Ramsay Health Care Funding Group

Combined Financial Report

6 months to 31 December 2022

Ramsay Health Care Funding Group
Level 18 126 Phillip Street
Sydney NSW 2000 Australia
Telephone:+61 9220 1000
Facsimile: +61 9220 1001
ramsayhealth.com

Ramsay
Health Care

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

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

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

Conclusion

We have reviewed the accompanying half-year financial report of Ramsay Health Care Limited ("the Company") and entities that form the Ramsay Health Care Funding Group ("the Funding Group"), which comprises the combined statement of financial position as at 31 December 2022, the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year combined financial report does not present fairly, in all material respects, the Funding Group's financial position as at 31 December 2022 and its financial performance and its cash flows for the half-year ended on that date, in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and Australian Accounting Standard AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board (AASB).

Basis for conclusion

We conducted our review in accordance with ISRE 2410 *Review of interim financial information performed by the independent auditor of the entity* (ISRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Funding Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Managements' responsibilities for the half-year financial report

Management is responsible for the preparation and fair presentation of half-year financial report in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* and Australian Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as management determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the Funding Group's financial position as at 31 December 2022 and its financial performance and its cash flows for the half-year ended on that date, in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst and Young

Ernst & Young
Sydney
27 April 2023

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2.

Directors' Statement

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

In the opinion of the Directors:

a. the combined financial statements and notes of the Ramsay Health Care Funding Group
   i. present fairly their financial position as at 31 December 2022 and of their performance for the half year ended on that date; and
   ii. comply with Accounting Standards *IAS 34/AASB 134 Interim Financial Reporting*;

b. there are reasonable grounds to believe that the Funding Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

M. S. SIDDLE

Chairman
Sydney, 27 April 2023

C.R. McNALLY

Managing Director and Chief Executive Officer

3.

Financial Results

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Combined Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

		Half year ended	
		31 December 2022	31 December 2021
	Note	$m	$m
Revenue from contracts with customers		3,750.7	3,248.0
Interest income		0.2	-
Other income – income from sale of development assets		1.5	-
Total revenue and other income		**3,752.4**	**3,248.0**
Employee benefit and contractor costs		(2,077.3)	(1,699.1)
Occupancy costs		(135.8)	(134.9)
Service costs		(126.5)	(130.7)
Medical consumables and supplies		(910.0)	(873.6)
Depreciation, amortisation and impairment		(174.4)	(168.2)
Cost of development assets sold		(0.9)	-
Total expenses, excluding finance costs		**(3,424.9)**	**(3,006.5)**
Share of profit of joint venture		11.8	8.2
Profit before tax and finance costs		**339.3**	**249.7**
Finance costs		(113.6)	(94.4)
Profit before income tax		**225.7**	**155.3**
Income tax		(68.9)	(45.2)
Net profit after tax for the period		**156.8**	**110.1**
Attributable to non-controlling interests		2.1	1.4
Attributable to owners of the parent		**154.7**	**108.7**
		156.8	**110.1**

		Cents per Share	Cents per Share
Earnings per share (EPS) attributable to equity holders of the parent			
Basic earnings per share (after CARES dividend)	3	65.6	45.7
Diluted earnings per share (after CARES dividend)	3	65.5	45.7

The above Combined Income Statement should be read in conjunction with the accompanying notes.

Combined Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Half year ended	
	31 December 2022	31 December 2021
	$m	$m
Net profit after tax for the period	**156.8**	**110.1**
Items that will not be reclassified to net profit		
Actuarial gain on defined employee benefit obligation	0.1	-
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
Taken to equity	12.7	8.1
Transferred to Income Statement	(0.9)	1.3
Foreign currency translation	21.0	19.3
Income tax expense relating to these items	(0.8)	(2.8)
Other comprehensive income, net of tax	**32.1**	**25.9**
Total comprehensive income	**188.9**	**136.0**
Attributable to non-controlling interests	2.1	1.4
Attributable to owners of the parent	**186.8**	**134.6**
	188.9	**136.0**

The above Combined Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Combined Statement of Financial Position

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 $m	30 June 2022 $m	31 December 2021 $m
ASSETS				
Current assets				
Cash and cash equivalents		82.7	112.9	57.1
Trade and other receivables	8	940.7	926.1	710.2
Receivables from related entities	8	0.3	0.1	1.0
Inventories	8	211.7	208.0	228.6
Derivative financial instruments	7	14.9	11.3	4.6
Income tax receivable		43.0	35.1	0.2
Prepayments		84.7	79.1	65.3
Other current assets		11.5	7.7	7.7
		1,389.5	1,380.3	1,074.7
Assets held for sale		2.3	0.0	0.0
Total current assets		**1,391.8**	**1,380.3**	**1,074.7**
Non-current assets				
Other financial assets		30.3	30.1	27.6
Investment in joint ventures		250.0	238.1	231.8
Other investments		739.1	731.0	800.5
Property, plant and equipment		3,202.6	3,106.5	2,815.8
Right of use assets		1,501.2	1,502.2	1,121.1
Intangible assets		2,822.0	2,754.1	1,536.0
Deferred tax assets		328.5	339.9	292.7
Prepayments		10.7	10.7	10.9
Derivative financial instruments	7	48.8	29.6	4.7
Other receivables		8.3	7.1	8.5
Total non-current assets		**8,941.5**	**8,749.3**	**6,849.6**
TOTAL ASSETS		**10,333.3**	**10,129.6**	**7,924.3**
LIABILITIES				
Current liabilities				
Trade and other creditors	8	1,243.9	1,281.5	1,062.1
Lease liabilities		59.8	57.1	59.0
Derivative financial instruments	7	6.1	0.0	5.1
Provisions		60.4	92.3	77.6
Income tax payables		10.1	21.9	4.4
Total current liabilities		**1,380.3**	**1,452.8**	**1,208.2**
Non-current liabilities				
Loans and borrowings	5, 6	2,698.6	2,498.2	864.9
Lease liabilities		2,219.8	2,208.4	1,847.5
Provisions		122.6	121.1	132.3
Derivative financial instruments	7	0.0	0.0	1.8
Other creditors		11.6	11.7	10.2
Deferred tax liabilities		102.0	112.6	7.5
Total non-current liabilities		**5,154.6**	**4,952.0**	**2,864.2**
TOTAL LIABILITIES		**6,534.9**	**6,404.8**	**4,072.4**
NET ASSETS		**3,798.4**	**3,724.8**	**3,851.9**
EQUITY				
Issued capital		2,197.6	2,197.6	2,197.6
Treasury shares		(69.4)	(72.4)	(72.7)
Convertible Adjustable Rate Equity Securities (CARES)		252.2	252.2	252.2
Other reserves		(70.5)	(101.1)	(17.3)
Retained earnings		1,476.6	1,437.8	1,482.2
Parent interests		**3,786.5**	**3,714.1**	**3,842.0**
Non-controlling interests		**11.9**	**10.7**	**9.9**
TOTAL EQUITY		**3,798.4**	**3,724.8**	**3,851.9**

The above Combined Statement of Financial Position should be read in conjunction with the accompanying notes.

Combined Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Attributable to Equity Holders of the Parent						
	Issued Capital	Treasury Shares	CARES	Other Reserves	Retained Earnings	Non-controlling Interests	Total
	$m	$m	$m	$m	$m	$m	$m
As at 1 July 2022	**2,197.6**	**(72.4)**	**252.2**	**(101.1)**	**1,437.8**	**10.7**	**3,724.8**
Total Comprehensive Income	-	-	-	32.1	154.7	2.1	188.9
Dividends paid	-	-	-	-	(115.9)	(0.9)	(116.8)
Treasury shares vesting to employees	-	3.0	-	(3.0)	-	-	-
Share based payment expense for employees	-	-	-	1.5	-	-	1.5
As at 31 December 2022	**2,197.6**	**(69.4)**	**252.2**	**(70.5)**	**1,476.6**	**11.9**	**3,798.4**
As at 1 July 2021	**2,197.6**	**(76.7)**	**252.2**	**(41.3)**	**1,613.7**	**8.5**	**3,954.0**
Total Comprehensive Income	-	-	-	25.9	108.7	1.4	136.0
Dividends paid	-	-	-	-	(240.2)	-	(240.2)
Treasury shares vesting to employees	-	4.0	-	(4.0)	-	-	-
Share based payment expense for employees	-	-	-	2.1	-	-	2.1
As at 31 December 2021	**2,197.6**	**(72.7)**	**252.2**	**(17.3)**	**1,482.2**	**9.9**	**3,851.9**

The above Combined Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Combined Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Half year ended 31 December 2022 $m	Half year ended 31 December 2021 $m
Cash flows from operating activities			
Receipts from customers		3,697.4	3,307.6
Payments to suppliers and employees		(3,253.6)	(2,878.7)
Income tax paid		(103.2)	(90.9)
Lease finance costs		(65.5)	(62.3)
Other finance costs		(46.2)	(30.4)
Net cash flows from operating activities		**228.9**	**245.3**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(228.2)	(177.9)
Proceeds from sale of businesses and other non-current assets		0.2	-
Interest and dividends received		1.3	0.2
Business combinations, net of cash received		(66.7)	-
Business combination consideration returned from escrow		-	1,967.8[1]
Acquisition of investments		-	(22.6)
Net cash flows (used in)/from investing activities		**(293.4)**	**1,767.5**
Cash flows from financing activities			
Dividends paid to equity holders of the parent	2	(115.9)	(240.2)
Dividends paid to non-controlling interests		(0.9)	-
Repayment of lease principal		(30.3)	(27.7)
Payment of refinancing costs		(1.5)	(0.1)
Payment to related parties		(0.2)	(0.1)
Proceeds from borrowings		1,018.8	1,663.0
Repayment of borrowings		(835.1)	(3,393.3)
Net cash flows from/(used in) financing activities		**34.9**	**(1,998.4)**
Net (decrease)/increase in cash and cash equivalents		(29.6)	14.4
Net foreign exchange differences on cash held		(0.6)	(0.2)
Cash and cash equivalents at the beginning of period		112.9	42.9
Cash and cash equivalents at the end of period		**82.7**	**57.1**

1 *$2 billion relates to the business combination amounts held in escrow for the Spire acquisition at 30 June 2021. The proposed Spire acquisition did not proceed and as a result the amounts released were used to pay down bank loans of the Group.*

The above Combined Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Overview

This section sets out the basis on which the Ramsay Funding Group's financial report is prepared as a whole.

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 financial report of Ramsay Health Care Limited (**the Company,** or **the Parent**) and entities in the Funding Group (together, **the Funding Group**, or **the Group**) for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 27 April 2023.

a Funding Group information

The purpose of these combined financial statements is to provide financial statements prepared on a combined basis, of entities in the Funding Group. The entities in the Funding Group are listed in note 22 in the latest annual Combined Financial Report as at 30 June 2022. The entities that have been added to the Funding Group after 30 June 2022 and that are material, are included in note 9.

b Basis of preparation

The combined financial statements aggregate the financial statements of Ramsay Health Care Limited and entities in the Funding Group. The Funding Group include all controlled entities (wholly owned and partially owned) that are consolidated by Ramsay Health Care Limited, with the exception of Ramsay Santé SA and its controlled entities (**Ramsay Santé Group**). The investment in the Ramsay Santé Group is included at cost within Other Investments. The financial statements are required to be prepared on this basis in order to present the financial information of the Funding Group for the purposes of the Australian Medium Term Note (**AMTN**) Programme and the Euro Medium Term Note (**EMTN**) Programme.

This financial report:

- has been prepared in accordance with International Accounting Standards and Australian Accounting Standards, including *IAS 34/AASB 134 Interim Financial Reporting* and other authoritative pronouncements of the International Accounting Standards Board (**IASB**) and the Australian Accounting Standards Board (**AASB**). It does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the combined Funding Group as the full financial report;
- has been prepared on the basis of historical cost, except for derivative financial instruments;
- should be read in conjunction with the annual combined financial report of Ramsay Funding Group as at 30 June 2022, together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half year ended 31 December 2022;
- presents reclassified comparative information where necessary to conform to changes in presentation in the current half year;
- presents all values as rounded to the nearest hundred thousand dollars, unless otherwise stated.

c New and amended accounting standards and interpretations, effective 1 July 2022

The Group has adopted all new and amended Australian Accounting Standards and Interpretations issued by the IASB/AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2022, all of which did not have a material impact on the financial statements:

- *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards/AASB 2020-3 Amendment to AASB 1 First-time Adoption of Australian Accounting Standards – Subsidiary as a First-time Adopter*
- *Amendments to IFRS 3/AASB 2020-3 Amendments to AASB 3 Business Combinations – Reference to the Conceptual Framework*
- *Amendment to IFRS 9/AASB 2020-3 Amendment to AASB 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*
- *Amendments to IAS 16/AASB 2020-3 Amendments to AASB 116 Property, Plant and Equipment – Proceeds before Intended Use*
- *Amendments to IAS 37/AASB 2020-3 Amendments to AASB 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

d Accounting standards and interpretations issued but not yet effective

New and amended standards and interpretations issued by the IASB/AASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. The Group does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

I Results for the Half Year

This section provides additional information on the Funding Group results for the half year, including further detail on results by segment, revenue, earnings per share and dividends.

1 Segment information

Identification of reportable segments

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

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

Discrete financial information about each of these operating businesses is reported to the Managing Director 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 combination.

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

Assets and liabilities by segment

	Asia Pacific $m	UK $m	Adjustments & Eliminations $m[1]	Total $m
As at 31 December 2022				
Assets & liabilities				
Segment assets	8,129.9	4,902.5	(2,699.1)	10,333.3
Segment liabilities	(4,015.4)	(4,593.0)	2,073.5	(6,534.9)
As at 30 June 2022				
Assets & liabilities				
Segment assets	7,838.1	4,828.8	(2,537.3)	10,129.6
Segment liabilities	(3,847.5)	(4,469.0)	1,911.7	(6,404.8)

1 Adjustments and eliminations consist of investments in subsidiaries and intercompany balances, which are eliminated on combination.

Segment revenue reconciliation to Income Statement

	Half year ended	
	31 December 2022 $m	31 December 2021 $m
Total segment revenue and other income	3,756.6	3,252.2
Intersegment revenue elimination	(4.4)	(4.2)
Interest income	0.2	-
Total revenue and other income	**3,752.4**	**3,248.0**

1 Segment information (Continued)

Profit or loss by segment

	Asia Pacific $m	UK $m	Total $m
Half year ended 31 December 2022			
Revenue from contracts with customers	2,840.5	910.2	3,750.7
Other income – income from sale of development assets	1.5	-	1.5
Total revenue and other income before intersegment revenue	2,842.0	910.2	3,752.2
Intersegment revenue	4.4	-	4.4
Total segment revenue and other income	**2,846.4**	**910.2**	**3,756.6**
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)[1]	**431.4**	**89.1**	**520.5**
Rent[2]	(5.6)	(1.4)	(7.0)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[3]	**425.8**	**87.7**	**513.5**
Depreciation, amortisation and impairment	(118.8)	(55.6)	(174.4)
Earnings before interest and tax (EBIT)[4]	**307.0**	**32.1**	**339.1**
Net finance costs			(113.4)
Income tax expense			(68.9)
Net profit after tax			**156.8**
Attributable to non-controlling interests			(2.1)
Net profit attributable to owners of the parent			**154.7**
Half year ended 31 December 2021			
Revenue from contracts with customers	2,735.1	512.9	3,248.0
Total revenue and other income before intersegment revenue	2,735.1	512.9	3,248.0
Intersegment revenue	4.2	-	4.2
Total segment revenue and other income	**2,739.3**	**512.9**	**3,252.2**
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)[1]	**414.2**	**10.3**	**424.5**
Rent[2]	(6.2)	(0.4)	(6.6)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[3]	**408.0**	**9.9**	**417.9**
Depreciation, amortisation and impairment	(122.6)	(45.6)	(168.2)
Earnings before interest and tax (EBIT)[4]	**285.4**	**(35.7)**	**249.7**
Net finance costs			(94.4)
Income tax expense			(45.2)
Net profit after tax			**110.1**
Attributable to non-controlling interests			(1.4)
Net profit attributable to owners of the parent			**108.7**

1 "EBITDAR" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation, impairment and rent.
2 Rent includes rental costs of short term or low value assets together with any related rent costs, including rent related taxes that could not be capitalised as part of lease liabilities.
3 "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and impairment.
4 "EBIT" is a non-statutory profit measure and represents profit before interest and tax.

2 Dividends

	Parent Entity Half year ended	
	31 December 2022 $m	31 December 2021 $m
(i) Dividends determined and paid during the period on ordinary shares:		
Previous year final dividend paid		
Franked dividends – ordinary		
(48.5 cents per share) (31 December 2021: 103.0 cents per share)	110.6	235.7
(ii) Dividends proposed and not recognised as a liability on ordinary shares:		
Current year interim dividend proposed		
Franked dividends – ordinary		
(50.0 cents per share) (31 December 2021: 48.5 cents per share)	114.1	111.0
(iii) Dividends determined and paid during the period on CARES:		
Previous year final dividend paid		
Franked dividends – CARES	5.3	4.5
(iv) Dividends proposed and not recognised as a liability on CARES:		
Current year interim dividend proposed		
Franked dividends – CARES	7.6	4.5

The tax rate at which paid dividends have been franked is 30% (31 December 2021: 30%). All of the proposed dividends will be franked at the rate of 30% (31 December 2021: 30%).

3 Earnings per share

	Half year ended	
	31 December 2022 $m	31 December 2021 $m
Net profit for the period attributable to owners of the parent	154.7	108.7
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(5.3)	(4.5)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	149.4	104.2

	Half year ended	
	31 December 2022 Number of Shares (m)	31 December 2021 Number of Shares (m)
Weighted average number of ordinary shares used in calculating basic earnings per share	227.8	227.8
Effect of dilution – share rights not yet vested	0.4	0.4
Weighted average number of ordinary shares adjusted for the effect of dilution	228.2	228.2

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.

	Half year ended	
	31 December 2022 Cents per Share	31 December 2021 Cents per Share
Earnings per share (EPS) attributable to equity holders of the parent		
Basic earnings per share (after CARES dividend)	65.6	45.7
Diluted earnings per share (after CARES dividend)	65.5	45.7

Calculation of earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent (after deducting the CARES dividend) by the weighted average number of ordinary shares outstanding during the period. The ordinary shares outstanding used in the calculation is that of Ramsay Health Care Limited, which is a listed entity that is included in the Funding Group.

Diluted earnings per share

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 period 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. The ordinary shares outstanding used in the calculation is that of Ramsay Health Care Limited, which is a listed entity that is included in the Funding Group.

4 Net tangible assets

	As at		
	31 December 2022 $ per Share	30 June 2022 $ per Share	31 December 2021 $ per Share
Net tangible assets per ordinary share	3.28	3.25	8.90

Net tangible assets are the total assets minus intangible assets and total liabilities, divided by the number of ordinary shares of the Company currently on issue at the reporting date. Net tangible assets include right of use assets as the underlying leases are for physical assets.

The decrease in net tangible assets from 31 December 2021 is a result of the payment of dividends together with liabilities recognised to fund the business combinations undertaken in subsequent periods (refer note 9). As the majority of the assets recognised for the business combinations are goodwill and goodwill is excluded from the calculation, it results in a reduction in net tangible assets.

II Capital - Financing

This section provides further information on loans and borrowings and derivatives.

5 Loans and borrowings

RAMSAY AND ITS WHOLLY OWNED SUBSIDIARIES

New AUD500 million Bilateral Facility Agreements

During the half year, Ramsay Health Care Australia Pty Limited entered into new bilateral revolving bank loan facilities totalling AUD500 million. The covenant package, group guarantees and other common terms and conditions in respect of the debt facilities are governed under a Common Terms Deed Poll.

Extension of Facility Agreements

In November 2022, Ramsay Health Care Australia Pty Limited extended bilateral revolving bank loan facilities totalling AUD150 million by up to twelve months.

In December 2022, Ramsay Health Care Australia Pty Limited terminated AUD86.3 million of a AUD600 million syndicated facility agreement. The remaining AUD513.7 million was extended by twelve months to December 2024.

6 Fair value

Unless disclosed below, the carrying amount of the Group's financial assets and liabilities 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. For thereporting period, the market interest rates vary from 1.07% to 3.11% (30 June 2022: 1.104% to 1.793%; 31 December 2021: 0.065% to 0.118%) for Australia.

	As at					
	31 December 2022		30 June 2022		31 December 2021	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Bank loans	2,698.6	2,716.1	2,498.2	2,510.6	864.9	875.3

The increase in bank loans balance from 30 June 2022 to 31 December 2022 is as a result of general operational requirements, including capital expenditure and acquisitions.

7 Derivative financial instruments

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.

Fair value

The Group has available to it various methods in estimating the fair value of a derivative financial instrument. The methods comprise:

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

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

	As at		
	31 December 2022 $m	30 June 2022 $m	31 December 2021 $m
Current assets			
Interest rate and foreign exchange derivative contracts – cash flow hedges	14.1	8.9	4.6
Interest rate and foreign exchange derivative contracts – economic hedges	0.8	2.4	-
Non-current assets			
Interest rate and foreign exchange derivative contracts – cash flow hedges	48.8	29.6	4.7
	63.7	40.9	9.3
Current liabilities			
Interest rate and foreign exchange derivative contracts – cash flow hedges	(0.3)	-	(5.1)
Interest rate and foreign exchange derivative contracts – economic hedges	(5.8)	-	-
Non-current liabilities			
Interest rate and foreign exchange derivative contracts – cash flow hedges	-	-	(1.8)
	(6.1)	-	(6.9)
Net derivative assets	**57.6**	**40.9**	**2.4**

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.

Transfer between categories

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

III Assets and Liabilities – Operating and Investing

This section provides further information on some of the assets and liabilities used to generate profit.

8 Working capital

	As at		
	31 December 2022 $m	30 June 2022 $m	31 December 2021 $m
Trade and other receivables (current)	940.7	926.1	710.2
Receivables from related entities	0.3	0.1	1.0
Inventories	211.7	208.0	228.6
Trade and other creditors (current)	(1,243.9)	(1,281.5)	(1,062.1)
	(91.2)	(147.3)	(122.3)

Consistent with prior periods, Ramsay actively manages the collection of debtor receipts and creditor and employee payments. This often results in a negative working capital metric and net current liability position. Any surplus or deficit in the working capital is managed through efficient use of the revolving debt facilities and cash balances. The Group had an undrawn facility limit of $680.0 million as at 31 December 2022.

9 Business combinations

Information on current period acquisitions

Regis – December 2022

On 13 September 2022, Ramsay Elysium Holdings Limited acquired two UK based child and adolescent mental health services facilities from Regis Healthcare Ltd (**Regis**) for $68.1 million (£40 million). The acquisition was funded through Ramsay's existing debt facilities.

Ramsay has recognised amounts for this business combination as outlined below. These amounts have been determined on a provisional basis only.

	$m
Cash and cash equivalents	2.1
Trade and other receivables (current)	2.9
Property, plant and equipment	5.2
Deferred tax asset	1.1
Trade and other creditors	(1.0)
Current income tax payable	(2.0)
Fair value of identifiable net assets	8.3
Goodwill arising	59.8
Fair value of consideration transferred	68.1
The cash outflow as a result of the business combination is as follows:	
Cash paid in the half year to 31 December 2022	(68.1)
Net cash acquired with the subsidiary	2.1
Net cash outflow	(66.0)
Direct costs relating to the business combination – included within service costs	0.5

9 Business combinations (Continued)

The goodwill of $59.8 million comprises the value of intangible assets that do not qualify for separate recognition as well as synergies expected to be achieved as a result of combining Regis with the rest of the Group. The acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy. None of the goodwill recognised is expected to be deductible for income tax purposes. Goodwill is allocated entirely to the UK reporting segment in Note 1.

The interim combined financial statements include the results of the Regis facilities for the three and a half months from the acquisition date. The results of Regis from acquisition to 31 December 2022 are not material to the Group and have therefore not been disclosed separately. If the combination had taken place at the beginning of the year, 1 July 2022, revenue from continuing operations and profit before interest and tax from continuing operations for the Group would not have been significantly different to the Group results as reported.

There is no other material acquisition in current period, other than the Regis acquisition.

Information on prior year acquisitions

Elysium - FY22

On 31 January 2022, Ramsay acquired 100% of the voting shares of the leading UK based mental healthcare provider Elysium Healthcare. Ramsay has recognised amounts for this business combination as outlined below. These amounts have been determined on a provisional basis only. There have been no adjustments to goodwill arising on acquisition from that reported at 30 June 2022.

	$m
Cash and cash equivalents	5.8
Trade and other receivables (current)	82.4
Inventories	0.3
Other current assets	18.0
Property, plant and equipment	254.6
Right of use assets	471.2
Trade and other creditors (current)	(84.4)
Loans and borrowings (current)	(657.7)
Lease liabilities (current and non-current)	(472.8)
Deferred tax liabilities	(111.5)
Other liabilities (current and non-current)	(6.7)
Fair value of identifiable net assets	(500.8)
Goodwill arising	1,313.4
Fair value of consideration transferred	812.6
The cash outflow as a result of the business combination is as follows:	
Cash paid in the year ended 30 June 2022	(812.6)
Net cash acquired with the subsidiary	5.8
Net cash outflow	(806.8)

IV Other Information

This section includes other information that must be disclosed to comply with the accounting standards and other requirements, but that may not immediately be related to individual line items in the financial statements.

10 Subsequent events

There have been no significant events after the balance 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.