance practices (**ESG**), measured against globally recognised standards. Inclusion in the 2018 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 FY2018, 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 Global Chief Audit Executive) as well as contemporary governance practices. The Audit Committee Charter includes details on the appointment and oversight of the external auditor and the Global Chief Audit Executive.

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 an annual basis and may include reviews in the areas of financial risk, operational risk, strategic risk and compliance with regulatory regimes, laws and standards. The results of these reviews are reported to the Audit Committee and Risk Management Committee by the Global Chief Audit Executive.

In last year's Corporate Governance Statement, the Company advised that the Audit Committee had commissioned an independent review of the Company's Internal Audit function. Following this review and during FY2018, the Company appointed Mr Andrew Wearne as the new Global Chief Audit Executive. Mr Wearne is a senior executive with over 20 years' corporate governance experience in ASX top 30 companies in Europe, Asia and the South Pacific regions.

Assurance

Prior to the Board's approval of the Company's FY2018 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 HY2018 financial information.

The Company's external auditor, Ernst & Young, will again attend the Company's 2018 AGM and be available to answer shareholder questions concerning the audit of the Company's FY2018 financial statements.

Tax

As part of the Company's commitment to transparency and being a responsible tax payer, the Company has voluntarily disclosed against the Australian Board of Taxation's Voluntary Tax Transparency Code. A copy of the Company's *Australian Tax Governance Report* for FY2017 can be found on the Company's website (<http://www.ramsayhealth.com/-/media/Documents/RHC/Investor/documents/RHC-Australian-Tax-Governance-Report.pdf?la=en>).

16. Risk Management

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

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

- The Board is responsible for managing strategic and political risks (including those associated with merger and acquisition activity).
- The Audit Committee is responsible for managing direct financial risks to the Company and for matters relating to tax and accounting.
- The Risk Management Committee is responsible for managing all other enterprise risks, with particular focus on clinical, workplace health and safety, operational, technology 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 FY2018, the Risk Management Committee reviewed 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 Risk Management Committee was satisfied that appropriate controls were in place to address these risks. The Strategic and Operational Risk Profile will continue to be reviewed annually.

The Company's risk management framework

The Company has in place a Risk Management Framework which is consistent with 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 2018 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).

Risk Management Committee

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

The Risk Management Committee 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 ten (10) members on the Risk Management Committee comprising a mix of Non-Executive Directors (four), executive Directors (two) and senior executives/management personnel (four), including Professor John Horvath AO as the Company's Chief 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.

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 Risk Management Committee to include a strong senior executive/management presence to ensure that the Risk Management Committee has the necessary technical and industry knowledge available to it at all times. Despite the Risk Management Committee not being comprised of a majority of independent Directors, the Board considers that it 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 Risk Management Committee meetings and attendance by each Director member of the Risk Management Committee 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 Risk Management Committee reviews the Risk Management Framework at least annually. Following its FY2018 review, the Risk Management Committee is satisfied that the Risk Management Framework continues to be 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 also 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 Risk Management Committee in writing at least on a quarterly basis and in a consistent format. These reports cover the management of risks and analysis of trends relating to (among other things) clinical governance, workplace health and safety, cybersecurity and other material enterprise risks.

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 workplace health and safety and culture risk, as well as Ramsay Pharmacy, the Company's retail pharmacy franchise business. 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.

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. 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 will be updated during FY2019.

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 are granted share rights that convert into ordinary shares as part of their annual board fees. Shareholders will again be asked to approve the terms of the Non-Executive Director Share Rights Plan at the 2018 AGM.

Further details about the Non-Executive Director's Share Rights Plan are contained in the FY2018 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 30 June 2018.

ASX Corporate Governance Council's Principles			
	ASX Principle	Reference ⁴	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	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. The Managing Director and the recent senior executive appointments have formal services contracts.
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
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

⁴ ALL REFERENCES ARE TO SECTIONS OF THIS CORPORATE GOVERNANCE STATEMENT UNLESS OTHERWISE STATED

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ASX Corporate Governance Council's Principles			
	ASX Principle	Reference ⁴	Compliance as at the date of this Statement
Principle 1	Lay solid foundations for management & oversight		
1.7	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	12	Yes Yes
Principle 2	Structure the Board to add value		
2.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	2 and 3	Yes Yes Yes Yes Yes N/A
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	3	Yes
2.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	5 and Board of Directors' Section (for length of service details)	Yes Yes Yes
2.4	A majority of the board of a listed entity should be independent directors.	5	Yes
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	6	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 & responsible decision-making		
3.1	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	14	Yes Yes

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ASX Corporate Governance Council's Principles			
	ASX Principle	Reference ⁴	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, 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 & 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>	17	<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

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ASX Corporate Governance Council's Principles

	ASX Principle	Reference ⁴	Compliance as at the date of this Statement
Principle 7	Recognise & manage risk		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	16	Partially yes, insofar as the Committee has at least three independent members. Executive membership means that a majority are not independent directors. Yes Yes Yes Yes N/A
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	16	Yes Yes
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	15	Yes N/A
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 Directors Report	Yes
Principle 8	Remunerate fairly & responsibly		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a 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	19	Yes Yes Yes Yes Yes N/A
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 the Remuneration Report	Yes
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	19	Yes Yes

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Additional Information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 11 September 2018.

(a) Distribution of Shareholders – Ordinary Shareholders

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
1 – 1,000	77,637	21,852,588	10.81
1,001 – 5,000	10,358	20,827,072	10.31
5,001 – 10,000	751	5,175,104	2.56
10,001 – 100,000	284	6,315,303	3.13
100,001 and over	43	147,911,185	73.19
Totals	89,073	202,081,252	100%

(b) Less than marketable parcels of ordinary shares

The number of shareholdings held in less than marketable parcels is 1,132 holders, for a total of 6,530 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	31,661,390	15.67
3. J P Morgan Nominees Australia Limited	18,822,825	9.31
4. Citicorp Nominees Pty Limited	5,368,607	2.66
5. National Nominees Limited	4,439,532	2.20
6. Woolwich Investments Pty Limited (The Siddle Family Trust)	3,750,000	1.86
7. Australian Executor Trustee Limited	2,512,441	1.24
8. BNP Paribas Nominees Pty Limited (Agency Lending DRP A/c)	2,428,955	1.20
9. Custodial Services Limited (Beneficiaries Holding A/c)	1,805,955	0.89
10. Argo Investments Limited	1,666,319	0.83
11. Australian Foundation Investment Company Limited	1,415,000	0.70
12. BNP Paribas Nominees Pty Limited (DRP)	1,071,014	0.53
13. IOOF Investment Management Limited (IPS Super A/C)	659,932	0.33
14. Citicorp Nominees Pty Limited (Colonial First State Invest A/c)	618,963	0.31
15. HSBC Custody Nominees (Australia) Limited (NT-COMMONWEALTH SUPER CORP A/C)	608,257	0.30
16. Netwealth Investments Limited (Wrap Services A/c)	536,224	0.26
17. BKI Investment Company Limited	409,500	0.20
18. UBS Nominees Pty Limited	399,469	0.20
19. BNP Paribas Nominees Pty Limited	398,713	0.20
20. AMP Life Limited	378,172	0.19
Totals	143,950,537	71.24%

(d) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 11 September 2018

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 FY2018 the Company purchased 800,000 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 \$65.33.

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

Size of Holding	Number of CARES Holders	CARES	% of Issued Securities
1 – 1,000	3,706	1,061,207	40.82
1,001 – 5,000	213	416,574	16.02
5,001 – 10,000	17	114,428	4.40
10,001 – 100,000	13	388,126	14.93
100,001 and over	3	619,665	23.83
Totals	3,952	2,600,000	100%

(h) Less than marketable parcels of CARES

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

(i) 20 Largest CARES Holders

Name	Number of fully paid CARES	% of Issued Capital
1. J P Morgan Nominees Australia Limited	377,968	14.54
2. Citicorp Nominees Pty Limited	140,261	5.39
3. Australian Foundation Investment Company Limited	101,068	3.89
4. National Nominees Limited	97,504	3.75
5. HSBC Custody Nominees (Australia) Limited	83,675	3.22
6. IOOF Investment Management Limited (IPS Super A/c)	43,191	1.66
7. Argo Investments Limited	25,000	0.96
8. Longhurst Management Services Pty Limited	20,969	0.81
9. Navigator Australia Limited <MLC Investment Settlement A/C>	20,103	0.77
10. Citicorp Nominees Pty Limited (DPSL A/c)	17,811	0.68
11. BNP Paribas Nominees Pty Limited	15,488	0.60
12. Nulis Nominees (Australia) Limited (Navigator Mast Plan Settlement A/c)	14,434	0.55
13. St Hedwig Village	14,000	0.54
14. Australian Executor Trustees Limited (No 1 A/c)	13,648	0.52
15. Jamplat Pty Limited	12,000	0.46
16. Peroda Nominees Pty Limited (Berman Super Fund A/c)	10,293	0.40
17. Neweconomy Com Au Nominees Pty Limited (900 A/c)	9,792	0.38
18. HSBC Custody Nominees (Australia) Limited	8,409	0.32
19. Australian Executor Trustees Limited	8,057	0.31
20. Woodduck Pty Limited	8,000	0.31
Totals	1,041,671	40.06

(j) On-Market Buy-Backs

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

Corporate Directory

AS AT 12 SEPTEMBER 2018

Directors

Non Executive Directors

Michael Siddle (Chairman)
Peter Evans (Deputy Chairman)
Patricia Akopiantz
Rod McGeoch AO
Kerry Roxburgh
Margaret Seale
David Thodey AO

Executive Directors

Craig McNally (Managing Director & CEO)
Bruce Soden (Finance Director & CFO)

Group General Counsel & Company Secretary

John O'Grady

Registered Office

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

Email: enquiry@ramsayhealth.com

Website: www.ramsayhealth.com

Telephone: +61 2 9220 1000

Facsimile: +61 2 9220 1001

Share Registry

Boardroom Pty Limited

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

Email: enquiries@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

Telephone Enquiries (from within Australia): 1300 737 760

Telephone Enquiries (from outside Australia): +61 2 9290 9600

Facsimile: +61 2 9279 0664

Auditor

Ernst & Young

200 George Street
Sydney NSW 2000

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Financial Report

FOR THE YEAR ENDED
30 JUNE 2018

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 2018.

DIRECTORS

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

Director	Ramsay Health Care Limited		
	Ordinary Shares	Convertible Adjustable Rate Equity Securities (CARES)	Rights over Ordinary Shares
M.S. Siddle	3,904,451	-	-
P.J. Evans	9,096	-	-
C.P. Rex (retired 2 July 2017)*	806,213	5,334	369,181
C.R. McNally (appointed 3 July 2017)	361,798	-	122,590
B.R. Soden	345,227	2,000	185,574
I.P.S. Grier AM (retired 16 November 2017)*	1,229	-	-
R.H. McGeoch AO	54,718	257	-
K.C.D. Roxburgh	49,387	-	-
P.E. Akopiantz	3,254	-	-
M.L. Seale	5,442	-	-
D.I. Thodey AO (Appointed 28 November 2017)	8,517	700	-

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

Particulars of each Director's 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 235 hospitals and day surgery facilities across Australia, the United Kingdom, France, Indonesia, Malaysia, Maldives 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 25,500 beds and places, the Group employs circa 64,000 staff, across seven countries, treats almost 3.5 million patients per annum and is ranked in the top 6 private hospital operators in the world.

Ramsay listed on the Australian Securities Exchange in 1997 and, over the last twenty one years has developed and acquired a high quality portfolio of strategically located assets both in Australia and overseas, which have helped to position it at the forefront of the global health care market.

Ramsay is committed to ongoing improvement in patient care in all areas and has an excellent record in providing quality patient care and managing clinical risk. All Ramsay facilities offer high quality health care services and are fully accredited with the relevant accreditation bodies in their regions. Accreditation is an important driver for safety and quality improvement and ensures that Ramsay hospitals are at the forefront of health care delivery.

Ramsay maintains a decentralised management structure which allows each of its facility managers to develop productive working relationships with doctors. This has assisted in attracting high calibre medical practitioners to consult in its facilities. Ramsay takes a leadership role in shaping the world that we live in through its focus on the environment, good corporate governance and societal issues at large. Since 2011 Ramsay has been included in the FTSE4Good Index, an index which objectively measures the performance of companies that meet globally recognised corporate responsibility standards.

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

In November 2007, Ramsay Health Care acquired Capio UK and its portfolio of hospitals in England. Ramsay Health Care UK is now one of the leading providers of independent hospital services in the UK, with a network of 34 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 private hospital operator based in France. Proclif changed its name to Ramsay Santé. This was the start of several acquisitions in France, culminating in its acquisition of a controlling interest in Générale de Santé (GdS) in October 2014. GdS was the leading operator of private hospitals in France comprising 75 facilities (including 61 hospitals) in the fields of medicine, surgery, obstetrics and rehabilitation. On 1 July 2015, Ramsay Santé and GdS merged and is now known as the Ramsay Générale de Santé (RGdS). This merged entity acquired HPM, a group of nine hospitals in Lille in December 2015 and brings Ramsay's total portfolio in France to 120.

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

Non – AASB Financial Information

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

RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Performance

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

<i>Summary of Statutory earnings</i>	2018 \$000	2017 \$000	% Change
Revenue from services	9,176,235	8,702,506	5.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,140,091	1,256,810	(9.3%)
Earnings before interest and tax (EBIT)	720,785	881,266	(18.2%)
Statutory reported net profit attributable to owners of the parent	388,348	488,947	(20.6%)

	2018	2017	% Change
Basic earnings per share (after CARES dividend)	186.7c	236.5c	(21.1%)
Diluted earnings per share (after CARES dividend)	185.6c	234.9c	(21.0%)

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

<i>Summary of Core earnings</i>	2018 \$000	2017 \$000	% Change
Core revenue from services	9,176,235	8,702,506	5.4%
Core earnings before interest, tax, depreciation and amortisation (Core EBITDA)	1,395,925	1,313,919	6.2%
Core earnings before interest and tax and non-core items (Core EBIT)	1,007,617	943,396	6.8%
Core net profit after tax attributable to owners of the parent	579,338	542,697	6.8%

	2018	2017	% Change
Basic Core earnings per share (after CARES dividend)	281.5c	263.2c	7.0%
Diluted Core earnings per share (after CARES dividend)	279.8c	261.4c	7.0%

Reconciliation of Statutory earnings to Core earnings

The reconciliation below outlines the Statutory net profit after tax, adjusted for the RGdS restructuring charge, UK impairment charge and other non-core items.

	2018 \$000	2017 \$000
Statutory net profit after tax attributable to owners of the parent	388,348	488,947
Add: Net non-core items, net of minorities and net of tax		
- Restructuring - RGdS	29,941	-
- Impairment – Ramsay UK	121,976	1,294
- Other	39,073	52,456
Core net profit after tax attributable to owners of the parent	579,338	542,697

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Highlights

Ramsay's statutory net profit attributable to the owners of the parent for the year ended 30 June 2018 was \$388,348,000, a 20.6% decrease on the previous corresponding period. Diluted statutory earnings per share is 185.6 cents for the year, a 21% decrease. Diluted core earnings per share is 279.8 cents for the year, a 7.0% increase. Net non-core items of \$191.0 million (net of minorities and net of tax) were recognised in the period. The non-core items were principally due to Ramsay UK recognising an onerous lease provision and asset write downs related to certain UK sites of \$122.0 million (net of tax) and Ramsay General de Santé (RGdS) recognising restructuring costs of \$29.9 million (net of minorities and net of tax).

Despite the headwinds faced in all of our markets, Ramsay Health Care has delivered a good result driven by the quality, diversity and scale of our hospitals, which continue to achieve above market growth, as well as our disciplined cost management focus.

Operational Highlights – Australia / Asia

During the year, Ramsay's Australian business achieved revenue growth of 5.5% and EBITDA growth of 12.1%. The business performed well despite industry headwinds. Our Australian hospitals maintained admissions growth above the industry growth rate, which is currently being impacted by affordability concerns and the ongoing negative focus on private health insurance. Additionally, EBITDA growth was positively impacted by disciplined cost management strategies and focus on achieving further operational efficiencies as well as some one-off benefits. Normal growth in Australia attributable to brownfields was lower in the year as the Company concentrated on investing in upgrading existing accommodation and additional consulting suites, which will strategically position these hospitals for the future. Our equity accounted share of the Asian joint venture with Sime Darby was up 27.7% to \$16.8 million. It continues to perform well.

Operational Highlights – UK

Notwithstanding the positive tariff adjustment in the UK which came into effect in April 2018, demand management strategies had a negative impact on NHS volumes in our UK hospitals during the year and particularly in the second half. EBITDAR decreased 9.8% to £102.7 million.

Operational Highlights – France

RGdS performed in line with expectations give the negative tariff environment. As reported at the half year, RGdS commenced a programme to centralise non-core hospital functions to a separate shared service centre. This programme, which will take three and a half years, is on track. EBITDAR is down 0.6% to €445.7 million.

Financial Position

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

	2018	2017	% Change
	\$000	\$000	
Total assets	9,312,869	8,335,361	11.7%
Total liabilities	(6,865,460)	(5,976,675)	14.9%
Net assets	2,447,409	2,358,686	3.8%

Ramsay's total assets increased by 11.7% due mainly to an increase in cash and property, plant and equipment. Given there were no major acquisitions during the year this is in line with expectations.

Total liabilities increased by 14.9% due mainly to an increase in interest bearing loans and borrowings, due primarily to restructuring of some loans and an increase in finance leases, together with an increase in the onerous lease provisions.

The Group in a net current asset position at 30 June 2018 (2017: net current asset position).

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial Position (continued)

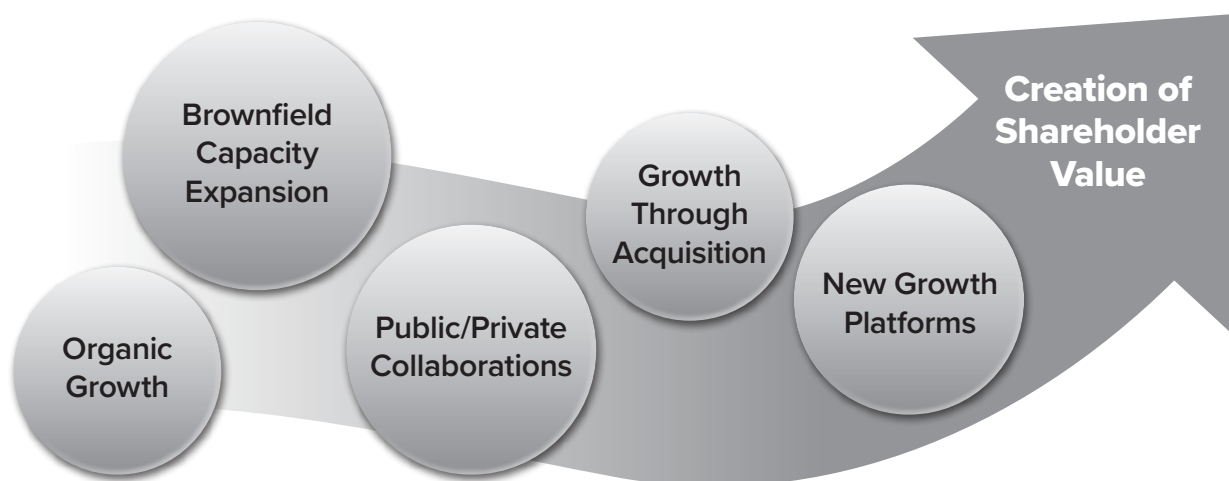
Ramsay's net asset position increased by 3.8% which is largely attributable to the current year's profit after tax of \$388 million less dividends paid to Ramsay shareholders of \$293 million.

Balance Sheet, Cash Flow and Refinancing

Ramsay's robust balance sheet and strong cash flow generation continues to provide the Company with the flexibility to fund the ongoing demand for brownfield capacity expansion, future acquisitions and 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 five key components which are discussed below.



Organic Growth

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

Brownfield Capacity Expansion

During the year the Board approved a record \$325 million in new projects which underscores the Company's confidence in the long term industry dynamics. The projects are due to complete over the next two years.

Public / Private Collaborations

A key component of Ramsay's growth strategy is further involvement in the provision of public hospital services through "public / private collaborations".

Growth through Acquisition

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

In July 2018, Ramsay's 50.9% owned French subsidiary, RGdS, launched an unsolicited takeover bid for the Nasdaq Stockholm listed, pan-European healthcare company, Capio AB (Capio). The completion of the Offer is subject to conditions customary for public offers in Sweden, including, among others, antitrust and regulatory approvals and that the Offer is accepted by shareholders to such an extent that RGdS becomes the owner of more than 90% of the shares in Capio.

**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)
OPERATING AND FINANCIAL REVIEW (CONTINUED)**

Business Strategies and Prospects for Future Financial Years (continued)

New Growth Platforms

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

Material Business Risks

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

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.

Cyber Security / Information Technology

Sensitive clinical, financial and other information is stored electronically by Ramsay and has the potential to be affected by a cyber-attack. The strength and effectiveness of the Group's information technology controls are subject to regular review and proactively managed. The Group has adopted a Cybersecurity Framework, which has been designed to work within the Group's overarching risk management approach. The Board, through the Risk Management Committee, has ultimate responsibility for and ownership of the Cybersecurity Framework and receives quarterly reports on (among other things) how cyber risk is being proactively managed.

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Material Business Risks (continued)

Health insurance funds

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

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

Revenue from government sources

The majority of Ramsay's revenue in the UK 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 help 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 @ 86.5 cents per share (2017: 81.5 cents)	\$174,800,000 (2017: \$164,696,000)
Interim dividend paid during the year @ 57.5 cents per share (2017: 53.0 cents)	\$116,198,000 (2017: \$107,103,000)

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

Final dividend recommended @ \$2.49 per security (2017: \$2.39)	\$6,466,000 (2017: \$6,210,000)
Interim dividend paid during the year @ \$2.35 per security (2017: \$2.39)	\$6,117,000 (2017: \$6,207,000)

The tax rate at which paid dividends have been franked and recommended dividends will be franked is 30% (2017: 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 2018 was authorised for issue on 11 September 2018 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 1,266,258 (2017: 1,265,340) 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 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

RAMSAY HEALTH CARE LIMITED DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Dear Shareholders

On behalf of the Board, I am pleased to present you with Ramsay's 2018 Remuneration Report.

Notwithstanding the challenging operating environment in FY2018, Ramsay still delivered solid growth and will pay a dividend to shareholders in line with its historical dividend policy.

This Remuneration Report illustrates how our remuneration policies and practices are linked to Ramsay's performance, both in the way they are structured and in the outcomes they deliver. Given the challenging year that FY2018 was, the Board reduced STIs for executive key management personnel.

Your Board is 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. As was the case last year, we have prepared this Remuneration Report to make it user-friendly and ensure the information is presented in a clear, concise and transparent manner.

Our remuneration framework is structured so that executives are rewarded where strong performance is delivered and value is generated for shareholders. Section 3 of the Report illustrates how the executive remuneration outcomes have linked directly to the creation of value for all shareholders.

On 3 July 2017, Mr Craig McNally commenced his role as Ramsay's Managing Director and Chief Executive Officer. Craig is one of Ramsay's longest serving senior executives and has led Ramsay well in his first 12 months. As noted in last year's Remuneration Report, the Managing Director's remuneration package was recalibrated after a comprehensive review and benchmarking of the Managing Director's remuneration package was undertaken. Your Board remains committed to taking appropriate steps to align its remuneration framework and levels with investor expectations, as evidenced by the recalibration of the Managing Director's remuneration package.

The following were put in place during FY2018:

- In respect of FY2018 remuneration, no executive received their full STI or LTI opportunity. For FY2019, Non-Executive Director fees have been frozen for a second consecutive year, while fixed remuneration for executives has generally only increased by a modest 0-2%.
- There will be no re-testing of future LTI grants, including FY2019 LTI grants, which are subject to a relative total share return performance hurdle.
- The Remuneration Committee committed to undertake a comprehensive review of Ramsay's Executive Remuneration Framework, to optimise the Company's remuneration policies and procedures to ensure that it serves the Company's interests now and well into the future. The review will be undertaken by the Remuneration Committee, with the assistance of Ms Colleen Harris, the newly appointed Group Chief People Officer. A key part of this review will be consultation with stakeholders.

The Board resolved in August 2018 to expand the People & Remuneration Committee's remit to include people and people strategy, thereby recognising the significant contribution to Ramsay by all employees. The name of the committee has also been changed to the *People and Remuneration Committee* and operates under a new charter, which is available on Ramsay's website.

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

Yours sincerely



Rod McGeoch AO
Chairman
People & Remuneration Committee
11 September 2018

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

REMUNERATION REPORT – Audited

1. HIGHLIGHTS

The Ramsay Board is committed to a remuneration framework that aligns the pay outcomes for the Managing Director and Chief Executive Officer (**Managing Director**) and other executive key management personnel (together, **Executives**) with the achievement of the Group's strategy and business objectives including generating returns for shareholders.

This Remuneration Report for the year ended 30 June 2018 outlines the remuneration arrangements of the key management personnel (**KMP**) of Ramsay for the purposes of the *Corporations Act 2001* and the Accounting Standards. KMP are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly.

A summary of the year's highlights and key remuneration outcomes is set out below.

Managing Director and Chief Executive Officer changeover

On 3 July 2017, Mr McNally commenced his appointment as Ramsay's new Managing Director and Chief Executive Officer. The key terms of his employment contract are set out in section 2.

Mr McNally took over as Managing Director from Mr Christopher Rex, who officially retired as Managing Director on 2 July 2017. The details of Mr Rex's retirement package, which were previously disclosed in the FY2017 Remuneration Report, are again set out in section 2.

STI outcomes in FY2018

Given Ramsay did not fully meet its FY2018 financial performance expectations, the Board reduced the FY2018 STI outcomes such that each Executive received 70% or less of their maximum STIs for FY2018 performance.

The table below summarises performance for target and 'stretch' against each scorecard category under the FY2018 STI plan for Mr McNally.

Measures	Associated Strategic Objectives	Scorecard Weighting	Actual Outcome	Comment
Target KPIs				
Financial performance of the global business as a whole	Group profitability and strong growth	36%	Partially Achieved	Ramsay's financial performance in FY2018 saw it achieve solid growth in core EPS of 7%, albeit marginally below its market guidance of 8-10%.
Strategy, leadership & culture	Management and culture	12%	Partially Achieved	Among other things, Mr McNally oversaw the establishment of the Ramsay Innovation Hub, embedded his global executive leadership structure with a number of key appointments and established the procurement joint venture with Ascension Health.
Performance of Ramsay Pharmacy	Growing Ramsay's "out of hospital" service offering	6%	Not Achieved	Ramsay Pharmacy and its franchise business did not achieve its goals for FY2018.
Technology and Cyber Security	Patients, people and operational safety	6%	Achieved in Full	The management of technology and cybersecurity is a key risk for the Group. A number of key technology and cybersecurity initiatives were undertaken successfully during FY2018, including a comprehensive assessment of the Group's global cybersecurity with action plans developed as required.

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

REMUNERATION REPORT – Audited

Measures	Associated Strategic Objectives	Scorecard Weighting	Actual Outcome	Comment
'Stretch' KPIs				
Core NPAT 4% above FY2018 budget	Strong growth	20%	Not Achieved	Ramsay did not achieve Core NPAT growth above the FY2018 budget, therefore this component of the 'stretch' KPI was not met.
Discretionary criteria	Management and culture Strong growth Patients, people and operational safety	20%	Achieved in Full	<p>The discretionary criteria against which Mr McNally's performance was assessed included:</p> <ul style="list-style-type: none"> • Maintaining <i>The Ramsay Way</i> and culture; • Ensuring the success of global management structure and process; • Meeting or exceeding the global procurement strategy targets; • Maintaining the robust quality and risk management mechanism across the Group; • Continuing to source and review acquisition opportunities in existing and new markets; • Navigating Ramsay to best achievable outcomes in negotiation with funders; • Further reviewing and re-setting the Strategic Plan for the Company; • Further developing succession planning for key management positions; • Working positively with the Board and any potential candidates on personal succession planning; and • Develop a Government Relations Strategic Plan for all countries. <p>The Remuneration Committee and the Board were satisfied with Mr McNally's performance against the discretionary areas outlined above.</p>
FY2018 STI Scorecard Outcome		100%	70%	

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

REMUNERATION REPORT – Audited

LTI Outcomes in FY2018

Ramsay's FY2016 LTI grant was tested based on performance for the three years to 30 June 2018. Ramsay's sustained growth in EPS resulted in near-full vesting of the FY2016 Performance Rights subject to the EPS performance hurdle. However, Ramsay's performance relative to its peers has resulted in no FY2016 Performance Rights that were subject to a relative TSR performance hurdle vesting. Further, FY2016 Performance Rights subject to a business unit performance hurdle did not vest. See section 3 for further details.

TSR Retesting Results of FY2015 Performance Rights

As noted in Ramsay's FY2017 Remuneration Report, the remaining portion of Ramsay's FY2015 LTI grant that were subject to the relative TSR performance hurdle did not vest and were subject to retesting. Retesting of these performance rights was performed at 31 December 2017 and 30 June 2018. None of the unvested FY2015 performance rights vested following retesting and these rights have now lapsed.

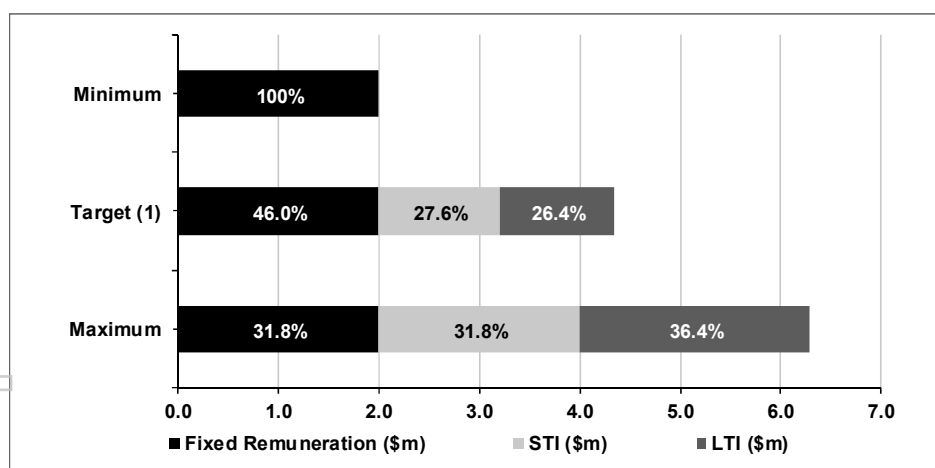
Non-Executive Director Fees for FY2018 and FY2019

For FY2018, Non-Executive Director fees and Board committee fees did not increase over FY2017 levels. In respect of FY2019, the Board has again resolved not to increase Non-Executive Director fees and Board committee fees.

2. MANAGING DIRECTOR REMUNERATION

Investors rightly have an interest in ensuring that the quantum and structure of executive remuneration levels are fair and appropriate. This is particularly true for the Managing Director. In setting the new Managing Director's remuneration package, the Board took into consideration external benchmarking, investor feedback and the fact that Mr McNally was new to the role. Based on this, the Board approved a total remuneration package that is lower than the previous Managing Director's package.

The Board believes that much of a Managing Director's remuneration should be at risk with total 'at risk' remuneration for Mr McNally comprising a majority of his overall remuneration opportunity. The Board will continue to review Mr McNally's remuneration annually with particular regard to his performance. The remuneration mix for Mr McNally in FY2018 is shown in the table below.



(1) 'Target' performance assumes all target STI KPIs are met and 50% vesting for each LTI component.

The figures used to compile the above chart are taken from Mr McNally's remuneration package for FY2018. Statutory superannuation, other non-monetary benefits and leave entitlements are not included. The LTI component has been valued using the fair value of the LTI Performance Rights awarded in FY2018 – see note 16 of Ramsay's FY2018 audited financial statements for further details.

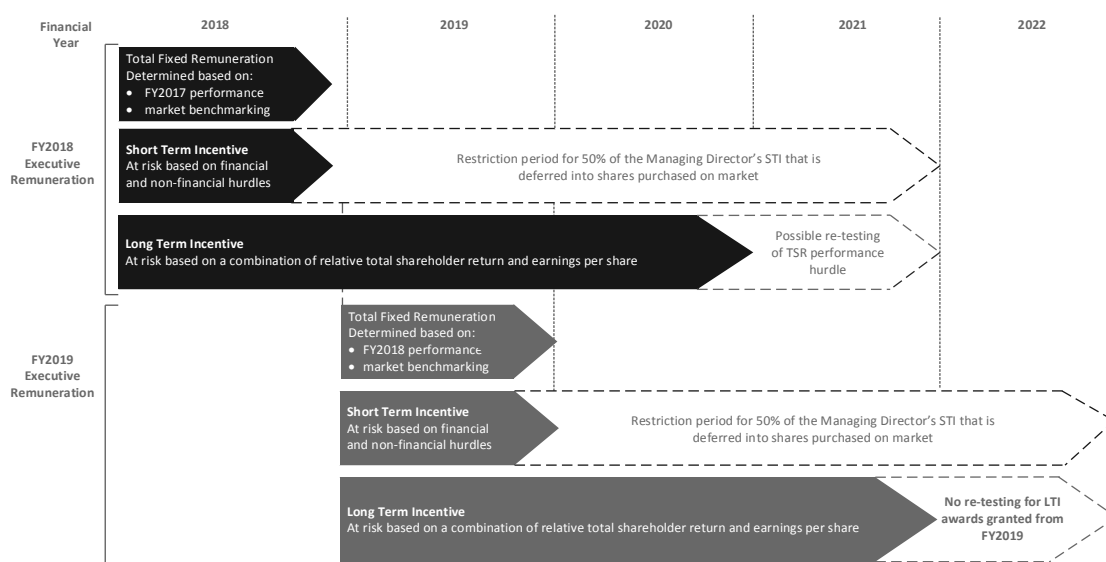
**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

Components of Mr McNally's remuneration and link to strategy

Executive Remuneration Component	Delivery	Performance measure	Link to strategy
Fixed remuneration	Cash and superannuation (up to the statutory cap)	Fixed/guaranteed element	Set at a market competitive level to retain and motivate
STI	50% cash, 50% shares which are restricted for 3 years	Financial performance including core NPAT, strategy, leadership and culture and discretionary criteria 60% linked to achievement of target performance levels 40% linked to achievement of 'stretch' performance levels	Rewards performance at a Group level that is consistent with execution of Ramsay's strategic priorities during the financial year
LTI	Performance Rights over Ramsay shares	50% relative TSR hurdle and 50% EPS hurdle	Directs attention to achieving Ramsay's long-term strategy and delivering sustainable value to its shareholders. Also aligns Executive and shareholder interests

The below diagram illustrates the remuneration cycle for the Managing Director and other Executives. The remuneration components are explained in further detail in section 6 below.



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

REMUNERATION REPORT – Audited

Key terms of the Executive Service Agreement for Mr McNally

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

Remuneration for former CEO, Mr Christopher Rex

The Company's former Managing Director and CEO, Mr Christopher Rex, stepped down from his position as Managing Director with effect from 2 July 2017 but continued to receive his ordinary fixed remuneration throughout his notice period which ended on 31 August 2017. Mr Rex waived his right to payment of the full 12 month notice period (notice was given on 22 March 2017) and did not receive any payment in lieu of notice. Mr Rex was not eligible to receive an STI award or be granted an LTI award in respect of FY2018.

Upon ceasing employment and as disclosed in the FY2017 Remuneration Report:

- Mr Rex received his accrued **statutory entitlements**.
- Mr Rex received his FY2017 **STI** award of \$2,222,764 which was calculated based on performance against agreed key performance indicators over the relevant performance period (being 1 July 2016 to 30 June 2017). Mr Rex's FY2017 STI award was not pro-rated as Mr Rex was Managing Director throughout the whole of the performance period up to 30 June 2017. Mr Rex's FY2017 STI was paid in the ordinary course of Ramsay's STI payment cycle, wholly in cash (with no further deferral or restriction).
- Restrictions that remained on shares acquired under the STI plan were lifted upon him ceasing to be employed by the Company.
- Mr Rex's unvested **LTI** Awards granted in FY2016 and FY2017 remained on foot in accordance with the terms upon which they were granted, notwithstanding the cessation of his employment within the Company.

3. FY2018 REMUNERATION OUTCOMES FOR EXECUTIVES

FY2018 remuneration outcomes

Details of the remuneration of Executives, prepared in accordance with statutory obligations and accounting standards, are set out in section 7 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 table on the following page has been prepared to provide shareholders with a greater understanding of actual remuneration received by Executives in FY2018.

The key difference between remuneration figures provided in the below table compared to the statutory table is that under the applicable accounting standards the statutory table requires the value of equity grants to be estimated and apportioned over the relevant vesting period, irrespective of whether those awards ultimately vest. By contrast, the actual reward outcomes table below only captures equity grants that vested based on performance and delivered value to the Executive in FY2018

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

REMUNERATION REPORT – Audited

Remuneration including actual reward outcomes of the Executives for FY2018

Executive	Position held	Cash salary	STI ¹	LTI (at grant date) ²	Super-annuation	Other ³	Total Remuneration – Grant Date ⁴	LTI growth in value ⁵	Total Remuneration – Vesting Date ⁶
C.R. McNally	Managing Director & CEO	\$2,000,000	\$1,400,000	\$3,078,468	\$20,049	\$33,344	\$6,531,861	\$986,989	\$7,518,850
B.R. Soden	Group Finance Director & CFO	\$1,530,151	\$531,795	\$4,874,215	\$20,049	\$41,524	\$6,997,734	\$1,562,724	\$8,560,458
D.A. Sims	CEO - Ramsay Health Care Australia	\$900,603	\$273,812	\$3,078,468	\$20,049	\$14,934	\$4,287,866	\$986,989	\$5,274,855

1. This figure represents the actual STI earned for performance in FY2018 (to be paid in FY2019). 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 2018.
2. This figure represents the market value of the Performance Rights vested during FY2018 based on multi-year performance between 1 July 2014 and 30 June 2017. The value is calculated by multiplying the number of vested rights by the 5-day volume weighted average price of Ramsay shares up to and including the date of grant on 13 November 2014 (being \$52.8021). Performance Rights, including those granted in FY2018, which remained unvested as at 30 June 2018, do not appear in this table as no actual value was realised by Executives from these Performance Rights during FY2018.
Note that the LTI grants made to Mr McNally that vested during FY2018 were made whilst he held the position of Group Chief Operating Officer.
3. This figure represents non-monetary benefits such as private health insurance cover and motor vehicle running costs that do not form part of the Executive's cash salary.
4. This figure shows the total actual remuneration using the value of Performance Rights as at the date of grant on 13 November 2014.
5. This figure shows the increase in market value of the Performance Rights due to share price growth between the grant date and the vesting date. The increase in value of the Performance Rights is calculated by multiplying the number of vested rights by the difference between the 5-day volume weighted average price of Ramsay shares up to and including the date of grant on 13 November 2014 (\$52.8021) and the date of vesting on 31 August 2017 (\$69.7310).
6. This figure shows the total actual remuneration using the value of Performance Rights as at the date of vesting on 31 August 2017.

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

REMUNERATION REPORT – Audited

STI outcomes for FY2018

The details of Ramsay's STI plan are set out in section 6 of this Remuneration Report. The plan is designed to reward performance against measures developed for each Executive based on their areas of responsibility and execution of key strategic objectives.

Details of the FY2018 STI targets and outcomes for the Managing Director are set out in section 1.

Unlike the Managing Director, whose total STI opportunity is divided into a target component (60%) and a 'stretch' component (40%) with different performance hurdles for each, other Executives have a set of challenging KPIs that apply to the entire STI award. The Executives' KPIs and associated weightings per KPI vary depending on their role and responsibilities. Executives' *financial* KPIs include:

- performance to EBIT budget; and
- capital and financial management.

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

- strategy, leadership and culture KPIs, such as:
 - delivering safe, high quality patient care;
 - implementing 5 year strategic plan;
 - developing succession plans for senior management; and
 - promoting the 'Ramsay Way' culture.
- functional KPIs, such as:
 - increasing patient admissions;
 - management of brownfield opportunities;
 - building and maintaining good relationships with external advisers and stakeholders; and
 - investor relations.

The Company's financial performance in FY2018 was such that Executives did not meet their individual FY2018 KPIs in full. As a result, Executives received less than 100% of their FY2018 STI award.

The table below shows the actual STI amounts to be paid to the Managing Director and other Executives for their performance in FY2018.

Executive	Minimum potential STI	Maximum potential STI	Actual STI for FY2018, to be paid in FY2019	Actual STI awarded as % of maximum STI
C.R. McNally ¹	Nil	\$2,000,000	\$1,400,000	70%
B.R. Soden	Nil	\$759,707	\$531,795	70%
D.A. Sims	Nil	\$447,040	\$273,812	61%

1. For Mr McNally, 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. For FY2018, the Board determined that Mr McNally would be paid \$1,200,000 in respect of his target KPI performance and \$200,000 in respect of his 'stretch' KPI performance.

LTI Vesting for FY2018

The details of Ramsay's LTI plan are set out in section 6 of this Remuneration Report. The LTI is issued as Performance Rights with a three year performance period subject to EPS, relative TSR and, for divisional heads, business unit performance hurdles.

Up until FY2018, strong year-on-year performance has enabled Ramsay to outperform its peers over a long-term time horizon. As such, Executives have generally derived significant value from their LTI grants over the past 5 years, consistent with the strong performance of Ramsay both on a stand-alone basis and compared to Ramsay's peers. However, following testing of the FY2016 Performance Rights against the core EPS, relative TSR performance and business unit performance hurdles, less than 50% of the FY2016 Performance Rights vested

The following table sets out Ramsay's performance over the past 5 years in respect of the key financial indicators identified by the Board to assess Ramsay's performance

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

REMUNERATION REPORT – Audited

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	
2018	\$53.98	144.0¢	21.43%	279.8¢	\$1,007.6	\$579.3	\$14,373
2017	\$73.60	134.5¢	72.17%	261.4¢	\$943.4	\$542.7	\$18,061
2016	\$71.76	119.0¢	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 ⁴	\$45.50	85.0¢	96.81%	163.9¢	\$584.9	\$346.2	\$10,817

1. *TSR percentile ranking against the relevant comparator group over the 3-year performance period up to the close of each financial year for FY2014 to FY2017 was calculated by reference to the S&P/ASX200 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors). For FY2018, the TSR percentile ranking was calculated against the more challenging S&P/ASX100 index (with the same exclusions).*
2. *Core EPS is calculated using earnings from continuing operations before specific items and amortisation of intangibles, as represented by non-core items (set out in note (a) of the Overview of the Financial Report).*
3. *Enterprise Value is Ramsay'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.*
4. *Opening share price on 1 July 2013 was \$35.25.*

Ramsay's sustained growth in EPS over the 3-year performance period has resulted in near-full vesting of Performance Rights granted in FY2016 that are subject to the EPS Performance Hurdle. However, Ramsay's relative TSR percentage ranking at the 30 June 2018 testing date was such that no Performance Rights granted in FY2016 that are subject to the relative TSR performance hurdle vested and will therefore be subject to re-testing on 31 December 2018 and (if necessary) 30 June 2019 in accordance with the terms of issue.

EPS performance

The FY2016 Performance Rights that were subject to a core EPS performance hurdle were measured by reference to Ramsay's market guidance for core EPS each year rather than the internal core EPS budget for the year as in previous LTI grants. These Performance Rights were also subject to a new vesting scale as follows:

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

Vesting occurs on a 'step' basis rather than on a sliding scale (as was used under the previous EPS vesting schedule). This means that no additional Performance Rights vest for EPS performance that is between the points set out above.

With reference to the Core EPS performance hurdle criteria, 90% of the FY2016 Performance Rights subject to the Core EPS performance hurdle vested. The unvested FY2016 Performance Rights that were subject to the Core EPS performance hurdle have lapsed

**RAMSAY HEALTH CARE LIMITED
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	FY2016 12%-14% (cps)	FY2017 10%-12% (cps)	FY2018 8%-10% (cps)	Aggregate EPS (cps)	% of PRs to Vest
<1% below guidance	218.2	252.2	279.7	750.1	25%
Lower end of guidance	220.2	254.5	282.3	757.0	50%
Middle of guidance	222.2	256.9	284.9	764.0	75%
Upper end of guidance	224.1	259.2	287.5	770.8	90%
>1% above guidance	226.1	261.5	290.2	777.8	100%
Actual EPS Achieved & Vesting Outcome	231.4	261.4	279.8	772.6	90%

Relative TSR Performance of FY2016 and FY2015 Performance Rights

Ramsay's TSR performance relative to its peers has resulted in no vesting of those rights granted under the FY2016 LTI that are subject to a relative TSR performance condition. In accordance with the terms of issue for the FY2016 LTI award, those rights that were subject to the relative TSR performance condition and did not vest will remain on foot and be retested at 31 December 2018 and, if necessary, 30 June 2019. The retesting will be undertaken on the basis of Ramsay's performance over the extended period – i.e., from 1 July 2015 until the relevant retesting date.

As noted in the FY2017 Remuneration Report, a small portion of the FY2015 Performance Rights that were subject to the relative TSR performance hurdle did not vest at 30 June 2017. These unvested FY2015 Performance Rights did not vest following retesting of the relative TSR performance hurdle at 31 December 2017 and 30 June 2018 and have now lapsed.

The below table sets out the outcomes achieved for previous LTI grants tested against a TSR hurdle in each of the past three years. However, it should be noted that the FY2016 LTI was tested against the more challenging S&P/ASX100 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors). The FY2014 and FY2015 LTI awards were tested against the S&P/ASX200 index (with the same exclusions).

Year of grant	Testing date (30 June)	TSR percentile ranking for vesting to commence	TSR percentile ranking for full vesting	Actual TSR percentile ranking achieved	TSR component vesting under LTI programme
FY2016	2018	50%	75%	21.83%	0%
FY2015	2017	50%	75%	72.17%	94.34%
FY2014	2016	50%	75%	90.82%	100%

Business Unit performance

Mr Sims is the only Executive with FY2016 Performance Rights that are subject to a business unit performance hurdle. The business unit performance hurdle required the Australian Operations to perform to EBIT budget over the three year performance period. Actual EBIT performance of the Australian Operations over the performance period was marginally less than EBIT budget, with the result that no Performance Rights subject to this hurdle vested.

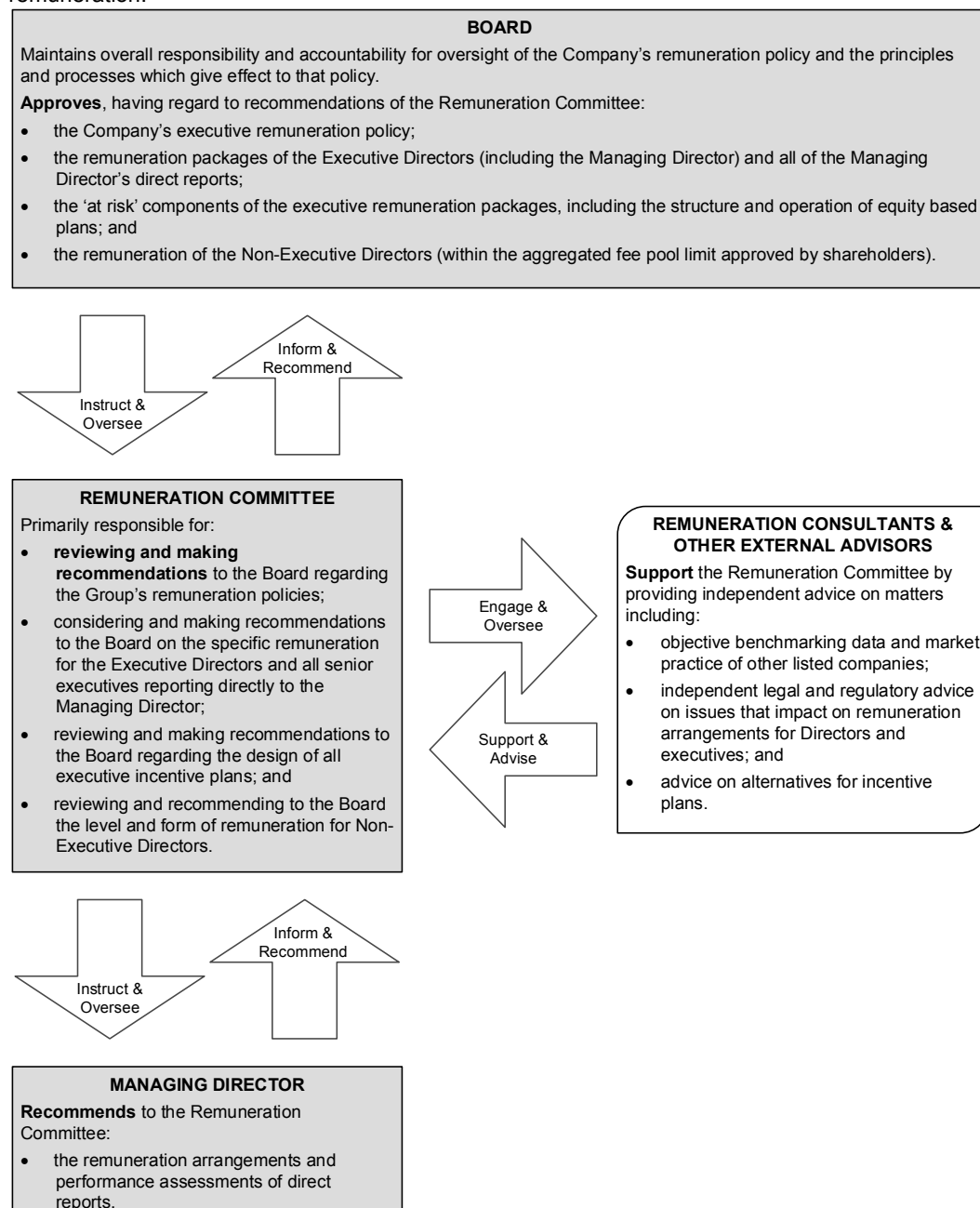
**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

4. REMUNERATION GOVERNANCE

How we make decisions

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



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. Ramsay's Executive remuneration framework is structured in a way that encourages strategic decision-making and behaviours that align with the Group's long-term interests.

Key features of the remuneration framework which discourage excessive risk taking include the use of strategic goals as part of the STI KPIs, an LTI with performance hurdles that utilise a combination of internal and external measures and a prohibition on hedging unvested equity awards. This approach to management of risk is consistent with the robust approach to risk management that Ramsay adopts across all aspects of its business (refer to the Corporate Governance Statement in the 2018 Annual Report for further details of the risk management framework).

**RAMSAY HEALTH CARE LIMITED
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REMUNERATION REPORT – Audited

Engagement of remuneration consultants and other external advisors

During FY2018, KPMG-3 Degrees Consulting provided the Remuneration Committee with analysis on market trends and emerging developments in the executive remuneration and corporate governance space. KPMG-3dc also provided an independent national benchmarking analysis in relation to the Managing Director's remuneration. No remuneration recommendations were made by KPMG-3dc.

The Board has developed protocols regarding the engagement of remuneration consultants and the parameters around the interaction between management and remuneration consultants (**Protocols**). Under the Protocols, which were last reviewed and updated in FY2018, the Remuneration Committee has formal selection criteria and is responsible for oversight of any direct interaction between a remuneration consultant and a member of Ramsay's KMP and other executives.

Ramsay did not receive any 'remuneration recommendations' as defined under the *Corporations Act 2001 (Cth)* in FY2018.

5. REMUNERATION POLICY

Guiding principles on Executive remuneration

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

Principle	Link to Strategy / Shareholders' Interests
Talent management attraction & retention	Ramsay'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 Ramsay.
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 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 Ramsay's remuneration structures for shareholders and other users of this Report. Where appropriate, the Board seeks and considers the views of shareholders, proxy advisors and shareholder representative bodies in designing and implementing remuneration structures. The Board welcomes questions from shareholders, not just at the AGM, but throughout the year.

**RAMSAY HEALTH CARE LIMITED
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Guiding principles on Non-Executive Director remuneration

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

Principle	Link to Strategy / Shareholders' Interests
<p>Aggregate Board and Committee fees are approved by shareholders</p>	<p>Shareholders approve the pool of fees available for distribution to Non-Executive Directors, which allows them to ensure that aggregate fees remain within appropriate levels.</p> <p>The current aggregate fee pool for Non-Executive Directors of \$3,500,000 (including statutory superannuation contributions) was approved by shareholders at the 2015 AGM. No increase to this amount is proposed to be put to shareholders for approval at the 2018 AGM.</p>
<p>Fees are set by reference to key considerations</p>	<p>Non-Executive Director fees must be set at a level that is sufficient to attract and retain high caliber directors with skills and experience required to oversee a business of Ramsay's size and complexity.</p> <p>The aggregate fee pool and the manner in which it is apportioned amongst the Non-Executive Directors is reviewed annually. The Remuneration Committee undertakes this review and makes recommendations to the Board, having regard to:</p> <ul style="list-style-type: none"> • the responsibilities and risks of the role; • the time commitment expected of Non-Executive Directors; • the fees paid by companies to Non-Executive Directors; and • the independent advice received from external advisers.
<p>Remuneration is structured to preserve independence whilst creating alignment</p>	<p>To create alignment between the interests of Non-Executive Directors and shareholders, Non-Executive Directors are encouraged to hold shares in Ramsay.</p> <p>Under the Non-Executive Director Share Rights Plan approved by shareholders at the 2015 AGM, Non-Executive Directors receive a portion of their remuneration in the form of share rights which, on exercise, convert into shares in Ramsay. These shares are initially subject to a holding lock.</p> <p>The Board considers structuring Non-Executive Director remuneration in this way will further enhance alignment of interests between Non-Executive Directors and shareholders. Importantly, no portion of the Non-Executive Directors' remuneration is at risk and the share rights are not subject to any performance conditions in order to preserve the Non-Executive Directors' impartiality.</p> <p>Shareholders will be asked to re-fresh their approval of the granting of Share Rights to Non-Executive Directors under the Non-Executive Director Share Rights Plan at the 2018 AGM.</p>

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REMUNERATION REPORT – Audited

6. HOW REMUNERATION IS DELIVERED

Executive remuneration

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

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

	% of Total Remuneration (Annualised)		
	Fixed Remuneration	Performance Based 'At-Risk' Remuneration	
		Maximum STI Opportunity	Maximum LTI Opportunity
C.R. McNally	32%	32%	36%
B.R. Soden	28%	14%	58%
D.A. Sims	25%	12%	63%

Note 1: The LTI component has been valued using the fair value of the LTI Performance Rights awarded in FY2018 – see note 16 of Ramsay's FY2018 audited financial statements for further details.

Note 2: The People & Remuneration Committee will commence a comprehensive review of Ramsay's Executive Remuneration Framework in FY2019 in order to optimise the Company's remuneration policies and procedures and to ensure that it serves the Company's interests now and well into the future. Achieving consistency in the remuneration mix for all executives will be within the scope of this review.

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 set after undertaking a comparison to similar roles in ASX-listed industrial companies with international operations of comparable size to Ramsay in terms of enterprise value and revenue. 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.

The terms applicable to the 'at risk' components of Executive remuneration for FY2018 are outlined in the following table.

**RAMSAY HEALTH CARE LIMITED
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REMUNERATION REPORT – Audited

	STI	LTI
Delivery	<p>Managing Director: 50% cash and 50% (less any applicable tax) shares with a 3 year restriction period following on market purchase.</p> <p>Other Executives: cash.</p>	Performance Rights. Each Performance Right is an entitlement to receive a fully-paid ordinary share in Ramsay at no cost (or an equivalent cash payment).
Summary of performance conditions	<p>Executives will only receive their STI award where they meet challenging KPIs. The KPIs include both financial and non-financial targets for each Executive, although the KPIs vary between Executives depending on the Executive's role and responsibilities. More information regarding the STI KPIs is included under section 3 of this Remuneration Report.</p>	<p>Executives with global responsibilities (Mr McNally and Mr Soden)</p> <ul style="list-style-type: none"> • Relative TSR hurdle (50%) • EPS hurdle (50%) <p>Divisional and business unit heads (Mr Sims)</p> <ul style="list-style-type: none"> • Relative TSR hurdle (1/3) • EPS hurdle (1/3) • Business unit performance hurdle (1/3)
Rationale for performance conditions	<p>A combination of financial and non-financial KPIs are chosen because the Board believes that there should be a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will ultimately drive future growth and returns for shareholders.</p> <p>The financial KPIs are chosen to provide measureable financial performance criteria strongly linked to year-on-year shareholder returns.</p> <p>Non-financial KPIs are 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>Relative TSR</p> <p>The relative TSR hurdle has been chosen because it provides a direct link between Executive reward and shareholder return, relative to Ramsay's ASX peers.</p> <p>EPS</p> <p>The EPS hurdle has been chosen as it provides evidence of Ramsay's growth in profitability and is linked to shareholder returns.</p> <p>Business unit performance</p> <p>The purpose of this additional hurdle is to help focus the efforts of those divisional and business unit heads on continually improved performance of the business unit for which they are responsible.</p>
Performance period	1 year	3 years

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REMUNERATION REPORT – Audited

	STI	LTI
Assessment of performance	<p>Performance against the relevant operational targets is assessed annually as part of the broader performance review process for the individual Executives. Both financial and non-financial KPIs are assessed quantitatively against predetermined benchmarks where appropriate.</p> <p>Where quantitative assessment is not practicable, qualitative performance appraisals are undertaken by the People & Remuneration Committee and the Board. Where available, the People & Remuneration Committee and the Board draw on the outcomes of 360-degree feedback reviews in making these assessments, which are periodically conducted by Ramsay in conjunction with an external consultant.</p> <p>These methods of assessing performance were chosen because they are, as far as practicable, objective and capable of being independently audited.</p>	<p>TSR hurdle</p> <p>The relative TSR hurdle is determined by measuring and ranking Ramsay's TSR relative to the TSRs of a comparator group of companies. The comparator group is comprised of the S&P/ASX100 index (excluding companies in sectors having different drivers of operating performance being those in the real estate, finance and resources sectors).</p> <p>For the FY2016, FY2017 and FY2018 LTI grants, if the TSR hurdle is not achieved on the first test date then unvested Performance Rights will be re-tested on two more occasions (at 6 and 12 months following the original testing date) based on performance over the extended period. Retesting was considered necessary as the comparator group used for assessing Ramsay's TSR is comprised of companies from a broad range of sectors, ensuring that the Company's TSR performance on the first test may not necessarily reflect Ramsay's true relative TSR performance.</p> <p>If the TSR hurdle is not satisfied on the second and final re-test, unvested Performance Rights will lapse.</p> <p>For the FY2019 LTI grants, Performance Rights subject to the relative TSR performance hurdle will not be subject to any retesting if the hurdle is not met. The People & Remuneration Committee and the Board have made this decision after considering feedback on this component of Ramsay's LTI grants from shareholders and other relevant stakeholders.</p> <p>EPS hurdle</p> <p>The EPS hurdle is measured by comparing Ramsay's aggregate EPS over 3 years against an aggregate EPS target calculated based on Ramsay's market guidance for EPS disclosed at the start of each financial year.</p> <p>The annual EPS targets are then aggregated to provide the threshold and maximum 3-year targets for vesting of Performance Rights.</p> <p>No re-testing of the EPS hurdle is permitted.</p> <p>These methods of assessment are fair and objective, provide Executives with a line of sight on performance required for vesting and align the interests of Executives and shareholders.</p>

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

REMUNERATION REPORT – Audited

	STI	LTI																								
Vesting	<p>Managing Director</p> <ul style="list-style-type: none"> Up to 60% of the maximum STI opportunity will vest where target performance levels are achieved; and Up to a further 40% of the maximum STI opportunity will vest 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 Mr McNally's total fixed remuneration.</p> <p>Other Executives</p> <p>A single set of challenging KPIs apply to the entire STI, although the specific targets vary between individual Executives (as explained above).</p>	<p>TSR vesting schedule</p> <table border="1"> <thead> <tr> <th>Company's TSR ranking against the comparator group</th> <th>% of Performance Rights subject to the TSR hurdle that vest</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Between 50% and 100% increasing on a straight line basis</td> </tr> <tr> <td>Above 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>EPS vesting schedule</p> <table border="1"> <thead> <tr> <th>Aggregate EPS performance over the 3 year performance period</th> <th>% of Performance Rights subject to the EPS hurdle that vest</th> </tr> </thead> <tbody> <tr> <td>EPS well short of the market guidance</td> <td>0%</td> </tr> <tr> <td>EPS just below the lower end of market guidance</td> <td>25%</td> </tr> <tr> <td>Lower end of market guidance is achieved</td> <td>50%</td> </tr> <tr> <td>Mid-point of market guidance is achieved</td> <td>75%</td> </tr> <tr> <td>Upper end of market guidance is achieved</td> <td>90%</td> </tr> <tr> <td>Well above the upper end of market guidance achieved</td> <td>100%</td> </tr> </tbody> </table> <p>No additional rights will vest for EPS performance that is between the above specified points.</p>	Company's TSR ranking against the comparator group	% of Performance Rights subject to the TSR hurdle that vest	Below 50th percentile	Nil	At 50th percentile	50%	Between 50th and 75th percentile	Between 50% and 100% increasing on a straight line basis	Above 75th percentile	100%	Aggregate EPS performance over the 3 year performance period	% of Performance Rights subject to the EPS hurdle that vest	EPS well short of the market guidance	0%	EPS just below the lower end of market guidance	25%	Lower end of market guidance is achieved	50%	Mid-point of market guidance is achieved	75%	Upper end of market guidance is achieved	90%	Well above the upper end of market guidance achieved	100%
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**RAMSAY HEALTH CARE LIMITED
DIRECTORS' REPORT (CONTINUED)**

REMUNERATION REPORT – Audited

	STI	LTI
What if an Executive ceases employment?	<p>If an Executive ceases employment with Ramsay before KPI targets are achieved, then they will generally not be entitled to receive any STI.</p> <p>However, if cessation of employment is due to illness, disability or death or is a Company-initiated termination other than for cause, the Executive may receive a pro-rata STI payment for the portion of the performance period they were employed.</p>	<p>In general, subject to Board discretion, where an Executive's employment is terminated during the vesting period:</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.

Service agreements for Executives other than the Managing Director

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

Non-Executive Director remuneration

Board & committee fees

For FY2018, Non-Executive Director fees and committee fees did not increase over FY2017 levels.

In respect of FY2019, the Board has again resolved not to increase Non-Executive Director fees and committee fees above FY2018 levels.

Component	Explanation
Board fees / Committee fees	<p>Fees, per annum, for FY2018 were:</p> <ul style="list-style-type: none"> • Board: <ul style="list-style-type: none"> - Chairman - \$725,249 - Deputy Chairman - \$339,593 - Members - \$284,499 • Audit Committee: <ul style="list-style-type: none"> - Chairman - \$56,065 - Members - \$28,033 • Risk Management Committee: <ul style="list-style-type: none"> - Chairman - \$49,838 - Members - \$24,919 • Remuneration Committee: <ul style="list-style-type: none"> - Chairman - \$41,000 - Members - \$20,500 • Nomination Committee: <ul style="list-style-type: none"> - Chairman – Nil - Members – Nil <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. The above Board fees are also inclusive of share rights granted to each Non-Executive Director in FY2018 under the Non-Executive Director Share Rights Plan.</p> <p>In FY2018, Non-Executive Directors (including the Chairman and Deputy Chairman but excluding Mr Thodey AO) were each granted 658 share rights, which converted to ordinary shares in Ramsay in March 2018. Mr Thodey AO, having joined the Board on 28 November 2018, received a pro-rata grant of 387 share rights in respect of FY2018.</p>
Other fees	Other than as set out below, no additional fees for special duties were paid during FY2018.
Post-employment benefits	<p>Superannuation contributions are made on behalf of the Non-Executive Directors (at the FY2018 rate of 9.5%). This is capped at the statutory limit (\$20,048 per Director for FY2018).</p> <p>Certain Non-Executive Directors are entitled to retirement benefits under the (now frozen) Directors Retirement Benefits Plan. Further details are provided below.</p>

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

REMUNERATION REPORT – Audited

Non-Executive Director Share Rights Plan

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

The share rights were fully vested at the time of granting in September 2017 (i.e. they were not subject to any performance conditions or potential forfeiture) and were automatically exercised at no cost and converted into shares in Ramsay in March 2018. A holding lock is in place on these shares until the earlier of:

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

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

Non-Executive Directors appointed prior to October 2003 (being, Michael S Siddle, Peter J Evans, Rod H McGeoch AO and Kerry C D Roxburgh) remain entitled to retirement benefits under the (now frozen) Directors' Retirement Benefits Plan. Under the plan, retirement benefits previously accrued on a pro-rata basis over a period of nine years, commencing after a minimum service period of three years.

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 the real value of existing entitlements and not to enhance any Director's remuneration, they are not counted towards the aggregate fee pool.

The value of the frozen benefits as at 30 June 2018, to which participating Non-Executive Directors are entitled upon retirement are set out below:

Total Frozen Benefit 31 December 2009	Total Provision 30 June 2017	Benefits Paid in FY2018	Total Bond Rate Adjustment	Total Provision 30 June 2018
\$2,879,813	\$2,172,057 ¹	-	\$38,187 ¹	\$2,210,244

1. Cumulatively an amount of \$2,210,244 (2017: \$2,172,057) has been provided as at 30 June 2018 and \$38,187 (2017: \$35,674) expensed in the current year.

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

REMUNERATION REPORT – Audited

7. STATUTORY REMUNERATION FOR FY2018

Details of each of the KMP's remuneration for FY2018 (calculated in accordance with applicable Accounting Standards) are set out below. All values are in A\$ unless otherwise stated.

Name ¹	Short term			Post-employment			Share based payment rights		Total \$	Total performance related
	Salary & fees ² \$	Non monetary ³ \$	Accrued bonus ⁴ \$	Long service leave entitlements \$	Super-annuation \$	Accrued termination benefits/Retirement benefits ⁵ \$	Amortised cost of incentive share based rights ⁶ \$			
C.R. McNally Managing Director & CEO										
FY2018	2,000,000	33,344	1,400,000	604,959	20,049	-	2,115,679	6,174,031	57%	
FY2017	878,637	33,379	436,138	25,203	19,616	-	2,806,833	4,199,806	77%	
B.R. Soden Group Finance Director & CFO										
FY2018	1,530,151	41,524	531,795	43,941	20,049	-	3,236,317	5,403,777	70%	
FY2017	1,492,830	30,024	741,178	42,263	19,616	-	4,444,175	6,770,086	77%	
D.A. Sims Chief Executive Officer – Ramsay Health Care Australia										
FY2018	900,603	14,934	273,812	20,144	20,049	-	1,318,465	2,548,007	62%	
FY2017	878,637	9,703	436,138	19,296	19,616	-	2,900,342	4,263,732	78%	
C.P. Rex⁷ Former Managing Director & CEO										
FY2018	9,000	-	-	-	159	-	-	9,159	-	
FY2017	2,376,000	20,121	2,222,764	53,891	19,616	-	18,847,575	23,539,967	90%	
M.S. Siddle Chairman										
FY2018	705,200	-	-	-	20,049	9,225	-	734,474	-	
FY2017	705,126	-	-	-	19,616	8,618	-	733,360	-	

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

REMUNERATION REPORT – Audited

Name ¹	Short term			Post-employment			Share based payment rights		Total \$	Total performance related
	Salary & fees ² \$	Non monetary ³ \$	Accrued bonus ⁴ \$	Long service leave entitlements \$	Super-annuation \$	Accrued termination benefits/Retirement benefits ⁵ \$	Amortised cost of incentive share based rights ⁶ \$			
P.J. Evans Deputy Chairman										
FY2018	445,947	-	-	-	20,049	11,654	-	477,650	-	-
FY2017	445,873	-	-	-	19,616	10,887	-	476,376	-	-
R.H. McGeoch AO Non-Executive Director										
FY2018	305,450	-	-	-	20,049	7,873	-	333,372	-	-
FY2017	305,376	-	-	-	19,616	7,355	-	332,347	-	-
K.C.D. Roxburgh Non-Executive Director										
FY2018	317,402	-	-	-	20,049	9,435	-	346,886	-	-
FY2017	317,328	-	-	-	19,616	8,814	-	345,758	-	-
I.P.S. Grier AM⁸ Non-Executive Director										
FY2018	92,914	-	-	-	7,670	-	-	100,584	-	-
FY2017	289,295	-	-	-	19,616	-	-	308,911	-	-
P.E. Akopiantz Non-Executive Director										
FY2018	301,024	-	-	-	20,049	-	-	321,073	-	-
FY2017	292,409	-	-	-	19,616	-	-	312,025	-	-
M.L. Seale Non-Executive Director										
FY2018	289,369	-	-	-	20,049	-	-	309,418	-	-
FY2017	289,295	-	-	-	19,616	-	-	308,911	-	-

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

REMUNERATION REPORT – Audited

Name ¹	Short term		Post-employment			Share based payment rights		Total \$	Total performance related
	Salary & fees ² \$	Non monetary ³ \$	Accrued bonus ⁴ \$	Long service leave entitlements \$	Super-annuation \$	Accrued termination benefits/Retirement benefits ⁵ \$	Amortised cost of incentive share based rights ⁶ \$		
D.I. Thodey AO Non-Executive Director									
FY2018	161,376	-	-	-	11,923	-	-	173,299	-
FY2017	-	-	-	-	-	-	-	-	-
A.J. Clark AM⁹									
FY2018	-	-	-	-	-	-	-	-	-
FY2017	89,389	-	-	-	7,059	-	-	96,448	-
Total - FY2018	7,058,436	89,802	2,205,607	669,044	200,193	38,187	6,670,461	16,931,730	52%
Total - FY2017	8,360,195	93,227	3,836,218	140,653	222,835	35,674	28,998,925	41,687,727	79%

1. Except for the following KMP, each of the KMP listed in the table above held their named position for the whole of FY2018:

- a. Mr C.R. McNally appointed Managing Director & CEO with effect from 3 July 2017. He previously held the role of Group Chief Operating Officer;
- b. Mr C.P. Rex retired from his position as Managing Director & CEO on 2 July 2017;
- c. Mr I.P.S. Grier retired from his position as a Non-Executive Director with effect from 16 November 2017; and
- d. Mr D.I. Thodey was appointed as a Non-Executive Director with effect from 28 November 2017.

2. With respect to Non-Executive Directors, this amount includes fees received in the form of Share Rights under the Non-Executive Directors Share Rights Plan.

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

4. The FY2017 and FY2018 amounts represent the Executive's accrued STI for the year (FY2017 STI amounts were paid in FY2018 and FY2018 STI amounts are to be paid in FY2019). Accrued STIs payable to Mr McNally for FY2018 are delivered 50% in cash and the other 50% is withheld (less applicable tax) to purchase on-market ordinary shares in Ramsay at the market price.

5. With respect to Non-Executive Directors, this constitutes amounts provided for by Ramsay during the financial year in relation to the contractual retirement benefits which the Non-Executive Director will be entitled to upon retirement from office. These amounts represent the bond rate adjustment for the year as set out in section 6 above.

6. In accordance with the requirements of the Accounting Standards, the remuneration includes a proportion of the fair value of the Performance Rights awarded under the LTI programme granted or outstanding during the year. The fair value is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that Executives may ultimately realise should the equity instruments vest. The fair value of the Performance Rights at the date of their grant has been determined in accordance with AASB 2 applying the Black-Scholes and Monte Carlo Simulation models. The assumption underpinning these valuations are set out in note 16 to the financial statements.

7. Per note 1, Mr Rex retired from his position as Managing Director & CEO on 2 July 2017 and it is on this date that he ceased to be a KMP. Accordingly, the statutory remuneration Mr Rex received in FY2018 is shown up to an including 2 July 2017, notwithstanding that he continued to be employed (but not as a KMP) until 31 August 2017.

In relation to Mr Rex's FY2017 LTI awards shown in the above table, the outstanding fair value of his unvested performance rights at 30 June 2017 that are not due to vest until August 2018 and August 2019 were included notwithstanding that they may not actually vest in accordance with their terms of issue. The outstanding fair value of these unvested rights at 30 June 2017, being an amount of \$8,555,795, was expensed in FY2017.

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

REMUNERATION REPORT – Audited

8. *Mr Grier AM retired from the Board following Ramsay's 2017 AGM on 16 November 2017. Upon his retirement, he received \$16,785 (in lieu of an annual grant of share rights under the Non-Executive Share Rights Plan, pro-rated)*
9. *Mr Clark AM retired from the Board following Ramsay's 2016 AGM on 9 November 2016. Upon his retirement, he received \$15,939 (in lieu of an annual grant of share rights under the Non-Executive Share Rights Plan, pro-rated) plus his accrued Retirement Benefit of \$454,266.*

8. EQUITY AWARDS

Equity movements

The below table shows the movements (during FY2018 and up to the date of this Report) in equity settled Performance Rights granted as remuneration to Executives.

Name ¹	Date of grant	Number of rights granted ²	Vesting date ³	Number of rights vested / exercised ⁴	Value of rights vested / exercised ⁵ \$	Number of rights subject to TSR retesting ⁶	Number of rights forfeited / lapsed ⁷	Value of rights forfeited / lapsed ⁸ \$
C.R. McNally								
Equity Settled Performance Rights	13-Nov-14	60,000	31-Aug-17	58,302	4,065,457	-	1,698	118,403
	13-Nov-15	52,107	31-Aug-18	23,447	1,312,802	26,054	2,606	145,910
	10-Nov-16	48,578	30-Aug-19	-	-	-	-	-
	17-Nov-17	47,958	31-Aug-20	-	-	-	-	-
B.R. Soden								
Equity Settled Performance Rights	13-Nov-14	95,000	31-Aug-17	92,311	6,436,938	-	2,689	187,507
	13-Nov-15	82,503	31-Aug-18	37,125	2,078,636	41,252	4,126	231,016
	10-Nov-16	76,916	30-Aug-19	-	-	-	-	-
	17-Nov-17	67,406	31-Aug-20	-	-	-	-	-
D.A. Sims								
Equity Settled Performance Rights	13-Nov-14	60,000	31-Aug-17	58,302	4,065,457	-	1,698	118,403
	13-Nov-15	52,107	31-Aug-18	15,632	875,239	17,369	19,106	1,069,749
	10-Nov-16	48,578	30-Aug-19	-	-	-	-	-
	17-Nov-17	42,571	31-Aug-20	-	-	-	-	-

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

REMUNERATION REPORT – Audited

1. As there was no movement in Mr Rex's Performance Rights during the period for which he was KMP in FY2018, he is not included in the table.
2. The implied maximum possible total value of the equity awards allocated during FY2018 and yet to vest can be determined by multiplying the number of Performance Rights granted by the current share price of Ramsay shares. The minimum possible total value of LTI awards is nil. The fair value per FY2018 Performance Right at the grant date is set out in note 16 of Ramsay's FY2018 audited financial statements.
3. This vesting date is an indicative date only. Vesting of Performance Rights will occur once the Board has determined the extent to which the applicable performance hurdles have been met. Vesting will only occur after the announcement of the release of Ramsay's Full Year results for the previous financial year.
4. On vesting of each Performance Right, the holder received one fully-paid ordinary share in Ramsay, subject to disposal and other dealing restrictions, if held in the trust.
5. The amount is based on Ramsay's 5-day VWAP on the date of vesting (as there is no exercise price payable in respect of Performance Rights). The market value of each Performance Right on vesting was \$69.7310 on 31 August 2017 and \$55.9902 on 31 August 2018.
6. 100% of the FY2016 LTIs subject to the TSR performance condition did not vest and will be retested on 31 December 2018 and, if necessary, 30 June 2019. If the relevant threshold for vesting of these retested performance rights is not achieved, the rights will lapse. Approximately 5.66% of the FY2015 LTIs subject to the TSR performance condition did not vest and were retested on 31 December 2017 and 30 June 2018. The relevant threshold for vesting of these retested rights was not achieved and the rights therefore lapsed.
7. 90% of the FY2016 LTI Performance Rights subject to the EPS performance condition vested. Therefore, 10% of the FY2016 LTI Performance Rights subject to the EPS performance condition did not vest and therefore lapsed.
8. As noted above, 5.66% of the FY2015 LTI subject to the TSR performance condition did not vest following retesting at 31 December 2017 and 30 June 2018 and therefore lapsed. The value of unvested Performance Rights is calculated using the relevant Ramsay 5-day VWAP as per note 3.

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

REMUNERATION REPORT – Audited

The below table shows the movements (during FY2018 and up to the date of this Report) in share rights granted as a part of Non-Executive Director remuneration:

	Date of grant	Number of rights granted ¹	Vesting date ²	Number of rights vested / exercised ³	Value of rights vested / exercised ⁴ \$	Number of rights forfeited / lapsed ⁵	Value of rights forfeited / lapsed \$
M. S. Siddle							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
P. J. Evans							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
P. E. Akopiantz							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
R. H. McGeoch AO							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
K. C. D. Roxburgh							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
M. L. Seale							
Share Rights	1-Dec-17	658	2-Mar-18	658	44,067	-	-
D. I. Thodey AO⁶							
Share Rights	1-Dec-17	387	2-Mar-18	387	25,918	-	-

1. Share rights are granted to Non-Executive Directors as a part of their fees for services to the Company. The number of shares rights granted is determined by dividing 20% of the Non-Executive Director base fee by the 5 trading day VWAP commencing on the day after the Company announced its FY2017 preliminary results (\$66,9709). Mr Grier AM retired from the Board following Ramsay's 2017 AGM on 16 November 2017, he therefore did not receive a grant of share rights in FY2018 but he did receive an additional cash amount of \$16,785 in lieu of shares, which was prorated.
2. Share rights were fully vested at the time of granting and automatically exercised after the announcement of the release of the Company's half yearly results. There is no exercise price payable in respect of share rights.
3. On the exercise of each share right, the holder received one fully-paid ordinary share in Ramsay, subject to a holding lock as noted in sections 5 and 6 of this Remuneration Report.
4. The value of each share right was \$66,9709 calculated by reference to the 5 trading day period commencing on the day after the Company announced its FY2017 preliminary results.
5. As they are not subject to performance conditions, no share rights lapsed during the respective period.
6. Mr Thodey AO was appointed to the Board with effect from 28 November 2017 and therefore received a pro-rata grant of share rights in respect of his FY2018 remuneration

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

REMUNERATION REPORT – Audited

The movement during FY2018 in the number of rights over ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties is as follows:

	FY2018						Number of rights vested / exercised post 30 June 2018
	Equity Settled Performance Rights / Share Rights	Rights Held at 1 July 2017	Number of rights granted	Number of rights vested / exercised	Number of rights forfeited / lapsed	Rights Held at 30 June 2018	
Non-Executive Directors							
M.S. Siddle	Share Rights	-	658	658	-	-	-
P.J. Evans	Share Rights	-	658	658	-	-	-
P.E. Akopiantz	Share Rights	-	658	658	-	-	-
I. P.S. Grier AM	Share Rights	-	-	-	-	-	-
R.H. McGeoch AO	Share Rights	-	658	658	-	-	-
K.C.D. Roxburgh	Share Rights	-	658	658	-	-	-
M.L. Seale	Share Rights	-	658	658	-	-	-
D. I. Thodey AO	Share Rights	-	387	387	-	-	-
Executive Directors¹							
C.R. McNally	Performance Rights	160,685	47,958	58,302	1,698	148,643	23,447
B.R. Soden	Performance Rights	254,419	67,406	92,311	2,689	226,825	37,125
Other KMP Executives							
D.A. Sims	Performance Rights	160,685	42,571	58,302	1,698	143,256	15,632

1. Mr Rex held 589,181 Performance Rights for the period he was KMP during FY2018 (being the period to 2 July 2017).

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

REMUNERATION REPORT – Audited

9. KMP SHAREHOLDING

The below tables outlines the holdings and movement during FY2018 in the equity of Ramsay held, directly, indirectly or beneficially, by each KMP, including their related parties. No shares were held nominally by any KMP or their related parties.

	Held at 1 July 2017		Received on vesting of LTI		Received as other remuneration ¹		Other net change purchase/sale		Held at 30 June 2018	
	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES	Ord. Shares	CARES
Non-Executive Directors										
M.S. Siddle	3,903,793	-	-	-	658	-	-	-	3,904,451	-
P. J. Evans	8,438	-	-	-	658	-	-	-	9,096	-
R.H. McGeoch AO	58,560	257	-	-	658	-	(4,500)	-	54,718	257
K.C.D. Roxburgh	73,729	-	-	-	658	-	(25,000)	-	49,387	-
I. P.S Grier AM ²	1,229	-	-	-	-	-	-	-	1,229	-
P.E. Akopiantz	2,596	-	-	-	658	-	-	-	3,254	-
M.L. Seale	2,534	-	-	-	658	-	2,250	-	5,442	-
D. I. Thodey AO ³	5,015	700	-	-	387	-	3,115	-	8,517	700
Executive Directors⁴										
C. R. McNally ⁵	355,049	-	58,302	-	-	-	(75,000)	-	338,351	-
B. R. Soden	290,791	2,000	92,311	-	-	-	(75,000)	-	308,102	2,000
Executives										
D. A. Sims	100,050	-	58,302	-	-	-	(40,871)	-	117,481	-

- 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.
- ² Mr Grier AM retired from the Board following Ramsay's 2017 AGM on 16 November 2017. Mr Grier's AM shareholding details are provided in the above table at his retirement date.
- ³ Mr Thodey AO was appointed to the Board on 28 November 2017. Mr Thodey AO's shareholding details are provided in the above table at his appointment date.
- ⁴ Mr Rex held 806,213 ordinary shares and 5,334 CARES for the period he was KMP during FY2018 (being the period to 2 July 2017).
- ⁵ Mr McNally was appointed Managing Director on 3 July 2017.

10. TRANSACTIONS WITH KMP

Loans to KMP and their related parties

There were no loans outstanding to KMP and/or their related parties, at any time in FY2018.

Other disclosable transactions

During the year costs of **\$10,398** (2017: \$10,227) were charged to and an amount of **\$10,398** (2017: \$10,227) was received from Paul Ramsay Holdings Pty Limited for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of **\$9,986** (2017: Nil) were charged by and an amount of **\$9,986** (2017: Nil) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2018 costs of **\$5,693** (2017: \$16,215) were accrued for expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

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

DIRECTORS' MEETINGS

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

COMMITTEES

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

Committee	Directors who are members
Audit Committee	Messrs Evans (c), Roxburgh and Ms Akopiantz
Risk Management Committee	Messrs Evans (c), Roxburgh, Thodey and Ms Seale
Remuneration and Governance Committee	Messrs McGeoch (c), Evans, Siddle, and Ms Akopiantz
People and Nomination Committee	Messrs Siddle (c), McGeoch, Roxburgh, and Ms Akopiantz

(c) : Designates the chairman of the committee

AUDITORS' INDEPENDENCE DECLARATION

The written Auditors' Independence Declaration in relation to the audit of the financial report has been included at page 71 and forms part of this report.

INDEMNIFICATION OF AUDITOR

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded off to the nearest thousand unless otherwise specified under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. The Company is an entity to which the 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	\$ 958,383
Other services	\$ 44,000

Signed in accordance with a resolution of the Directors.



M.S. SIDDLÉ
Chairman



C.R. McNALLY
Managing Director

Sydney, 11 September 2018



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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 2018, 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

Doug Bain
Partner
11 September 2018



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ramsay Health Care Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Key Audit Matters

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

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



Building a better
working world

Why significant

1. Consideration of recoverable amount of goodwill

As disclosed in Note 12 of the financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual impairment review of the Australian, UK and French goodwill carrying values to ensure that the recoverable value of these assets exceeds their 30 June 2018 carrying amount.

A value in use model was used to calculate the recoverable amount of the assets.

This matter was considered a Key Audit Matter due to the level of judgement required to estimate the forecasted cash flows, and growth and discount rates used.

2. Consideration of asset impairment and onerous lease provisions

As disclosed in Note 10(a) of the financial report and in accordance with the requirements of Australian Accounting Standards, the Group has performed an annual review of the carrying value of property, plant and equipment at individual hospitals to ensure that the recoverable value of the assets exceeds their 30 June 2018 carrying amount.

As disclosed in Note 14(b) of the financial report and in accordance with the requirements of Australian Accounting Standards, the Group performed an annual onerous provision review of its operating leases at 30 June 2018.

The assessment of both the recoverable amount of property, plant and equipment and the onerous lease provision review was performed utilising a Value In Use model, based on the individual hospitals cash flow assumptions and discount rates.

This matter was considered a Key Audit Matter due to the level of judgement required to estimate the forecasted cash flows, and growth and discount rates used.

3. Provision for insurance

As disclosed in Note 14(b) of the financial report, the insurance provision covers deductibles arising under the insurance policy, including potential uninsured claims. Significant judgement is required in its determination due to the uncertainty in predicting future claims arising from past events.

The Group engages a third party actuary to assess the carrying value at each reporting date. This assessment involves evaluating assumptions in relation to ultimate outcomes on individual claims, claims handling costs and discount rates.

This matter was considered a Key Audit Matter due to the level of judgement required to estimate the value of the liability.

How our Audit Addressed the Matter

- ▶ We assessed whether the methodology used by the Group met the requirements of Australian Accounting Standard
- ▶ We tested the mathematical accuracy of the cash flow models.
- ▶ We assessed the basis for the Group's cash flow forecasts including consideration of the historical accuracy of previous forecasts.
- ▶ We evaluated the sensitivity analysis performed by the Group focusing on the Cash-Generating Units.
- ▶ We assessed the discount rates, growth rates and the terminal growth rates applied, with involvement from EY valuation specialists.
- ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

- ▶ We assessed whether the methodology used by the Group met the requirements of Australian Accounting Standards.
- ▶ We tested the mathematical accuracy of the cash flow models.
- ▶ We assessed the basis for the cash flow forecasts including review of lease terms and consideration of the historical accuracy of previous forecasts.
- ▶ We evaluated the sensitivity analysis performed at an individual hospital level.
- ▶ We assessed the discount rates, growth rates and the terminal growth rates applied.
- ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

- ▶ We assessed the key assumptions adopted by the actuary the Group used to determine the value of the provision. Specifically we have reviewed the assumptions compared to industry practice, potential known claims and actual historical claims, with involvement from our valuation specialists.
- ▶ We have assessed the competence, qualifications and objectivity of the independent actuary the Group used.
- ▶ Given the specialist nature of the calculation performed to value the provision, our actuarial specialists were involved in the assessment of the valuation model and key assumptions.
- ▶ As the completeness of these provisions relies on specific claims information, we have reviewed and tested the Group's processes for capturing and recording the data.
- ▶ We evaluated the adequacy of the disclosures relating to the provision in the financial report, including those made with respect to judgements and estimates.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 69 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Ramsay Health Care Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Doug Bain

Partner

Sydney

11 September 2018

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 2018 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 2018.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



M.S. SIDDLE
Chairman



C.R. McNALLY
Managing Director

Sydney, 11 September 2018

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$000	2017 \$000
Revenue and other income			
Revenue from services	2	9,176,235	8,702,506
Interest income		4,621	1,787
Other income - net profit on disposal of non-current assets		515	120
Total revenue and other income		9,181,371	8,704,413
Expenses			
Employee benefit and contractor costs	3	(4,791,900)	(4,560,397)
Occupancy costs		(868,325)	(687,642)
Service costs		(260,628)	(212,849)
Medical consumables and supplies		(2,132,595)	(1,998,074)
Depreciation, amortisation and impairment	3	(419,306)	(375,544)
Total expenses, excluding finance costs		(8,472,754)	(7,834,506)
Share of profit of joint venture	14a	16,789	13,146
Profit before tax and finance costs		725,406	883,053
Finance costs	3	(117,478)	(133,388)
Profit before income tax		607,928	749,665
Income tax	13	(196,714)	(198,669)
Net profit for the year		411,214	550,996
Attributable to non-controlling interests		22,866	62,049
Attributable to owners of the parent		388,348	488,947
		411,214	550,996
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	5	186.7	236.5
Diluted earnings per share			
Profit (after CARES dividend)	5	185.6	234.9

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2018**

	2018 \$000	2017 \$000
Net profit for the year	411,214	550,996
Items that will not be reclassified to net profit		
Actuarial gain/(loss) on defined benefit plans	623	(2,091)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
(Loss) /gain taken to equity	(123)	26,913
Transferred to Income Statement	6,261	7,640
Net (loss) on bank loan designated as a hedge of a net Investment	(23,789)	(6,635)
Foreign currency translation	40,217	(12,146)
Income tax relating to components of other comprehensive income	(1,426)	(12,138)
Other comprehensive income for the year, net of tax	21,763	1,543
Total comprehensive income for the year	432,977	552,539
Attributable to non-controlling interests	20,285	65,507
Attributable to the owners of the parent	412,692	487,032
	432,977	552,539

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$000	2017 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7a	770,566	419,519
Trade and other receivables	8a	1,151,653	1,172,188
Inventories	8b	276,112	226,261
Derivative financial instruments	7c	87	-
Income tax receivable	13	15,512	8,931
Prepayments		113,294	97,226
Other current assets		18,300	22,817
		<u>2,345,524</u>	<u>1,946,942</u>
Assets classified as held for sale		26,682	13,383
Total current assets		<u>2,372,206</u>	<u>1,960,325</u>
Non-current assets			
Other financial assets		41,528	34,515
Investments in joint venture	14a	241,446	206,101
Property, plant and equipment	10	4,113,162	3,865,832
Intangible assets	11	2,264,500	2,037,361
Deferred tax asset	13	199,528	179,457
Prepayments		11,566	11,779
Derivative financial instruments	7c	244	734
Receivables	8a	68,689	39,257
		<u>6,940,663</u>	<u>6,375,036</u>
Total non-current assets		<u>6,940,663</u>	<u>6,375,036</u>
TOTAL ASSETS		<u>9,312,869</u>	<u>8,335,361</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8c	1,771,569	1,694,889
Interest-bearing loans and borrowings	7b	100,078	85,543
Derivative financial instruments	7c	11,371	16,046
Provisions	14b	76,641	69,348
Income tax payable	13	39,507	36,522
		<u>1,999,166</u>	<u>1,902,348</u>
Total current liabilities		<u>1,999,166</u>	<u>1,902,348</u>
Non-current liabilities			
Interest-bearing loans and borrowings	7b	3,852,032	3,261,816
Provisions	14b	679,642	475,298
Defined employee benefit obligation	14d	80,463	75,237
Derivative financial instruments	7c	11,682	14,065
Other creditors		8,328	8,648
Deferred tax liability	13	234,147	239,263
		<u>4,866,294</u>	<u>4,074,327</u>
Total non-current liabilities		<u>4,866,294</u>	<u>4,074,327</u>
TOTAL LIABILITIES		<u>6,865,460</u>	<u>5,976,675</u>
NET ASSETS		<u>2,447,409</u>	<u>2,358,686</u>
EQUITY			
Issued capital	6	713,523	713,523
Treasury shares	6	(76,753)	(70,608)
Convertible Adjustable Rate Equity Securities (CARES)	6	252,165	252,165
Other reserves		(26,260)	(17,556)
Retained earnings		1,494,285	1,398,664
		<u>2,356,960</u>	<u>2,276,188</u>
Parent interests		<u>2,356,960</u>	<u>2,276,188</u>
Non-controlling interests		<u>90,449</u>	<u>82,498</u>
TOTAL EQUITY		<u>2,447,409</u>	<u>2,358,686</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	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 2016	713,523	(88,844)	252,165	(30,304)	1,176,349	23,172	2,046,061
Total Comprehensive Income	-	-	-	(762)	487,794	65,507	552,539
Dividends paid	-	-	-	-	(265,479)	(6,924)	(272,403)
Shares purchased for executive performance share plan	-	(27,426)	-	-	-	-	(27,426)
Treasury shares vesting to employees	-	45,662	-	(45,662)	-	-	-
Share based payment expense for employees	-	-	-	59,172	-	-	59,172
Share Capital Issued	-	-	-	-	-	618	618
Acquisition of subsidiary/non-controlling interest	-	-	-	-	-	125	125
As at 30 June 2017	713,523	(70,608)	252,165	(17,556)	1,398,664	82,498	2,358,686
As at 1 July 2017	713,523	(70,608)	252,165	(17,556)	1,398,664	82,498	2,358,686
Total Comprehensive Income	-	-	-	23,851	388,841	20,285	432,977
Dividends paid	-	-	-	-	(293,220)	(12,446)	(305,666)
Shares purchased for executive performance share plan	-	(52,319)	-	-	-	-	(52,319)
Treasury shares vesting to employees	-	46,174	-	(46,174)	-	-	-
Share based payment expense for employees	-	-	-	13,731	-	-	13,731
Acquisition of subsidiary	-	-	-	(112)	-	112	-
As at 30 June 2018	713,523	(76,753)	252,165	(26,260)	1,494,285	90,449	2,447,409

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		9,238,549	8,643,216
Payments to suppliers and employees		(7,891,430)	(7,432,025)
Income tax paid		(238,245)	(212,341)
Finance costs		(114,187)	(116,663)
Net cash flows from operating activities	7a	994,687	882,187
Cash flows from investing activities			
Purchase of property, plant and equipment		(473,841)	(430,455)
Proceeds from sale of businesses and non – current assets		13,239	59,729
Interest received		4,621	1,787
Business combinations, net of cash received	9	(170,647)	(24,698)
Deferred payment on investment		(5,250)	(29,874)
Net cash flows used in investing activities		(631,878)	(423,511)
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(293,220)	(265,479)
Dividends paid to non-controlling interests		(12,446)	(6,924)
Hospital infrastructure payments reimbursed/(to be reimbursed)		-	27,746
Repayment of principal to bondholders		(5,003)	(4,453)
Repayment of finance lease - principal		(67,657)	(60,762)
Purchase of ordinary shares		(52,319)	(27,425)
Proceeds from borrowings		1,230,641	1,063,516
Repayment of borrowings		(803,550)	(1,090,962)
Costs of refinancing		(11,380)	(6,738)
Net cash flows used in financing activities		(14,934)	(371,481)
Net increase in cash and cash equivalents		347,875	87,195
Net foreign exchange differences on cash held		3,172	3,335
Cash and cash equivalents at beginning of year		419,519	328,989
Cash and cash equivalents at end of year	7a	770,566	419,519

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

OVERVIEW

The financial report of Ramsay Health Care Limited ('The Company') for the year ended 30 June 2018 was authorised for issue on 11 September 2018 in accordance with a resolution of the Directors. Ramsay Health Care Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Director's Report.

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments and the assets and liabilities recognised through business combinations which have been measured at fair value;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- where necessary, and as a result of a change in the classification of certain revenues and expenses during the current period, comparative amounts in the consolidated income statement, and associated notes have been reclassified for consistency with presentation in the current period;
- presents all values as rounded to the nearest thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- 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 2017, 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, (Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items) and the core earnings per share measures, provides additional useful information which is used for internal segment reporting and therefore would be useful for shareholders, as these measures are used to ascertain the ongoing profitability of the underlying business.

	2018 \$000	2017 \$000
(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit after tax attributable to owners of the parent	388,348	488,947
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals *	14,609	15,641
- Non-cash unfavourable lease contracts expense	122,152	9,686
- Amortisation - service concession assets	3,178	3,293
- Net loss on disposal of non-current assets	9,593	1,341
- Former CEO's unvested performance rights - accounting expense	-	8,556
- Acquisition, disposal, and development costs	16,708	17,515
- Impairment of non-current assets	27,304	1,608
- Restructuring – personnel costs	4,388	4,490
- French restructuring – provision for personnel costs	70,420	-
- French restructuring – provision for service costs	18,480	-
- Borrowing costs associated with refinancing	374	12,006
Income tax on non-core items	(61,959)	(23,198)
Non-controlling interest in non-core items net of tax	(34,257)	2,812
	190,990	53,750
Core profit (segment result) after tax * *	579,338	542,697
Core earnings per share		
Core profit (segment result) after tax (above)	579,338	542,697
Less: CARES Dividend	(12,326)	(12,878)
Core profit after tax used to calculate core earnings per share	567,012	529,819
Weighted average number of ordinary shares adjusted for effect of dilution	202,642,992	202,686,639
Diluted core earnings per share	279.8c	261.4c
Weighted average number of ordinary shares	201,400,006	201,268,022
Basic core earnings per share	281.5c	263.2c

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

* * Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

OVERVIEW (CONTINUED)

(a) Basis of preparation (continued)

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

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

	Statutory Consolidated Income Statement \$000	Non-core items as listed at (a)(i) \$000	Core (segment) Consolidated Income Statement \$000
For the year ended 30 June 2018			
Revenue from services	9,176,235	-	9,176,235
Interest income	4,621	-	4,621
Other income - net profit on disposal of non-current assets	515	-	515
Total revenue and other income	9,181,371	-	9,181,371
Employee benefit and contractor costs	(4,791,900)	74,808	(4,717,092)
Occupancy costs	(868,325)	136,761	(731,564)
Service costs	(260,628)	44,780	(215,848)
Medical consumables and supplies	(2,132,595)	-	(2,132,595)
Depreciation, amortisation and impairment	(419,306)	30,483	(388,823)
Total expenses, excluding finance costs	(8,472,754)	286,832	(8,185,922)
Share of profit of joint venture	16,789	-	16,789
Profit before tax and finance costs	725,406	286,832	1,012,238
Finance costs	(117,478)	374	(117,104)
Profit before income tax	607,928	287,206	895,134
Income tax	(196,714)	(61,959)	(258,673)
Net profit for the year	411,214	225,247	636,461
Attributable to non-controlling interests	22,866	34,257	57,123
Attributable to owners of the parent	388,348	190,990	579,338
	411,214	225,247	636,461
For the year ended 30 June 2017			
Revenue from services	8,702,506	-	8,702,506
Interest income	1,787	-	1,787
Other income - net profit on disposal of non-current assets	120	-	120
Total revenue and other income	8,704,413	-	8,704,413
Employee benefit and contractor costs	(4,560,397)	13,046	(4,547,351)
Occupancy costs	(687,642)	25,327	(662,315)
Service costs	(212,849)	18,856	(193,993)
Medical consumables and supplies	(1,998,074)	-	(1,998,074)
Depreciation, amortisation and impairment	(375,544)	4,901	(370,643)
Total expenses, excluding finance costs	(7,834,506)	62,130	(7,772,376)
Share of profit of joint venture	13,146	-	13,146
Profit before tax and finance costs	883,053	62,130	945,183
Finance costs	(133,388)	12,006	(121,382)
Profit before income tax	749,665	74,136	823,801
Income tax	(198,669)	(23,198)	(221,867)
Net profit for the year	550,996	50,938	601,934
Attributable to non-controlling interests	62,049	(2,812)	59,237
Attributable to owners of the parent	488,947	53,750	542,697
	550,996	50,938	601,934

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

OVERVIEW (CONTINUED)

(b) New Accounting Standards and Interpretations

Accounting Standards and Interpretations issued but not yet effective

Reference	Title	Summary	Impact on Funding Financial Report
AASB 16	Leases Application date of standard: 1 January 2019 Application date for Group: Financial Year beginning 1 July 2019	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	<p>The Group has not concluded its assessment of the impact upon adoption of AASB 16. However, based on its assessment to date, the new standard is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements in future years, given the volume and maturity profile of the Group's operating leases. Disclosure of the nature of the Group's existing operating leases, as well as the aggregate of the Group's operating lease commitments on a gross basis is provided in note 17(ii). The accounting for finance leases existing at the date of initial application will be unchanged.</p> <p>The key financial effects of the Group's adoption of the new standard is expected to be as follows:</p> <ul style="list-style-type: none"> - Leasehold properties occupied by the Group primarily include hospital locations and corporate offices. For these properties, the Statement of Financial Position will be adjusted to recognise a depreciating non-financial asset and associated financial liability. The financial liability will be measured at the net present value of future payables under the lease, including optional renewal periods, where the Group assesses that the probability of exercising the renewal is reasonably certain. - On transition, the non-financial asset will be measured, on a case by case basis, at either (a) the value of the financial liability; or (b) the depreciated value of the non-financial asset as if AASB 16 had always been applied; and - In the Income Statement, operating lease costs will be replaced by a 'front-loaded' net interest expense and a straight-lined depreciation expense.
AASB 15, and relevant amending standards	Revenue from Contracts with Customers Application date of standard: 1 January 2018 Application date for Group: Financial Year beginning 1 July 2018	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>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 an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ol style="list-style-type: none"> (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>The Group has performed a preliminary assessment of AASB 15. Overall, the Group expects no significant impact on its Income Statement or Statement of Financial Position as a result of the adoption of AASB 15.</p> <p>The Group's performance obligations to individual patients are generally satisfied over a short term, and fees charged are on a fixed price (generally on a per-day, or per-procedure, basis) depending on the type of patient service. The Group considers there is insignificant uncertainty over the revenue and cash flows from patient revenue.</p> <p>The Group has similarly considered the performance obligations in relation to non-patient revenue. Revenue for each revenue stream is currently recognised on completion of the service obligation to the customer. The Group has assessed that the service obligation to the customer under the current revenue recognition policy is in line with the performance obligation requirements under AASB 15, and therefore the application of the new standard will not result in a change in accounting policy.</p>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

OVERVIEW (CONTINUED)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Impact on Group Financial Report
AASB 9, and relevant amending standards	<p>Financial Instruments</p> <p>Application date of standard: 1 January 2018</p> <p>Application date for Group: Financial Year beginning 1 July 2018</p>	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>An entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets and financial liabilities on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	<p>The Group has performed a preliminary impact assessment of AASB 9. Overall, the Group expects no significant impact on its statement of financial position and equity, except for the effect of applying the new expected credit loss impairment model on its trade and other receivables. While not significant, on adoption, the Group expects to record an increase in the provision for loss in relation to receivables, and a corresponding reduction to opening equity.</p>
AASB 2016-5	<p>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</p> <p>Application date of standard: 1 January 2018</p> <p>Application date for Group: Financial Year beginning 1 July 2018</p>	<p>This Standard amends AASB 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:</p> <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 	<p>The adoption of the amendments will not have any material impact on the financial report.</p>
AASB 112	<p>Uncertainty over Income Tax Treatments</p> <p>Application date of standard: 1 January 2019</p> <p>Application date for Group: Financial Year beginning 1 July 2019</p>	<p>The Standard clarifies the application of the recognition and measurement criteria when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> ▶ Whether an entity considers uncertain tax treatments separately ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ▶ How an entity considers changes in facts and circumstances. 	<p>The Group is currently evaluating the impact of the new accounting standard</p>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

OVERVIEW (CONTINUED)

(c) Basis of consolidation

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

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

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

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

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

(e) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

OVERVIEW (CONTINUED)

(f) Foreign currency translation

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

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

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.

(g) Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 are classified as loans and receivables, held to maturity, available for sale or derivatives through profit and loss. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

OVERVIEW (CONTINUED)

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

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

(ii) Impairment of financial assets

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

(iii) Financial liabilities

Initial recognition and measurement

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

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

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

Derecognition

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

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group has not offset any financial assets and liabilities for the years ended 30 June 2017 and 2018.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018				
Revenue				
Revenue from services	4,980,666	737,991	3,457,578	9,176,235
Total revenue before intersegment revenue	4,980,666	737,991	3,457,578	9,176,235
Intersegment revenue	5,349	-	-	5,349
Total segment revenue	4,986,015	737,991	3,457,578	9,181,584
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹				
Depreciation and amortisation	(156,671)	(39,977)	(192,175)	(388,823)
Profit on disposal of non-current assets	515	-	-	515
Earnings before interest and tax (EBIT) ²	756,669	44,045	206,903	1,007,617
Interest				(112,483)
Income tax expense				(258,673)
Segment (core) net profit after tax ³				636,461
Attributable to non-controlling interest				(57,123)
Segment (core) net profit after tax, attributable to owners of the parent ⁴				579,338
Non-core items net of tax after non-controlling interest				(190,990)
Net profit attributable to owners of the parent				388,348

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	Asia Pacific \$000	UK \$000	France \$000	Total \$000
Year ended 30 June 2017				
Revenue				
Revenue from services	4,721,286	752,424	3,228,796	8,702,506
Total revenue before intersegment revenue	4,721,286	752,424	3,228,796	8,702,506
Intersegment revenue	4,374	-	-	4,374
Total segment revenue	4,725,660	752,424	3,228,796	8,706,880
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹				
	812,548	113,220	388,151	1,313,919
Depreciation and amortisation	(149,951)	(35,011)	(185,681)	(370,643)
Profit on disposal of non-current assets	120	-	-	120
Earnings before interest and tax (EBIT) ²	662,717	78,209	202,470	943,396
Interest				(119,595)
Income tax expense				(221,867)
Segment (core) net profit after tax ³				601,934
Attributable to non-controlling interest				(59,237)
Segment (core) net profit after tax, attributable to owners of the parent ⁴				542,697
Non-core items net of tax after non-controlling interest				(53,750)
Net profit attributable to owners of the parent				488,947

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 2018					
Assets & liabilities					
Segment assets	5,346,997	1,635,468	3,638,963	(1,308,559)	9,312,869
Segment liabilities	(2,556,903)	(1,000,173)	(3,308,384)	-	(6,865,460)
As at 30 June 2017					
Assets & liabilities					
Segment assets	4,978,619	1,466,665	3,203,570	(1,313,493)	8,335,361
Segment liabilities	(2,352,656)	(715,038)	(2,908,981)	-	(5,976,675)

*Adjustments and eliminations consist of investments in subsidiaries and intercompany receivables and payables which are eliminated on consolidation

	2018 \$000	2017 \$000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	9,181,584	8,706,880
Inter segment sales elimination	(5,349)	(4,374)
Interest income	4,621	1,787
Other income - profit on disposal of non-current assets	515	120
Total revenue and other income	9,181,371	8,704,413

(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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. RESULTS FOR THE YEAR (CONTINUED)

2. REVENUE

	2018	2017
	\$000	\$000
Revenue from patients	8,969,439	8,579,787
Rental income	39,609	38,189
Income from ancillary services	167,187	84,530
Revenue from services	9,176,235	8,702,506

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

	2018	2017
	\$000	\$000
(a) Depreciation		
Depreciation - Plant and equipment	251,872	238,089
Depreciation - Buildings	120,919	114,695
Total depreciation	<u>372,791</u>	<u>352,784</u>
(b) Amortisation		
Service concession assets	6,701	6,690
Development cost	12,510	14,462
Total amortisation	<u>19,211</u>	<u>21,152</u>
(c) Impairment		
Impairment - Plant and equipment	7,457	1,487
Impairment – Land and buildings	18,073	121
Impairment – Intangible Assets	1,774	-
Total impairment	<u>27,304</u>	<u>1,608</u>
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses	<u>580,224</u>	<u>417,333</u>

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

Reduction in operating profit resulting from accounting in accordance with AASB 117 <i>Leases</i> and UIG 115 <i>Operating Leases – Incentives</i>	<u>(14,609)</u>	<u>(15,641)</u>
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. RESULTS FOR THE YEAR (CONTINUED)

3. EXPENSES (CONTINUED)

Ramsay Health Care (UK) Limited has entered into 30 year term lease agreements for the rent of hospital properties. The lease agreements have fixed annual increases of 2.75% per annum. Where leases have fixed annual increases and not variable annual increases, AASB 117 requires that straight line accounting be applied. The cash rent paid for the year ended 30 June 2018 was lower than the rent expensed by \$14,609,000 (2017: \$15,641,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

	2018	2017
	\$000	\$000
(e) Employee benefit and contractor costs		
Wages and salaries	3,898,725	3,744,912
Workers' compensation	15,367	19,392
Superannuation	176,002	169,729
Termination benefits	67,550	13,697
Social charges and contributions on wages and salaries	477,390	439,949
Other employment	140,645	122,838
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)	16,221	49,880
	<u>4,791,900</u>	<u>4,560,397</u>
(f) Finance costs		
Interest expense	114,601	117,395
Finance charges – Lease liability	7,212	5,735
Borrowing costs associated with refinancing	374	12,006
	<u>122,187</u>	<u>135,136</u>
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	553	701
Finance costs capitalised	<u>(5,262)</u>	<u>(2,449)</u>
	<u>117,478</u>	<u>133,388</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	
	2018	2017
	\$000	\$000
(a) Dividend on ordinary shares paid during the year:		
<i>(i) Interim dividend paid</i>		
Franked dividends – ordinary (57.5 cents per share) (2017: 53.0 cents per share)	116,198	107,103
<i>(ii) Previous year final dividend paid</i>		
Franked dividends – ordinary (81.5 cents per share) (2017: 72.0 cents per share)	164,696	145,498
	<u>280,894</u>	<u>252,601</u>
(b) Dividend proposed and not recognised as a liability:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (86.5 cents per share) (2017: 81.5 cents per share)	174,800	164,696
(c) Dividends declared and paid during the year on CARES:		
<i>Current year interim and previous year final dividend paid</i>		
Franked dividends - CARES	12,326	12,878
(d) Dividends proposed and not recognised as a liability on CARES:		
<i>Final dividend proposed</i>		
Franked dividends - CARES	6,466	6,210

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

I. RESULTS FOR THE YEAR (CONTINUED)

4. DIVIDENDS (CONTINUED)

	Parent	
	2018 \$000	2017 \$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% (2017: 30%)	573,108	514,698
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	15,458	15,545
	<u>588,566</u>	<u>530,243</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	(77,686)	(73,245)
	<u>510,880</u>	<u>456,998</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% (2017: 30%). \$181,267,000 (2017: \$170,906,000) of the proposed dividends will be franked at the rate of 30% (2017: 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.

	2018 \$000	2017 \$000
Net profit for the year attributable to the owners of the parent	388,348	488,947
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(12,326)	(12,878)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	<u>376,022</u>	<u>476,069</u>
	2018 Number of Shares	2017 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,400,006	201,268,022
Effect of dilution – share rights not yet vested (a)	1,242,986	1,418,617
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>202,642,992</u>	<u>202,686,639</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.

	2018 Cents per Share	2017 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	186.7	236.5
- diluted (after CARES dividend) for the year	185.6	234.9

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018, dividends of \$293,220,000 (2017: \$265,479,000) were paid. For the year ended 30 June 2018 fully franked ordinary dividends of 144.0c (2017: 134.5c) per share were declared (Interim dividend of 57.5c, Final dividend of 86.5c). These dividends represented a payout ratio of approximately 51.5% of Core Earnings per Share of 279.8c. Management's target for dividends for 2019 - 2022, 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 2.3 times for the year ended 30 June 2018 (2017: 2.2 times).

The Group has committed senior debt funding November 2022 (please refer to Note 7d for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

The wholly owned Subsidiaries of the Group (subject to covenant compliance) are not and have not been in breach of any of the financial and other undertakings of the Senior Debt Facility Agreement.

*Note: *EBITDA is Earnings before Interest, Tax, Depreciation and Amortisation.*

Details of Capital – Financing are as follows:

	Note	2018 \$000	2017 \$000
Equity	6	2,447,409	2,358,686
Net Debt	7	3,204,266	2,957,217
		<u>5,651,675</u>	<u>5,315,903</u>

6. EQUITY

	Note	2018 \$000	2017 \$000
Share capital	6.1	713,523	713,523
Treasury shares	6.2	(76,753)	(70,608)
Convertible Adjustable Rate Equity Securities (CARES)	6.3	252,165	252,165
Other reserves		(26,260)	(17,556)
Retained earnings		1,494,285	1,398,664
Non-controlling interests		90,449	82,498
		<u>2,447,409</u>	<u>2,358,686</u>

6.1 Ordinary Shares

(a) Issued and paid up capital

202,081,252 ordinary shares fully paid (30 June 2017: 202,081,252 ordinary shares fully paid)		<u>713,523</u>	<u>713,523</u>
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.1 Ordinary Shares (continued)

(b) Terms and conditions of issued capital

Ordinary Shares

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

(c) Recognition and Measurement

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

6.2 Treasury Shares

	2018 \$000	2017 \$000
1,154,671 ordinary shares (30 June 2017: 1,109,430)	<u>76,753</u>	<u>70,608</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)

	2018 \$000	2017 \$000
(a) Issued and paid up capital		
2,600,000 CARES shares fully paid (30 June 2017: 2,600,000 CARES shares fully paid)	<u>252,165</u>	<u>252,165</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

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

(b) Terms and conditions of CARES

Issuer	Ramsay Health Care Limited
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	\$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: 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.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.
Conversion or exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or \$100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: <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	2018 \$000	2017 \$000
Cash assets	7a	770,566	419,519
Interest bearing liabilities - current	7b	(100,078)	(85,543)
Interest bearing liabilities - non-current	7b	(3,852,032)	(3,261,816)
Derivative net assets / (liabilities) - debt related	7c	(22,722)	(29,377)
		<u>(3,204,266)</u>	<u>(2,957,217)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

7a. CASH AND CASH EQUIVALENTS

	2018 \$000	2017 \$000
Cash at bank and on hand	<u>770,566</u>	<u>419,519</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.

(i) 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.

(ii) Reconciliation to Statement of cash flows

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June

Cash at bank and on hand	<u>770,566</u>	<u>419,519</u>
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(iii) Reconciliation of net profit after tax to net cash flows from operations

Net profit after tax for the year	411,214	550,996
Adjustments for:		
Share of profit of joint venture	(16,789)	(13,146)
Depreciation, amortisation and impairment	419,306	375,544
Interest received	(4,621)	(1,787)
Share based payments expense	16,221	49,880
Net loss on disposal of non-current assets	9,078	1,221
Changes in assets & liabilities		
Deferred tax	(39,795)	(10,135)
Receivables	62,314	(62,152)
Other assets	(9,656)	(2,214)
Creditors and accruals	6,576	32,792
Provisions	172,708	(11,314)
Inventory	(30,133)	(23,960)
Tax provisions	(1,736)	(3,538)
Net cash from operating activities	<u>994,687</u>	<u>882,187</u>

(iv) Reconciliation of liabilities arising from financing activities

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

(v) Disclosure of financing facilities

Refer to Note 7d.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS

		<u>2018</u> <u>\$000</u>	<u>2017</u> <u>\$000</u>
Current			
Secured liabilities:			
- Loans - bondholders	(i)	-	4,897
- Lease liabilities	(ii)	68,117	62,131
- Bank loan	(iii)	31,961	18,515
		<u>100,078</u>	<u>85,543</u>
Non-current			
Secured liabilities:			
- Lease liabilities	(ii)	229,764	183,381
- Bank loan	(iii)	1,655,753	1,451,579
Unsecured liabilities:			
- Bank loan	(iii)	1,966,515	1,626,856
		<u>3,852,032</u>	<u>3,261,816</u>
Total		<u>3,952,110</u>	<u>3,347,359</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.

Fair values

Interest bearing loans and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the counterparties and the other risk characteristics associated with the underlying debts.

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 2.015% to 2.111% (2017: 1.615% to 1.705%) for Australia, 0.5008% to 0.6741% (2017: 0.2524% to 0.3067%) for UK and -0.370% to -0.321% (2017: -0.373% to -0.331%) 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.

	2018		2017	
	<u>Carrying Amount \$000</u>	<u>Fair Value \$000</u>	<u>Carrying Amount \$000</u>	<u>Fair Value \$000</u>
Bank loans	3,654,229	3,741,734	3,096,950	3,143,184
Lease liabilities	297,881	307,363	245,512	273,225
Bondholders	-	-	4,897	4,993
	<u>3,952,110</u>	<u>4,049,097</u>	<u>3,347,359</u>	<u>3,421,402</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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:

	<u>2018</u> <u>\$000</u>	<u>2017</u> <u>\$000</u>
<i>Finance lease</i>		
Leased assets	446,597	397,781
<i>Fixed and floating charge</i>		
Receivables	-	2,585
Shares in subsidiaries	1,917,658	1,515,332
Total non-current assets pledged as security	<u>2,364,255</u>	<u>1,915,698</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

	<u>2018</u> <u>\$000</u>	<u>2017</u> <u>\$000</u>
Current Assets		
Interest rate derivative contracts – cash flow hedges	<u>87</u>	<u>-</u>
Non - current assets		
Interest rate derivative contracts – cash flow hedges	<u>244</u>	<u>734</u>
Current liabilities		
Interest rate derivative contracts – cash flow hedges	<u>(11,371)</u>	<u>(16,046)</u>
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	<u>(11,682)</u>	<u>(14,065)</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 2.064% (2017: 1.742%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.6281% (2017: 0.30%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of -0.325% (2017:- 0.332%).

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 61% (2017: 72%) of the principal outstanding.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 Other Comprehensive Income is transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive Income remains in Other Comprehensive Income until the forecast transaction or firm commitment affects profit or loss.

(ii) Bank loan designated as a hedge of a net investment

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

Subsequent Measurement

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

- Using recent arm's length market transaction
- Reference to the current fair value of another instrument that is substantially the same
- 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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.

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

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

	2018 \$000	2017 \$000
0-1 years	364,963	701,600
1-2 years	604,367	248,699
2-3 years	1,247,691	593,615
3-5 years	153,543	1,185,317
Over 5 years	110,000	-
	<u>2,480,564</u>	<u>2,729,231</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.

Hedge of net investments in foreign operations

Included in bank loans at 30 June 2018 is a GBP borrowing of £244,100,000 (2017: £244,100,000) which has been designated as a hedge of the net investment in the UK subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investment in the UK subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of \$21,861,000 (2017: net gain \$18,165,000) was recognised in Other Comprehensive Income during the year.

Included in bank loans at 30 June 2018 is a Euro borrowing of €160,700,000 (2017: €160,700,000) which has been designated as a hedge of the net investment in the French subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the French operations. Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investment in the French subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of \$1,929,000 (2017: net loss \$12,279,000) was recognised in Other Comprehensive Income during the year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS

Terms and Conditions

(a) Ramsay and its wholly owned subsidiaries

(i) Refinancing of the A\$400,000,000 3 year revolving tranche in Ramsay A\$ Syndicated Facility Agreement

In November 2017, Ramsay and its wholly owned subsidiaries (except some dormant and structured entities) (**Ramsay Funding Group**) refinanced the A\$ 400,000,000 revolving tranche in the Ramsay \$A Syndicated Facility Agreement, maturing on 1 July 2018, with the following new debt facilities:

Bi lateral 7 year debt facilities, predominantly provided by non- bank lenders:

- \$100,000,000 bilateral term loan debt facility, maturing in November 2024 and with a fixed coupon for the entire tenor of the loan. The total amount drawn under this loan as at 30 June 2018 was \$100,000,000 (30 June 2017: Nil);
- \$100,000,000 bilateral term loan debt facility, maturing in November 2024 and with a fixed coupon for the entire tenor of the loan. The total amount drawn under this loan as at 30 June 2018 was \$100,000,000 (30 June 2017: Nil);
- \$75,000,000 bilateral term loan debt facility, maturing in October 2024 and with a fixed margin for the entire tenor of the loan and base interest rate of BBSY. The total amount drawn under this loan as at 30 June 2018 was \$75,000,000 (30 June 2017: Nil); and
- \$50,000,000 bilateral term loan debt facility, maturing in November 2024 and with a fixed margin for the entire tenor of the loan and base interest rate of BBSY. The total amount drawn under this loan as at 30 June 2018 was \$50,000,000 (30 June 2017: Nil).

The covenant package, group guarantees and other common terms and conditions in respect of each of the above-mentioned bilateral facilities are governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

Revolving 5 year syndicated bank debt facility:

- \$75,000,000 drawn down under a new syndicated revolving bank debt facility, refer (ii) below for details.

(ii) New A\$350,000,000 Syndicated Facility Agreement

In October 2017, Ramsay Funding Group executed a 5 year, \$350,000,000 syndicated revolving bank debt facility, maturing in November 2022. \$75,000,000 of this new debt facility was drawn down to refinance the debt facility mentioned at (i) above. The remaining \$275,000,000 will provide additional debt headroom to fund acquisitions, special capex and working capital.

The covenant package, group guarantees and other common terms and conditions in respect of this new debt facility is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016 and detailed at Note 7d in Ramsay's 30 June 2017 annual report.

The total amount drawn under this loan as at 30 June 2018 was \$79,000,000 (30 June 2017: Nil)

(iii) The existing £ 395,000,000 Syndicated Facility Agreement - extension of maturity date

The maturity date of this existing debt facility was extended by 1 year to 24 November 2022. There were no other changes to the terms and conditions of this debt facility.

The total amount drawn under this loan as at 30 June 2018 was £359,100,000 (30 June 2017: £ 284,100,000)

(iv) The existing € 225,000,000 Syndicated Facility Agreement - extension of maturity date

The maturity date of this existing debt facility was extended by 1 year to 24 November 2022. There were no other changes to the terms and conditions of this debt facility.

The total amount drawn under this loan as at 30 June 2018 was €160,700,000. (30 June 2017: € 160,700,000)

(v) Continuing senior debt facilities

There were no changes to any of the terms and conditions relating to the A\$800,000,000 revolving tranche in the Ramsay A\$ syndicated facility agreement and previous bi lateral debt facilities.

The total amounts drawn under the \$800,000,000 senior debt facility as at 30 June 2018 was \$675,000,000 (30 June 2017: \$ 512,000,000) and the bi lateral debt facilities was \$13,165,578 (30 June 2017: \$12,773,693) and £40,000 (30 June 2017: £ 40,000).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS (CONTINUED)

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

Senior Debt Facilities

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

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

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

The total amount drawn under the debt facilities as at 30 June 2018 was €880,000,000 (30 June 2017: €880,000,000).

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

(c) Other Interest Bearing Loans

On 15 January 2018 these loans were repaid in full. Effective 15 January 2018, no further amounts are due and payable to the bondholders. At 30 June 2018 no loans were outstanding to bondholders.

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	2018 \$000	2017 \$000
Working Capital	8	(343,804)	(296,440)
Property, plant and equipment	10	4,113,162	3,865,832
Intangible assets	11	2,264,500	2,037,361
Current and deferred tax assets/(liabilities)	13	(58,614)	(87,397)
Other assets/(liabilities)		(323,569)	(203,453)
		<u>5,651,675</u>	<u>5,315,903</u>

8. WORKING CAPITAL

	Note	2018 \$000	2017 \$000
Trade and other receivables (current)	8a	1,151,653	1,172,188
Inventories	8b	276,112	226,261
Trade and other payables	8c	(1,771,569)	(1,694,889)
		<u>(343,804)</u>	<u>(296,440)</u>

8a. TRADE AND OTHER RECEIVABLES

	2018 \$000	2017 \$000
Current		
Trade and other receivables	1,198,667	1,219,779
Allowances for impairment loss	(47,014)	(47,591)
	<u>1,151,653</u>	<u>1,172,188</u>
Non-current		
Receivable from the Government in respect of infrastructure charges for public hospitals	3,142	2,920
Rental property bonds and guarantees receivable	58,980	29,922
Other	6,567	6,415
	<u>68,689</u>	<u>39,257</u>
Total	<u>1,220,342</u>	<u>1,211,445</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8a. TRADE AND OTHER 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:

	2018 \$000	2017 \$000
At 1 July	(47,591)	(36,884)
Charge for the year	(13,362)	(20,369)
Foreign exchange translation	(880)	727
Amounts written off	14,819	8,935
At 30 June	<u>(47,014)</u>	<u>(47,591)</u>

(ii) Ageing analysis

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

	Total \$000	Neither past due nor impaired \$000	0-30 Days PDNI* \$000	31-60 Days PDNI* \$000	61-90 Days PDNI* \$000	91+ Days PDNI* \$000	Considered impaired \$000
2018	1,267,356	867,095	104,088	99,782	78,435	70,942	47,014
2017	1,259,036	820,185	129,185	112,606	104,647	44,822	47,591

*PDNI – Past due not impaired

Receivables past due but not considered impaired are: \$353,247,000 (2017: \$391,260,000). 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 carrying value. Collateral is not held as security. The Group's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds. The maximum exposure to credit risk for non-current receivables at the reporting date is the carrying value of these receivables. The majority of the non-current receivables are assessed as low risk.

(vi) Foreign exchange & interest rate risk

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

8b. INVENTORIES

	2018 \$000	2017 \$000
Amount of medical supplies to be consumed in providing future patient services – at cost	235,242	202,741
Development assets to be sold that are currently under construction – at cost	40,870	23,520
	<u>276,112</u>	<u>226,261</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8b. INVENTORIES (CONTINUED)

(i) Inventory expense

Medical supplies recognised as an expense for the year ended 30 June 2018 totalled \$2,132,595,000 (2017: \$1,998,074,000) for the Group. This expense has been included in the medical consumables and supplies in the Income Statement.

(ii) Recognition and Measurement

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

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

8c. TRADE AND OTHER PAYABLES

	2018	2017
	\$000	\$000
Trade payables	775,250	743,143
Sundry creditors and accrued expenses	334,674	312,200
Employee and Director entitlements	661,361	638,888
Other payables	284	658
	<u>1,771,569</u>	<u>1,694,889</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

Business Combinations – 2018

Ramsay has recognised amounts for business combinations in the financial statements for the year ended 30 June 2018 which have been determined on a provisional basis only. These businesses are within the healthcare sector.

	\$000
Assets	40,570
Liabilities	<u>(26,984)</u>
Fair value of identifiable net assets	13,586
Goodwill arising	<u>163,704</u>
Business combination date fair value of consideration transferred	<u>177,290</u>
Direct costs relating to the business combination included within service costs	8,630
The cash outflow as a result of the business combination is as follows:	
Net cash obtained with the subsidiary	6,643
Cash Paid	<u>(177,290)</u>
Net consolidated cash outflow	<u>(170,647)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Business Combinations – 2017

Ramsay recognised amounts for business combinations in the financial statements for the year ended 30 June 2017 which are as follows:

	<u>\$000</u>
Fair value of identifiable net assets	1,341
Non-controlling interest	(125)
Goodwill arising	24,361
Business combination date fair value of consideration transferred	<u>25,577</u>
The cash outflow as a result of the business combination is as follows:	
Net cash obtained with the subsidiary	879
Cash Paid	(25,577)
Net consolidated cash outflow	<u>(24,698)</u>

These businesses are within the healthcare sector.

Recognition and Measurement

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the business combination date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of AASB 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 businesses at their business combination date fair values. Where a significant amount of land and buildings are recognised in the business combination, the fair value will be determined by an external valuer using an approach relevant to the private healthcare market in that country.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings \$000	Plant & Equipment \$000	Assets Under Construction \$000	Total \$000
Cost				
At 1 July 2016	3,384,067	2,036,355	264,305	5,684,727
Additions	27,284	178,712	217,903	423,899
Business combinations	-	168	-	168
Disposals	(90,292)	(137,211)	-	(227,503)
Assets reclassified from held for sale	8,986	-	-	8,986
Transferred from assets under construction	83,373	80,262	(163,635)	-
Exchange Differences	(27,484)	(3,646)	(3,143)	(34,273)
At 30 June 2017	3,385,934	2,154,640	315,430	5,856,004
Additions	50,726	230,714	274,482	555,922
Business combinations	5,276	8,145	-	13,421
Disposals	(51,724)	(149,811)	-	(201,535)
Assets reclassified as held for sale	(39,322)	-	-	(39,322)
Transferred from assets under construction	154,759	80,569	(235,328)	-
Exchange Differences	90,277	55,637	4,732	150,646
At 30 June 2018	3,595,926	2,379,894	359,316	6,335,136
Depreciation and Impairment				
At 1 July 2016	(572,378)	(1,252,165)	-	(1,824,543)
Depreciation charge for the year	(114,695)	(238,089)	-	(352,784)
Disposals	38,851	135,255	-	174,106
Impairment	(121)	(1,487)	-	(1,608)
Exchange Differences	3,130	11,527	-	14,657
At 30 June 2017	(645,213)	(1,344,959)	-	(1,990,172)
Depreciation charge for the year	(120,919)	(251,872)	-	(372,791)
Disposals	41,020	138,198	-	179,218
Assets reclassified as held for sale	27,061	-	-	27,061
Impairment	(18,073)	(7,457)	-	(25,530)
Exchange Differences	(13,067)	(26,693)	-	(39,760)
At 30 June 2018	(729,191)	(1,492,783)	-	(2,221,974)
Net Book Value				
At 30 June 2018	2,866,735	887,111	359,316	4,113,162
At 30 June 2017	2,740,721	809,681	315,430	3,865,832

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2018 is \$446,597,000 (2017: \$397,781,000)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Recognition and Measurement

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

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

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

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

(i) Impairment

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

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

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

Impairment losses are recognised in the Income Statement in the expense category Depreciation, amortisation and impairment.

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

(ii) Derecognition & disposal

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

(b) Key Estimates and Assumptions

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 1 July 2016	1,933,268	94,723	115,121	2,143,112
Additions	-	1,274	8,113	9,387
Disposals	(4,573)	-	(3,277)	(7,850)
Business combinations	24,361	-	-	24,361
Exchange differences	(15,612)	-	(344)	(15,956)
At 30 June 2017	1,937,444	95,997	119,613	2,153,054
Additions	-	13,814	12,740	26,554
Disposals	-	(127)	(4,635)	(4,762)
Business combinations	163,704	-	979	164,683
Exchange differences	54,708	-	4,002	58,710
At 30 June 2018	2,155,856	109,684	132,699	2,398,239
Amortisation and Impairment				
At 1 July 2016	-	(34,845)	(62,610)	(97,455)
Amortisation charge for the year	-	(6,690)	(14,462)	(21,152)
Disposals	-	-	3,026	3,026
Exchange differences	-	-	(112)	(112)
At 30 June 2017	-	(41,535)	(74,158)	(115,693)
Amortisation charge for the year	-	(6,701)	(12,510)	(19,211)
Disposals	-	119	4,635	4,754
Impairment	(1,774)	-	-	(1,774)
Exchange differences	(10)	-	(1,805)	(1,815)
At 30 June 2018	(1,784)	(48,117)	(83,838)	(133,739)
Net Book Value				
At 30 June 2018	2,154,072	61,567	48,861	2,264,500
At 30 June 2017	1,937,444	54,462	45,455	2,037,361

[^] 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount of goodwill	1,176,171	1,053,120	267,919	256,171	709,982	628,153	2,154,072	1,937,444

(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 2018 based on financial budgets approved by senior management and the Board of Directors covering the following financial year and applying a growth factor to the following four years. Key assumptions used in the value in use calculations are as follows:

	Australia %	UK %	France %
Extrapolated growth factor (Year 5+)			
2018	2.9	2.3	1.0
2017	3.0	2.0	1.0
Pre-tax discount rate			
2018	11.3	6.8	8.5
2017	10.9	6.5	7.7

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES

	2018 \$000	2017 \$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	230,911	222,825
Adjustments in respect of previous years	1,099	(1,289)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(39,108)	(22,737)
Adjustments in respect of deferred income tax of previous years	3,812	(130)
Income tax expense reported in the Income Statement	<u>196,714</u>	<u>198,669</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>607,928</u>	<u>749,665</u>
At the Parent Entity's statutory income tax rate of 30% (2017: 30%)	182,378	224,899
Expenditure not allowable for income tax purposes	14,820	9,184
Amounts not assessable for income tax purposes	(5,404)	(34,406)
Impact of changes in foreign tax rates on deferred tax balances	(12,934)	(26,357)
Other French income tax expense	3,972	18,803
Foreign tax rate adjustment due to differences in rates between Australia and Other Countries	16,443	3,140
Other	(2,561)	3,406
Income tax expense reported in the consolidated Income Statement	<u>196,714</u>	<u>198,669</u>

(c) Recognised tax assets and liabilities

	2018 \$000	2018 \$000	2017 \$000	2017 \$000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(27,591)	(59,806)	(28,039)	(82,104)
(Charged)/ credited to income	(232,010)	35,296	(221,536)	22,867
Credited to equity	-	(2,439)	-	(1,947)
Payments	230,584	-	221,176	-
Exchange differences	(978)	(10,874)	817	887
Acquisition and disposal of subsidiary	6,000	3,204	(9)	491
Closing balance	<u>(23,995)</u>	<u>(34,619)</u>	<u>(27,591)</u>	<u>(59,806)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(c) Recognised tax assets and liabilities (continued)

	Statement of Financial Position	
	2018 \$000	2017 \$000
<i>Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:</i>		
(i) Deferred tax liabilities		
Inventory	(15,419)	(14,758)
Recognition of revenue	(14,963)	(16,620)
Depreciable assets	(160,225)	(170,384)
Other	(5,408)	(14,352)
Provisions and lease liabilities	(98,024)	(81,332)
Gross deferred tax liabilities	(294,039)	(297,446)
Set-off of deferred tax assets	59,892	58,183
Net deferred tax liabilities	(234,147)	(239,263)
(ii) Deferred tax assets		
Employee provisions	135,974	134,328
Other provisions and lease liabilities	86,702	78,726
Unearned income	5,329	5,344
Other	2,015	4,724
Losses	23,381	7,245
Derivatives	6,019	7,273
Gross deferred tax assets	259,420	237,640
Set-off of deferred tax assets	(59,892)	(58,183)
Net deferred tax assets	199,528	179,457

(d) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation, intercompany assets of Ramsay Health Care Limited have decreased by \$40,845,931 (2017: increased by \$10,682,872). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 23.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(e) Income Tax - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

(f) Other taxes – Recognition and Measurement

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

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

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

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

(g) Key Estimates and Assumptions

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

(h) Tax losses

At 30 June 2018, there is \$5,726,854 (2017: \$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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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.

	2018	2017
	\$000	\$000
Investment in joint venture at beginning of period	206,101	210,765
Share of profit of joint venture	16,789	13,146
Foreign currency translation and other equity movements	18,556	(17,810)
	<u>241,446</u>	<u>206,101</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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS

	2018 \$000	2017 \$000
Current		
Restructuring provision	4,564	4,764
Unfavourable contracts	13,217	6,768
Insurance provision	13,627	12,159
Legal and compliance provision	22,436	27,386
Deferred lease provision	763	370
Other provisions	22,034	17,901
	<u>76,641</u>	<u>69,348</u>
Non-current		
Non-current employee and Director entitlements	34,675	32,880
Deferred lease provision	291,536	260,159
Unfavourable contracts	153,931	33,083
Insurance provision	103,361	105,269
Restructuring provision	67,613	15,175
Legal and compliance provision	19,889	20,644
Other provisions	8,637	8,088
	<u>679,642</u>	<u>475,298</u>
Total	<u>756,283</u>	<u>544,646</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 1 July 2017	260,529	19,939	117,428	39,851	48,030	25,989	511,766
Acquisition balances	-	-	-	-	763	7,176	7,939
Arising during the year	18,520	58,236	16,808	125,077	12,341	8,527	239,509
Utilised during the year	(408)	(9,517)	(5,048)	(3,425)	(11,571)	(8,214)	(38,183)
Exchange differences	13,658	4,817	144	5,665	1,921	1,307	27,512
Unused amounts reversed	-	(1,298)	(12,344)	(20)	(9,159)	(4,567)	(27,388)
Discount rate adjustment	-	-	-	-	-	453	453
At 30 June 2018	<u>292,299</u>	<u>72,177</u>	<u>116,988</u>	<u>167,148</u>	<u>42,325</u>	<u>30,671</u>	<u>721,608</u>
Current 2018	763	4,564	13,627	13,217	22,436	22,034	76,641
Non-current 2018	291,536	67,613	103,361	153,931	19,889	8,637	644,967
	<u>292,299</u>	<u>72,177</u>	<u>116,988</u>	<u>167,148</u>	<u>42,325</u>	<u>30,671</u>	<u>721,608</u>
Current 2017	370	4,764	12,159	6,768	27,386	17,901	69,348
Non-current 2017	260,159	15,175	105,269	33,083	20,644	8,088	442,418
	<u>260,529</u>	<u>19,939</u>	<u>117,428</u>	<u>39,851</u>	<u>48,030</u>	<u>25,989</u>	<u>511,766</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS (CONTINUED)

(iii) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to acquisitions. Provisions are made in the year the restructuring plans are drawn up and announced to employees;
- restructuring of entities with the Group, announced prior to acquisition; and
- land rich duties payable.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover deductibles arising under the Medical Malpractice Insurance policy, including potential uninsured and 'Incurred but not Reported' claims.

(i) Key Estimates and Assumptions

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

Employee leave benefits

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

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

(ii) Long service leave

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

Deferred lease provision

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

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty one years. These contracts are not considered to be at market rates and as such are considered unfavourable. 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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:

	2018	2017	2016	2015	2014
	\$000	\$000	\$000	\$000	\$000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(85,725)	(80,222)	(75,635)	(72,595)	(21,269)
Fair value of plans assets	5,262	4,985	5,009	4,880	-
Net (liability) - non-current	<u>(80,463)</u>	<u>(75,237)</u>	<u>(70,626)</u>	<u>(67,715)</u>	<u>(21,269)</u>

	Defined Employee Benefit Obligation	
	2018	2017
	\$000	\$000
Net benefit expense (Note 3) (recognised in superannuation expenses)	<u>5,900</u>	<u>5,647</u>

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

	Defined Employee Benefit Obligation	
	2018	2017
	\$000	\$000
Opening defined benefit obligation	80,222	75,635
Current service cost	4,635	4,389
Interest cost	1,264	1,249
Benefits paid	(5,582)	(3,921)
Actuarial losses / (gains) on obligation	228	2,961
Exchange differences on foreign plans	4,958	(91)
Closing defined benefit obligation	<u>85,725</u>	<u>80,222</u>

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

	2018	2017
	\$000	\$000
Opening fair value of plans assets	4,985	5,009
Expected return	(29)	(9)
Contributions by employer	-	-
Actuarial losses	-	-
Exchange differences on foreign plans	306	(15)
Fair value of plans assets	<u>5,262</u>	<u>4,985</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 2019.

	Defined Employee Benefit Obligation	
	2018	2017
	\$000	\$000
Actuarial losses/(gains) recognised in the Statement of Comprehensive Income	<u>228</u>	<u>2,961</u>
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	<u>4,083</u>	<u>3,855</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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	
	2018	2017
	(%)	(%)
Discount rate	1.6	1.6
Future salary increases	1.6	1.6
Future pension increases	1.0	1.0

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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:

	2018	2017
	\$000	\$000
Financial Assets		
Cash and cash equivalents	770,566	419,519
Financial Liabilities		
Bank Loans	(1,444,732)	(828,765)
Net exposure	<u>(674,166)</u>	<u>(409,246)</u>

Interest rate derivatives contracts are outlined in Note 7c, with a net negative fair value of \$22,722,000 (2017: negative \$29,377,000) 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 2018, after taking into account the effect of interest rate swaps, approximately 61% (2017: 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)	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
AUD				
+140 basis points (2017: +80 basis points)	(1,982)	(1,159)	24,281	10,124
-140 basis points (2017: -80 basis points)	1,982	1,159	(25,936)	(10,407)
GBP				
+80 basis points (2017: +60 basis points)	(1,887)	(1,513)	3,038	2,139
-80 basis points (2017: -60 basis points)	1,887	1,513	(3,098)	(1,794)
EUR				
+10 basis points (2017: +10 basis points)	(231)	(113)	2,122	566
-10 basis points (2017: -10 basis points)	231	113	(791)	(129)

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 2018, comparing to 2017, is due to the decrease in hedging from 72% in 2017 to 61% in 2018 and the increased interest rate volatility in 2018.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

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

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

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

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

Foreign currency sensitivity

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

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
British Pound (GBP)				
+20% (2017: +20%)	(485)	(11)	(29,046)	(45,695)
-20% (2017: -20%)	582	13	34,853	54,815
Euro (EUR)				
+15% (2017: +20%)	(58)	(277)	(7,935)	(7,342)
-15% (2017: -20%)	67	332	9,124	8,812
Malaysian Ringgit (MYR)				
+20% (2017: +20%)	(3)	(2)	(48,288)	(34,349)
-20% (2017: -20%)	3	2	60,364	41,222

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, 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 APRA, or Governments.

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

Financial instruments and cash deposits

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

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

(d) Liquidity risk

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

	On demand \$000	Less than 3 months \$000	3 to 12 months \$000	1 to 5 years \$000	> 5 years \$000	Total \$000
Year ended 30 June 2018						
Trade and other payable	-	(1,758,514)	-	-	-	(1,758,514)
Interest-bearing loans and borrowings	-	(27,837)	(96,931)	(3,486,662)	(530,047)	(4,141,477)
Financial derivatives	-	(3,395)	(9,520)	(11,815)	-	(24,730)
	-	(1,789,746)	(106,451)	(3,498,477)	(530,047)	(5,924,721)
Year ended 30 June 2017						
Trade and other payable	-	(1,682,645)	-	-	-	(1,682,645)
Interest-bearing loans and borrowings	-	(32,666)	(126,525)	(3,188,282)	(40,059)	(3,387,532)
Financial derivatives	-	(4,412)	(11,983)	(13,474)	-	(29,869)
	-	(1,719,723)	(138,508)	(3,201,756)	(40,059)	(5,100,046)

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 2018						
Inflows	-	3,481	10,227	28,241	-	41,949
Outflows	-	(6,876)	(19,747)	(40,056)	-	(66,679)
Net	-	(3,395)	(9,520)	(11,815)	-	(24,730)
Discounted at the applicable interbank rates	-	(1,885)	(9,486)	(11,682)	-	(23,053)
Year ended 30 June 2017						
Inflows	-	2,736	8,376	27,442	-	38,554
Outflows	-	(7,148)	(20,359)	(40,916)	-	(68,423)
Net	-	(4,412)	(11,983)	(13,474)	-	(29,869)
Discounted at the applicable interbank rates	-	(4,119)	(11,927)	(13,331)	-	(29,377)

Collateral

The Group has pledged part of its longer term deposits in order to fulfil the collateral requirements for the secured funding agreement (fiducie-sûreté). At 30 June 2018 and 2017, respectively, the fair values of the term deposits pledged were \$25,736,000 and \$ nil respectively. The counterparties have an obligation to return the securities to the Group. There are no significant terms and conditions associated with the use of collateral.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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:

	2018		2017	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,927,608		1,982,207	
- granted	403,129	\$51.38	608,401	\$61.44
- vested	(662,268)	\$44.88	(663,000)	\$31.06
- forfeited	(35,545)	\$60.30	-	-
Balance at end of year	<u>1,632,924</u>		<u>1,927,608</u>	
Exercisable at end of year	<u>-</u>		<u>-</u>	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2018:

Number of Rights	Grant Date	Vesting Date ⁽¹⁾	Weighted Average Fair Value ⁽²⁾
17,392	13-Nov-14	31-Aug-18	\$38.58
274,301	13-Nov-15	31-Aug-18	\$46.98
349,274	13-Nov-15	31-Aug-18	\$61.96
258,222	10-Nov-16	30-Aug-19	\$50.95
330,606	10-Nov-16	30-Aug-19	\$69.53
155,540	17-Nov-17	28-Aug-20	\$32.61
247,589	17-Nov-17	28-Aug-20	\$63.00
<u>1,632,924</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

Key Estimates and Assumptions

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

The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 13 November 2014, 13 November 2015, 10 November 2016, and 17 November 2017

	Granted 17-Nov-17	Granted 10-Nov-16	Granted 13-Nov-15	Granted 13-Nov-14
Dividend yield	2.27%	1.85%	1.83%	1.91%
Expected volatility	22.5%	22.5%	22.5%	22.5%
Historical volatility	21.7%	22.0%	21.2%	21.7%
Risk-free interest rate	1.93%	1.76%	2.2%	2.9%
Effective life of incentive right	3 years	3 years	3 years	3 years

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

16. SHARE BASED PAYMENT PLANS (CONTINUED)

Recognition and Measurement

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

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

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

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

Equity-settled transactions

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

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

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

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

Treasury Shares

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

17. EXPENDITURE COMMITMENTS

		2018 \$000	2017 \$000
	Note		
(i) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		73,411	67,101
- After one year but not more than five years		151,614	131,453
- After more than five years		100,568	71,908
Total minimum lease payments		325,593	270,462
- Less: future finance charges		(27,712)	(24,950)
		<u>297,881</u>	<u>245,512</u>
- Present value of minimum lease payments		<u>297,881</u>	<u>245,512</u>
Total lease liability accrued for:			
<i>Current</i>			
- Finance leases	7b	<u>68,117</u>	<u>62,131</u>
<i>Non-current</i>			
- Finance leases	7b	<u>229,764</u>	<u>183,381</u>
		<u>297,881</u>	<u>245,512</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 ten years and the average discount rate implicit in the leases is between 2.5% to 8.13% (2017: 2.5% to 8.1%). The security over finance leases is disclosed in Note 7b.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS (CONTINUED)

(ii) Lease expenditure commitments – Group as lessee

	2018	2017
	\$000	\$000
Operating leases (non-cancellable):		
Minimum lease payments		
- Within one year	422,109	365,231
- After one year but not more than five years	1,398,328	1,177,465
- After more than five years	2,936,331	2,808,175
Aggregate lease expenditure contracted for at reporting date	<u>4,756,768</u>	<u>4,350,871</u>
Amounts provided for:		
- deferred lease - current	14b 763	370
- deferred lease - non-current	14b 291,536	260,159
- unfavourable contract - current	14b 13,217	6,768
- unfavourable contract – non-current	14b 153,931	33,083
	<u>459,447</u>	<u>300,380</u>
Amounts not provided for:		
- rental commitments	<u>4,297,321</u>	<u>4,050,491</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 of the related asset exceeds the fair value of the related asset is considered an onerous/unfavourable lease. These onerous/unfavourable leases are reflected as a liability with an assigned fair value and are amortised over the remaining life of the lease term.

(iv) Group as lessor – Recognition and Measurement

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

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

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

18. SUBSEQUENT EVENTS

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

19. AUDITORS' REMUNERATION

	2018	2017
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	2,026,271	1,883,575
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	836,897	460,331
Assurance related	44,000	80,726
Other	-	337,883
	<u>2,907,168</u>	<u>2,762,515</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	1,275,110	1,094,542
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	121,486	146,116
Other	-	4,473
	<u>4,303,764</u>	<u>4,007,646</u>
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- Audit or review of the financial report	<u>3,007,231</u>	<u>2,777,510</u>

20. RELATED PARTY TRANSACTIONS

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

Entities associated with Mr Siddle and Mr Evans

During the year costs of \$10,398 (2017: \$10,227) were charged to and an amount of \$10,398 (2017: \$10,227) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of \$ 9,986 (2017: \$ nil) were charged by and an amount of \$ 9,986 (2017: \$ nil) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2018 costs of \$5,693 (2017: \$16,215) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

(ii) Compensation of key management personnel

	2018	2017
	\$	\$
Non-Executive Directors		
Short term	2,618,682	2,750,035
Post-employment	178,074	180,043
	<u>2,796,756</u>	<u>2,930,078</u>
Executive Directors		
Short term	5,536,814	6,882,917
Post-employment	688,998	135,385
Performance/Incentive rights	5,351,996	23,291,750
	<u>11,577,808</u>	<u>30,310,052</u>
Executives		
Short term	1,189,349	2,672,631
Post-employment	40,193	83,730
Performance/Incentive rights	1,318,465	5,707,175
	<u>2,548,007</u>	<u>8,463,536</u>
Total		
Short term	9,344,845	12,305,583
Post-employment	907,265	399,158
Performance/Incentive rights	6,670,461	28,998,925
	<u>16,922,571</u>	<u>41,703,666</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

Name	Country of Incorporation	% Equity Interest	
		2018	2017
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%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
NBH Hold Co. Pty Limited	Australia	100%	100%
NBH Operator Pty Limited	Australia	100%	100%

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest	
		2018	2017
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%	100%
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited	UK	100%	100%
Ramsay Health Care UK Finance Limited	UK	100%	100%
Ramsay Health Care Holdings UK Limited	UK	100%	100%
Ramsay UK Properties Limited	UK	100%	100%
Linear Healthcare UK Limited	UK	100%	-
Independent British Healthcare (Doncaster) Limited	UK	100%	100%
Ramsay Diagnostics Limited	UK	100%	100%
Ramsay Health Care UK Operations Limited	UK	100%	100%
Clifton Park Hospital Limited	UK	100%	-
Ramsay Health Care (UK) No.1 Limited	UK	100%	-
Ascension Ramsay Global Sourcing Limited	UK	50%	-
Ramsay Health Care Leasing UK Limited	Guernsey	100%	100%
Ramsay Générale de Santé SA*	France	50.9%	50.9%

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP

Entities subject to instrument

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

As a condition of the Instrument, these entities entered into a Deed of Cross Guarantee on 22 June 2006 or have subsequently been added as parties to the Deed of 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	
	2018	2017
	\$000	\$000
Consolidated Income Statement		
Profit from operations before income tax	697,911	585,595
Income tax expense	(197,347)	(167,967)
Net profit for the year	500,564	417,628
Retained earnings at the beginning of the year	1,132,474	980,325
Dividends provided for or paid	(293,220)	(265,479)
Retained earnings at the end of the year	1,339,818	1,132,474
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	92,020	95,383
Trade and other receivables	604,506	599,330
Inventories	133,850	111,274
Prepayments	21,033	20,860
Derivatives – in the money	87	-
Other current assets	1,860	2,889
Assets held for sale	13,105	-
Total Current Assets	866,461	829,736
Non-current Assets		
Other financial assets	627,462	627,467
Investments in joint ventures	241,446	206,101
Intangible assets	1,084,152	1,076,893
Deferred tax asset	106,559	115,779
Property, plant and equipment	2,182,573	2,042,601
Prepayments	11,566	11,779
Derivative financial instruments	244	734
Non-current receivables	201,076	37,129
Total Non-current Assets	4,455,078	4,118,483
TOTAL ASSETS	5,321,539	4,948,219
LIABILITIES		
Current Liabilities		
Trade and other payables	865,930	846,064
Interest-bearing loans and borrowings	30	2,711
Provisions	27,945	37,884
Derivative financial instruments	4,615	8,282
Income tax payable	27,852	15,463
Total Current Liabilities	926,372	910,404
Non-current Liabilities		
Interest-bearing loans and borrowings	1,510,970	1,321,540
Provisions	154,836	153,437
Derivative financial instruments	4,340	7,200
Total Non-current Liabilities	1,670,146	1,482,177
TOTAL LIABILITIES	2,596,518	2,392,581
NET ASSETS	2,725,021	2,555,638

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP (CONTINUED)

	Closed Group	
	2018 \$000	2017 \$000
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(76,753)	(70,608)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	1,339,818	1,132,474
Other reserves	496,268	528,084
TOTAL EQUITY	2,725,021	2,555,638

23. PARENT ENTITY INFORMATION

	2018 \$000	2017 \$000
Information relating to Ramsay Health Care Limited		
Current assets	1,171,678	1,102,747
Total assets	1,319,439	1,254,937
Current liabilities	(33,181)	(19,246)
Total liabilities	(33,181)	(19,246)
Issued capital	(713,523)	(713,523)
Other equity	(572,735)	(522,168)
Total shareholders' equity	(1,286,258)	(1,235,691)
Net profit for the year after tax	382,374	285,333

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

24. MATERIAL PARTLY- OWNED SUBSIDIARIES

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

This entity represents the French 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 at 30 June 2018 are 50.6% (2017: 51.5%). 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 2018 and 2017

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

(e) Summarised cash flow information

	2018 \$000	2017 \$000
Operating	267,886	244,342
Investing	(114,866)	(84,051)
Financing	42,728	(61,851)
Net increase in cash and cash equivalents	195,748	98,440

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Ramsay
Health Care