

Ramsay Health Care Funding Group

Combined Financial Report 2022

12 months to 30 June 2022

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Ramsay
Health Care

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

Opinion

We have audited the combined financial statements of Ramsay Health Care Limited ("the Company") and entities that form the Ramsay Health Care Funding Group ("the Funding Group"), which comprise the combined statement of financial position as at 30 June 2022, the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Funding Group as at 30 June 2022 and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and Australian Accounting Standards (AASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the combined financial statements section of our report. We are independent of the Funding Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the combined financial statements in Australia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 combined financial statements of the current period. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and 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 combined financial statements 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 combined financial statements. 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 combined financial statements.



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Why significant

1. Carrying value of goodwill

As disclosed in Note 13 of the financial statements and in accordance with the requirements of the International Financial Reporting Standards and Australian Accounting Standards, the Funding Group performed an annual impairment test of the Asia Pacific and UK cash generating units (“CGUs”) to determine whether the recoverable value of these assets exceeded their carrying amount at 30 June 2022.

A value in use model was used to calculate the recoverable amount of each cash generating unit (“CGU”).

Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty caused by the COVID-19 pandemic, the degree of subjectivity is higher than it might otherwise be.

This matter was considered a Key Audit Matter due to the extent of audit effort and judgement required to assess the reasonableness of the forecast cash flows, growth rates, discount rates and terminal growth rates used by the Funding Group in undertaking the impairment review.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed whether the methodology used by the Funding Group met the requirements of International Financial Reporting Standards and Australian Accounting Standards.
- ▶ For the value in use models, we:
 - ▶ Tested the mathematical accuracy of the value in use models;
 - ▶ Assessed the basis of preparing cash flow forecasts, considering the accuracy of previous forecasts and budgets, current trading performance and the impact of COVID-19;
 - ▶ Assessed the appropriateness of other key assumptions such as the discount and terminal growth rates applied with reference to publicly available information on comparable companies in the industry and markets in which the Funding Group operates; and
 - ▶ Performed sensitivity analysis on the key assumptions including discount rates, terminal growth rates and EBIT forecasts for each of the Funding Group’s CGUs and evaluated whether a reasonably possible change in these assumptions could cause the carrying amount of the CGU to exceed its recoverable amount.

We involved valuation specialists in performing these procedures over the value in use models where appropriate.

We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

Why significant

2. Provision for insurance

As disclosed in Note 15(d) of the financial statement, the provision for insurance covers deductibles arising under insurance policies, including potential uninsured claims. Significant judgement is required in its determination due to the uncertainty in predicting future claims arising from past events.

The Funding 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 key audit matter

Our audit procedures included the following:

- ▶ Assessed the key assumptions adopted by the actuary and used by the Funding Group to determine the value of the provision. Specifically, we have reviewed the assumptions compared to industry practice, potential known claims and actual historical claims.
- ▶ Assessed the competence, qualifications, and objectivity of the independent actuary the Funding Group used.
- ▶ As the appropriateness of these provisions relies on specific claims information, we have reviewed and tested controls over the operating effectiveness of the Funding Group’s processes for capturing and recording the data.
- ▶ Evaluated the adequacy of the disclosures relating to the provision in the financial report, including those made with respect to judgements and estimates.

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.



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Information other than the financial statement and auditor's report thereon

Management is responsible for other information accompanying the financial report. There is no other information accompanying the financial report.

Responsibilities of management for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS and AASBs, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Funding Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funding Group or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Funding Group's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are 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 ISA 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 these combined financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the combined financial statements, 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 Funding Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's 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 Funding 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 combined financial statements 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 Funding Group to cease to continue as a going concern.



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- ▶ Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent 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 Funding Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management 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 management 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the combined financial statements of the current period 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.

Ernst and Young

Ernst & Young

Vida Virgo

Vida Virgo
Partner
Sydney
27 April 2023

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 30 June 2022 and of their performance for the year ended on that date; and
 - ii. comply with Accounting Standards (including the Australian Accounting Interpretations);
- b. the combined 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 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 YEAR ENDED 30 JUNE 2022

	Note	2022 \$m	2021 \$m
Revenue from contracts with customers	2.a	6,665.2	6,464.9
Interest income	2.b	-	4.0
Other income – income from sale of development assets	2.b	1.8	20.4
Other income – net profit on disposal of non-current assets	2.b	8.6	-
Total revenue and other income		6,675.6	6,489.3
Employee benefit and contractor costs	3	(3,636.5)	(3,288.6)
Occupancy costs		(269.4)	(241.1)
Service costs		(263.5)	(217.7)
Medical consumables and supplies		(1,726.6)	(1,702.0)
Depreciation, amortisation and impairment	3	(352.6)	(307.5)
Cost of development asset sold		(1.4)	(8.5)
Total expenses, excluding finance costs		(6,250.0)	(5,765.4)
Share of profit of joint venture	15.b	15.5	10.9
Profit before tax and finance costs		441.1	734.8
Finance costs	3	(187.9)	(161.0)
Profit before income tax		253.2	573.8
Income tax	14	(74.4)	(169.0)
Net profit after tax for the year		178.8	404.8
Attributable to non-controlling interests		2.8	3.7
Attributable to owners of the parent		176.0	401.1
		178.8	404.8
		Cents	Cents
Earnings per share (EPS)			
Basic earnings per share (after CARES dividend)	5	73.3	172.2
Diluted earnings per share (after CARES dividend)	5	73.1	171.6

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

3. Financial Results

Ramsay Health Care Funding Group

Combined Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	2022 \$m	2021 \$m
Net profit after tax for the year	178.8	404.8
Items that will not be reclassified to net profit		
Actuarial loss on defined employee benefit obligation	-	(0.2)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
Taken to equity	40.2	(0.9)
Transferred to Income Statement	6.0	6.7
Net loss on bank loan designated as a hedge of a net investment	-	(3.4)
Foreign currency translation	(95.2)	3.1
Income tax expense relating to these items	(14.4)	(0.8)
Other comprehensive income/(loss), net of tax	(63.4)	4.5
Total comprehensive income	115.4	409.3
Attributable to non-controlling interests	2.8	3.7
Attributable to owners of the parent	112.6	405.6
	115.4	409.3

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

Combined Statement of Financial Position

AS AT 30 JUNE 2022

	Note	2022 \$m	2021 \$m
ASSETS			
Current assets			
Cash and cash equivalents	7.a	112.9	42.9
Trade and other receivables	8.a	926.1	745.5
Receivables from related entities	8.a	0.1	1.0
Inventories	8.b	208.0	233.3
Derivative financial instruments	7.d	11.3	-
Income tax receivables	14	35.1	0.3
Prepayments		79.1	43.2
Other current assets	15.a	7.7	1,964.1
Total current assets		1,380.3	3,030.3
Non-current assets			
Other financial assets		30.1	14.8
Investments in joint venture	15.b	238.1	217.5
Other investments	15.c	731.0	776.4
Property, plant and equipment	10	3,106.5	2,770.0
Right of use assets	11	1,502.2	1,123.2
Intangible assets	12	2,754.1	1,547.3
Deferred tax assets	14	339.9	264.2
Prepayments		10.7	10.9
Derivative financial instruments	7.d	29.6	-
Other non-current receivables	8.a	7.1	7.8
Total non-current assets		8,749.3	6,732.1
TOTAL ASSETS		10,129.6	9,762.4
LIABILITIES			
Current liabilities			
Trade and other creditors	8.c	1,281.5	1,085.2
Lease liabilities	7.c	57.1	53.8
Derivative financial instruments	7.d	-	2.8
Provisions	15.d	92.3	89.1
Income tax payables	14	21.9	6.1
Total current liabilities		1,452.8	1,237.0
Non-current liabilities			
Loans and borrowings	7.b	2,498.2	2,585.8
Lease liabilities	7.c	2,208.4	1,835.4
Provisions	15.d	121.1	121.0
Derivative financial instruments	7.d	-	4.3
Other creditors		11.7	10.2
Deferred tax liabilities	14	112.6	14.7
Total non-current liabilities		4,952.0	4,571.4
TOTAL LIABILITIES		6,404.8	5,808.4
NET ASSETS		3,724.8	3,954.0
EQUITY			
Issued capital	6.a	2,197.6	2,197.6
Treasury shares	6.b	(72.4)	(76.7)
Convertible Adjustable Rate Equity Securities (CARES)	6.c	252.2	252.2
Other reserves		(101.1)	(41.3)
Retained earnings		1,437.8	1,613.7
Parent interests		3,714.1	3,945.5
Non-controlling interests		10.7	8.5
TOTAL EQUITY		3,724.8	3,954.0

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

3. Financial Results

Ramsay Health Care Funding Group

Combined Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Issued Capital (Note 6.a)	Treasury Shares (Note 6.b)	CARES (Note 6.c)	Other Reserves	Retained Earnings	Non- controlling Interests	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
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	-	-	-	(63.4)	176.0	2.8	115.4
Dividends paid	-	-	-	-	(351.9)	(0.6)	(352.5)
Treasury shares vesting to employees	-	4.3	-	(4.3)	-	-	-
Share based payment expense for employees	-	-	-	7.9	-	-	7.9
As at 30 June 2022	2,197.6	(72.4)	252.2	(101.1)	1,437.8	10.7	3,724.8
As at 1 July 2020	2,197.6	(78.2)	252.2	(53.1)	1,328.1	6.4	3,653.0
Total Comprehensive Income	-	-	-	4.7	400.9	3.7	409.3
Dividends paid	-	-	-	-	(115.3)	(1.6)	(116.9)
Treasury shares vesting to employees	-	1.5	-	(1.5)	-	-	-
Share based payment expense for employees	-	-	-	8.6	-	-	8.6
As at 30 June 2021	2,197.6	(76.7)	252.2	(41.3)	1,613.7	8.5	3,954.0

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

Combined Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$m	2021 \$m
Cash flows from operating activities			
Receipts from customers		6,597.8	6,353.6
Payments to suppliers and employees		(5,786.2)	(5,376.3)
Income tax paid	14	(168.1)	(193.9)
Lease finance costs	3	(129.9)	(120.6)
Other finance costs		(51.7)	(45.4)
Net cash flows from operating activities	7.a	461.9	617.4
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(389.8)	(306.6)
Proceeds from sale of businesses and non-current assets		10.6	25.1
Interest and dividends received		3.4	33.0
Business combinations, net of cash received	9	(806.8)	-
Business combination consideration returned from/(held in) escrow	15.a	1,967.8	(1,951.5)
Acquisition of investments		(23.4)	(0.7)
Net cash flows from/(used in) investing activities		761.8	(2,200.7)
Cash flows from financing activities			
Dividends paid to equity holders of the parent	4	(351.9)	(115.3)
Dividends paid to non-controlling interests		(0.6)	(1.6)
Repayment of lease principal		(55.6)	(50.6)
Payment of refinancing costs		(0.4)	(12.2)
Proceeds from borrowings with related entities		0.9	1.6
Proceeds from borrowings		4,985.7	3,849.8
Repayment of borrowings		(5,729.7)	(2,673.5)
Net cash flows (used in)/from financing activities		(1,151.6)	998.2
Net increase/(decrease) in cash and cash equivalents		72.1	(585.1)
Net foreign exchange differences on cash held		(2.1)	0.5
Cash and cash equivalents at beginning of year		42.9	627.5
Cash and cash equivalents at end of year	7.a	112.9	42.9

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Overview



This section sets out the basis on which the Ramsay Funding Group's financial report is prepared as a whole. Where a significant accounting policy is specific to a note, the policy is described within that note.

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 year ended 30 June 2022 was authorised for issue on 27 April 2023 in accordance with a resolution of the Directors of Ramsay Health Care Limited.

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. These are the entities that are part of the Syndicated Facility Agreement which is further outlined in Note 7.b.

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 includes 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 at Note 15.c. 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 Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standard Board (**AASB**) and International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**) (collectively referred to as **IFRS**);
- has been prepared on the basis of historical cost, except for derivative financial instruments;
- is presented in Australian Dollars;
- presents reclassified comparative information where necessary to conform to changes in presentation in the current 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 2021

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2021. The nature and effect of these changes are disclosed below.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2: Amendments to AASB 4, AASB 7, AASB 9, AASB 16 and AASB 139

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (**IBOR**) is replaced with an alternative nearly risk-free interest rate (**RFR**).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the combined financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

COVID-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 Leases AASB 2021-3 Amendments to AASs – COVID-19 Related Rent Concessions beyond 30 June 2021 – Amendment to AASB 16 Leases

The IASB/AASB amended the conditions of the practical expedient in IFRS 16/AASB 16 that provides relief to lessees from applying the IFRS 16/AASB 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID related rent concession the same way it would account for the change under IFRS 16/AASB 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

This amendment had no material impact on the combined financial statements of the Group.

d Accounting standards and interpretations issued or amended 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.

e Basis of combination

The combined financial statements comprise the financial statements of the Ramsay Health Care Funding Group as at and for the period ended 30 June each year.

Combination of an entity begins when the entity enters the Funding Group and ceases when the entity exits the Funding Group. Assets, liabilities, income and expenses of an entity entering or exiting the Funding Group during the year are included in the Combined Financial Statements from the date they enter the Funding Group until the date they exit the Funding Group.

When necessary, adjustments are made to the financial statements of entities to bring their accounting policies into line with the Funding Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Funding Group are eliminated in full on combination.

f 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:

Note 7.c	Lease liabilities	Page 29
Note 9	Business combinations	Page 37
Note 10	Property, plant and equipment	Page 38
Note 12	Intangible assets	Page 41
Note 13	Impairment testing of goodwill	Page 44
Note 14	Taxes	Page 45
Note 15.d	Provisions	Page 50
Note 17	Share based payment plans	Page 56

g Current versus non-current classification

The Group presents assets and liabilities in the Combined 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.

h Foreign currency translation

Both the functional and presentation currency of Ramsay Health Care Limited and its Australian Funding Group entities is Australian dollars (A\$). Each entity in the Funding 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 Funding Group entities are: British pounds for the UK entities. As at the reporting date the assets and liabilities of the overseas entities are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

Notes to the Combined Financial Statements

Results for the Year

Ramsay Health Care Funding Group

I Results for the Year



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

1 Segment information



The Managing Director examines the Group's performance and allocates resources from a geographic perspective and has identified two different business units. The segment information discloses the financial performance and total assets and liabilities of each operating business.

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 Funding 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 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)
As at 30 June 2021				
Assets & liabilities				
Segment assets	7,810.0	3,399.7	(1,447.3)	9,762.4
Segment liabilities	(3,662.3)	(2,967.9)	821.8	(5,808.4)

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

Segment revenue reconciliation to Income Statement

	2022 \$m	2021 \$m
Total segment revenue and other income	6,681.2	6,486.2
Intersegment revenue elimination	(5.6)	(0.9)
Interest income	0.0	4.0
Total revenue and other income	6,675.6	6,489.3

1 Segment information (Continued)

Profit or loss by segment

	Asia Pacific \$m	UK \$m	Total \$m
Year ended 30 June 2022			
Revenue from contracts with customers	5,343.7	1,321.5	6,665.2
Other income – income from sale of development assets	1.8	-	1.8
Other income – net profit on disposal of non-current assets	8.6	-	8.6
Total revenue and other income before intersegment revenue	5,354.1	1,321.5	6,675.6
Intersegment revenue	5.6	-	5.6
Total segment revenue and other income	5,359.7	1,321.5	6,681.2
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)¹	725.5	82.0	807.5
Rent ²	(11.9)	(1.9)	(13.8)
Earnings before interest, tax, depreciation and amortisation (EBITDA)³	713.6	80.1	793.7
Depreciation, amortisation and impairment	(246.3)	(106.3)	(352.6)
Earnings before interest and tax (EBIT)⁴	467.3	(26.2)	441.1
Net finance costs			(187.9)
Income tax expense			(74.4)
Net profit after tax			178.8
Year ended 30 June 2021			
Revenue from contracts with customers	5,440.8	1,024.1	6,464.9
Other income – income from sale of development assets	20.4	-	20.4
Total revenue and other income before intersegment revenue	5,461.2	1,024.1	6,485.3
Intersegment revenue	0.9	-	0.9
Total segment revenue and other income	5,462.1	1,024.1	6,486.2
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)¹	868.4	182.5	1,050.9
Rent ²	(11.4)	(1.2)	(12.6)
Earnings before interest, tax, depreciation and amortisation (EBITDA)³	857.0	181.3	1,038.3
Depreciation, amortisation and impairment	(219.1)	(88.4)	(307.5)
Earnings before interest and tax (EBIT)⁴	637.9	92.9	730.8
Net finance costs			(157.0)
Income tax expense			(169.0)
Net profit after tax			404.8

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 Revenue and other income



The Group primarily derives revenue from providing health care and related services to both public and private patients in the community.

2.a Revenue from contracts with customers

	2022 \$m	2021 \$m
Revenue from patients	6,316.4	5,829.6
Revenue from governments under COVID support contracts	138.4	428.6
Rental revenue	46.7	42.4
Revenue from ancillary services	163.7	164.3
Revenue from contracts with customers	6,665.2	6,464.9

2 Revenue and other income (Continued)



Accounting Policies

Revenue is recognised and measured at the amount of the consideration received or receivable to the extent that the performance obligations under contracts have been satisfied 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 are provided to the patient.

REVENUE FROM GOVERNMENTS UNDER COVID SUPPORT CONTRACTS

Since 2020, specific contracts have been entered into with various government bodies under which Ramsay made available its facilities and services, including equipment and staff, to assist with the respective government's response to the COVID pandemic. Each of the revenue agreements are specific to each government body as follows:

Australia

Agreements with the state governments of NSW, WA, QLD and VIC (each a State) commenced from either 31 March or 1 April 2020.

In return for the commitment to maintain full workforce capacity at the facilities, Ramsay has received, and recognised as revenue, net recoverable costs (being recoverable costs less any revenue generated from operations, calculated on an accruals basis). Recoverable costs include direct operating costs, service costs, corporate overhead costs (to the extent related to the provision of service), depreciation associated with pre-existing capital, which is owned, and depreciation associated with lease assets. Interest and debt servicing costs are excluded.

The agreements expire on various dates, depending on each State's requirements. These end dates are (in most cases) 20 or 30 days after the State gives notice but not before: in the case of VIC, the temporary restrictions imposed on private hospitals performing category 3 and non-urgent category 2 surgeries have been lifted; in the case of QLD, the State determines that activation of the Australian Health Sector Emergency Response Plan for Novel Coronavirus 2019 has ceased; and, in the case of NSW, the date notified by the Commonwealth government as being the last date covered by the private hospital financial viability payment under the National Partnership Agreement.

Recoverable costs and revenue amounts are aggregated quarterly with each quarter considered separately. Where the revenue amounts exceed recoverable costs the payment for that quarter is deemed to be zero.

VIC and QLD include a "Pause and Restart" mechanism whereby the State can put the agreement on pause allowing the Operator to return to normal operations and relieves the State of any payment obligations during the pause while allowing the State to restart the contract to provide COVID pandemic support when necessary. The QLD State government agreed to Ramsay's request to put the agreement on hold from 30 June 2020, but it recommenced from 20 December 2021. While the VIC agreement was paused from 31 March 2021, it recommenced from 1 October 2021 through 30 November 2021 and then recommenced again from 1 January 2022 and was in place until 27 February 2022. The NSW agreement does not have a Pause and Restart mechanism and remains on foot.

The original agreement with the State government of WA expired and was replaced with a new agreement with essentially the same terms effective 1 April 2022 with an Initial Term of 12 months, plus a Further Term of 6 months at the discretion of the Department.

UK

A new, volume based agreement with NHS England (**NHSE**) came into effect on 10 January 2022 and expired on 31 March 2022. A volume based agreement was also in place, in the prior period, from 1 January 2021 and expired on 31 March 2021. Ramsay was able to continue providing private patient activity during the relevant periods.

Future events could cause the assumptions on which these revenue accruals are based to change, which could affect the future results of the Group. As the revenue recognised by the Group in accordance with the contracts is variable, revenue has been recognised only to the extent that it is highly probable that a significant revenue reversal of the cumulative amount of revenue will not occur when the uncertainty associated with the variable consideration is resolved.

RENTAL REVENUE

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.

REVENUE FROM ANCILLARY SERVICES

Income from ancillary services is recognised on the date the services are provided to the customer.

2 Revenue and other income (Continued)

2.b Other income - miscellaneous

	2022 \$m	2021 \$m
Interest income	-	4.0
Other income – income from sale of development assets	1.8	20.4
Other income – net profit on disposal of non-current assets	8.6	-
	10.4	24.4



Accounting Policies

INTEREST INCOME

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.

INCOME FROM SALE OF DEVELOPMENT ASSETS

Income from sale of development assets is recognised when the control of the development asset is transferred to the purchaser.

Notes to the Combined Financial Statements

Results for the Year

Ramsay Health Care Funding Group

3 Expenses



A breakdown of specific expenses helps users understand the financial performance of the Group.

	Note	2022 \$m	2021 \$m
(i) Depreciation			
Depreciation – Plant and equipment	10	165.0	150.6
Depreciation – Buildings	10	78.6	65.8
Depreciation – Right of use assets – Leased property	11	80.9	76.3
Depreciation – Right of use assets – Leased plant and equipment	11	2.4	0.4
Total		326.9	293.1
(ii) Amortisation			
Amortisation – Service concession assets	12	8.2	7.5
Amortisation – Other	12	7.4	6.9
Total		15.6	14.4
(iii) Impairment			
Impairment – Land and buildings	10	4.1	-
Impairment – Intangible assets	12	6.0	-
Total		10.1	-
Total depreciation, amortisation and impairment		352.6	307.5
(iv) Property rental costs (included in occupancy costs)			
Expenses relating to short term leases	7.c	2.7	3.2
Expenses relating to leases of low value assets	7.c	5.8	7.3
Variable lease payments	7.c	0.9	0.9
(v) Employee benefit and contractor costs			
Wages and salaries		3,339.8	3,012.7
Workers' compensation		8.7	18.5
Superannuation		197.9	206.7
Termination benefits		3.2	3.3
Social charges and contributions on wages and salaries		35.2	10.9
Other employment		38.7	24.8
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)		13.0	11.7
Total		3,636.5	3,288.6
(vi) Finance costs			
Interest expenses		59.2	42.6
Finance charges – Lease liability	7.c	129.9	120.6
		189.1	163.2
Finance costs capitalised		(1.2)	(2.2)
Total		187.9	161.0



Accounting Policies

FINANCE COSTS

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

4 Dividends



Dividends are a portion of Ramsay Group's profit that are paid out to its shareholders, in return for their investment.

	Parent Entity	
	2022 \$m	2021 \$m
(i) Dividends determined and paid during the year on ordinary shares:		
<i>Current year interim dividend paid</i>		
Franked dividends – ordinary (48.5 cents per share) (2021: 48.5 cents per share)	111.0	106.2
<i>Previous year final dividend paid</i>		
Franked dividends – ordinary (103.0 cents per share) (2021: 0.0 cents per share) ¹	231.9	-
	342.9	106.2
(ii) Dividends proposed and not recognised as a liability on ordinary shares:		
<i>Current year final dividend proposed</i>		
Franked dividends – ordinary (48.5 cents per share) (2021: 103.0 cents per share)	111.0	231.9
(iii) Dividends determined and paid during the year on CARES:		
<i>Current year interim and previous year final dividend paid</i>		
Franked dividends – CARES	9.0	9.1
(iv) Dividends proposed and not recognised as a liability on CARES:		
<i>Current year final dividend proposed</i>		
Franked dividends – CARES	5.3	4.5
(v) 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% (2021: 30%)	851.9	839.7
franking credits that will arise from the payment of income tax payable as at the end of the financial year ²	16.1	14.6
	868.0	854.3
The amount of franking credits available for future reporting periods:		
impact on the franking account of dividends proposed or determined before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(49.9)	(103.0)
	818.1	751.3

¹ No final dividend determined for FY20.

² As Ramsay Health Care Ltd and its 100% owned Australian 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% (2021: 30%). \$116.3 million (2021: \$236.4 million) of the proposed dividends will be franked at the rate of 30% (2021: 30%).

Notes to the Combined Financial Statements

Results for the Year

Ramsay Health Care Funding Group

5 Earnings per share



Earnings per share is the portion of post-tax profit allocated to each Ramsay ordinary share.

	2022 \$m	2021 \$m
Net profit for the year	176.0	401.1
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(9.0)	(9.1)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	167.0	392.0

	2022 Number of Shares (m)	2021 Number of Shares (m)
Weighted average number of ordinary shares used in calculating basic earnings per share	227.8	227.7
Effect of dilution – share rights not yet vested	0.5	0.7
Weighted average number of ordinary shares adjusted for the effect of dilution	228.3	228.4

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.

	2022 Cents per Share	2021 Cents per Share
Earnings per share (EPS)		
Basic earnings per share (after CARES dividend)	73.3	172.2
Diluted earnings per share (after CARES dividend)	73.1	171.6

Calculation of earnings per share

Basic earnings per share

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

II Capital – Financing



This section discusses how the Ramsay Group manages funds and maintains capital structure, including bank borrowings, related finance costs and access to capital markets.

How the Funding Group manages its capital – Financing

The Group manages its capital structure with the objective of ensuring it will be able to continue as a going concern as well as maintaining optimal returns to shareholders and benefits for its stakeholders. The Group also aims to maintain a capital structure that is consistent with its targeted credit ratings, ensuring sufficient headroom is available within such ratings to support its growth strategies at an optimised weighted average cost of capital. Prudent liquidity reserves in the form of committed undrawn bank debt facilities or cash are maintained in order to accommodate its expenditures and potential market disruption.

The Group may raise or retire debt, adjust its dividend policy, return capital to shareholders, issue new shares or financial instruments containing characteristics of equity, 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 2022, dividends of \$351.9 million (2021: \$115.3 million) were paid. For the year ended 30 June 2022, fully franked ordinary dividends of 97.0c (2021: 151.5c) per share were determined.

The group monitors its capital structure primarily by reference to its debt financial covenants and credit rating gearing metrics. Debt levels under the Group's financial covenants are assessed relative to the cash operating profits (EBITDA¹) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA¹ and is 3.20x for the year ended 30 June 2022 (2021: 2.84x), however lending facilities within the Group contain calculations and thresholds specific to each facility and borrowing groups having access to such facilities. Escrow funds of \$1.96 billion were recorded in the Statement of Financial Position at 30 June 2021 resulting in a higher than normal leverage. A normalised Funding Group Leverage Ratio of 0.66x was calculated for 30 June 2021 after reducing Net Debt by the \$1.96 billion cash held in escrow on 30 June 2021. These escrow funds were retrieved in July 2021 and used to repay debt.

The Group has committed senior debt funding with various maturities starting in November 2022 and ending in June 2031. As such, certain subsidiaries must comply with various financial and other undertakings in particular, the following customary financial undertakings:

- Total Net Leverage Ratio (Net Debt/EBITDA¹)
- Interest Cover Ratio (EBITDA¹/ Net Interest)
- Minimum Shareholders Funds

The facilities maturing in November 2022 have a tenure of one year and are extended every six months.

The entities in the Funding 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.

Details of Capital – Financing are as follows:	Note	2022 \$m	2021 \$m
Equity	6	3,724.8	3,954.0
Net Debt	7	4,609.9	4,439.2
		8,334.7	8,393.2

¹ EBITDA is Earnings before Interest, Tax, Depreciation and Amortisation pre IFRS 16/AASB 16 Leases.

Notes to the Combined Financial Statements

Capital – Financing

Ramsay Health Care Funding Group

6 Equity

	Note	2022 \$m	2021 \$m
Issued capital	6.a	2,197.6	2,197.6
Treasury shares	6.b	(72.4)	(76.7)
Convertible Adjustable Rate Equity Securities (CARES)	6.c	252.2	252.2
Other reserves		(101.1)	(41.3)
Retained earnings		1,437.8	1,613.7
Non-controlling interests		10.7	8.5
		3,724.8	3,954.0

6.a Issued capital



Issued capital represents the amount of consideration received for the ordinary shares issued by Ramsay Health Care Limited (the Company).

Issued and paid up capital

	2022 Number (m)	2022 \$m	2021 Number (m)	2021 \$m
As at 1 July and 30 June	228.9	2,197.6	228.9	2,197.6

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.



Accounting Policies

ORDINARY SHARES

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.b Treasury shares



Treasury shares are the shares repurchased on the open market, for the share rights issued to employees under the Employee Share Plan.

	2022 \$m	2021 \$m
1.1 million ordinary shares (30 June 2021: 1.1 million ordinary shares)	72.4	76.7

Nature & Purpose

Treasury shares are shares in the Company held by the Employee Share Plan and are deducted from equity.

6 Equity (Continued)

6.c Convertible Adjustable Rate Equity Securities (CARES)



Convertible Adjustable Rate Equity Securities (CARES) are non-cumulative, redeemable and convertible preference shares in Ramsay Health Care Limited.

Issued and paid up capital

	2022 \$m	2021 \$m
2.6 million CARES shares fully paid (30 June 2021: 2.6 million CARES shares fully paid)	252.2	252.2

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 share in Ramsay.
Face Value	\$100 Per CARES.
Dividends	<p>The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to:</p> <p>Dividend Entitlement = (Dividend Rate x Face Value x N) / 365</p> <p>where:</p> <p>N is the number of days in the Dividend Period</p> <p>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.</p> <p>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.</p>
Dividend Rate	<p>The Dividend Rate for each Dividend Period is calculated as:</p> <p>Dividend Rate = (Market Rate + Margin) x (1-T)</p> <p>where:</p> <p>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.</p> <p>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.</p> <p>T is the prevailing Australian corporate tax rate applicable on the Allotment Date.</p> <p>As Ramsay did not convert or exchange by 20 October 2010, the Margin was increased by a one-time step up of 2.00% (200 basis points) per annum.</p>
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	<p>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.</p> <p>If, on a Dividend Payment Date, the Australian corporate tax rate differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.</p>
Conversion or exchange by Ramsay	<p>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.</p> <p>Ramsay also has the right to:</p> <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. <p>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.</p>
Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during 20 business days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 shares.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meeting of Ramsay except in limited circumstances.

Notes to the Combined Financial Statements

Capital – Financing

Ramsay Health Care Funding Group

7 Net debt

	Note	2022 \$m	2021 \$m
Cash and cash equivalents	7.a	112.9	42.9
Lease liabilities – current	7.c	(57.1)	(53.8)
Loans and borrowings – non-current	7.b	(2,498.2)	(2,585.8)
Lease liabilities – non-current	7.c	(2,208.4)	(1,835.4)
Net derivative assets / (liabilities) – debt related	7.d	40.9	(7.1)
		(4,609.9)	(4,439.2)

7.a Cash and cash equivalents



Cash and cash equivalents comprise of cash at bank, cash on hand and short-term deposits with a maturity of less than three months. This note presents the amount of cash on hand at year end, together with further reconciliations in relation to the Statement of Cash Flows.

	2022 \$m	2021 \$m
Cash at bank and on hand	112.9	42.9

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.



Accounting Policies

CASH AND CASH EQUIVALENTS

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

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

Reconciliation to Statement of Cash Flows

	2022 \$m	2021 \$m
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	112.9	42.9

7 Net debt (Continued)

Reconciliation of net profit after tax to net cash flows from operations

	2022 \$m	2021 \$m
Net profit after tax for the year	178.8	404.8
Adjustments for:		
Share of profit of joint venture	(15.5)	(10.9)
Depreciation, amortisation and impairment	352.6	307.5
Interest received	-	(4.0)
Share-based payments	13.0	11.7
Other	17.1	(9.8)
Changes in assets & liabilities:		
Deferred tax	(58.9)	(15.5)
Receivables	(45.7)	(99.7)
Other assets	(5.0)	20.5
Creditors, accruals and other liabilities	20.5	19.6
Provisions	2.7	6.8
Inventories	26.7	(4.1)
Current tax	(24.4)	(9.5)
Net cash flows from operating activities	461.9	617.4

Reconciliation of liabilities arising from financing activities

	As at 1 July 2021 \$m	Cash Flows \$m	Foreign Exchange Movement \$m	New Leases \$m	Business Combinations \$m	Disposal/ Termination or Reassessment of Leases \$m	Other \$m	As at 30 June 2022 \$m
Loans and borrowings – current	-	(648.3)	(9.3)	-	657.7	-	(0.1)	-
Loans and borrowings – non-current	2,585.8	(95.7)	(0.9)	-	1.8	-	7.2	2,498.2
Lease Liabilities	1,889.2	(55.6)	(82.9)	34.4	471.2	9.2	-	2,265.5
Total	4,475.0	(799.6)	(93.1)	34.4	1,130.7	9.2	7.1	4,763.7

	As at 1 July 2020 \$m	Cash Flows \$m	Foreign Exchange Movement \$m	New Leases \$m	Disposal/ Termination or Reassessment of Leases \$m	Other \$m	As at 30 June 2021 \$m
Loans and borrowings – non-current	1,386.4	1,176.3	29.1	-	-	(6.0)	2,585.8
Lease Liabilities	1,751.3	(50.6)	32.9	138.5	17.1	-	1,889.2
Total	3,137.7	1,125.7	62.0	138.5	17.1	(6.0)	4,475.0

Disclosure of financing facilities

Refer to Note 7.b.

Notes to the Combined Financial Statements

Capital – Financing

Ramsay Health Care Funding Group

7 Net debt (Continued)

7.b Loans and borrowings



This note outlines the Group's loans and borrowings, which are predominantly from banks and other financial institutions, with varying maturities.

	Maturity	2022 \$m	2021 \$m
Non-current			
Unsecured bank and other financial institution loans:			
A\$ 1,500,000,000 Syndicated Facility Loan ¹	Up to Jul 2026	1,443.1	1,195.4
A\$ 600,000,000 Syndicated Facility Loan ²	Dec 2023	599.5	716.5
A\$ 200,000,000 Bi-lateral Term Loan ³	Oct 2024	-	199.6
€ 300,000,000 Syndicated Facility Loan ⁴	Oct 2024	455.6	474.3
Total loans and borrowings		2,498.2	2,585.8

¹ Sustainability linked syndicated revolving bank debt facility with equal tranches which mature over 3 years, 4 years and 5 years.

² Syndicated revolving bank debt facility. Facility was downsized in November 2021 from A\$800 million to A\$600 million. The shortfall was replaced by the creation of A\$200 million of bi-lateral facilities.

³ Bi-lateral term loan facility and repayable in full on maturity.

⁴ Syndicated revolving bank debt facility.

RAMSAY AND ITS WHOLLY OWNED SUBSIDIARIES

Ramsay Funding Group prepaid A\$200 million in bi lateral term debt facility in November 2021. 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 (CTDP).

Fair values

The fair values of the Group's interest bearing loans and borrowings are determined by using the discounted cash flow method with discount rates that reflect market interest rates, specific country risk factors, individual creditworthiness of the counterparties and the other risk characteristics associated with the underlying debts.

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 1.104% to 1.793% (2021: 0.060% to 0.0803%) for Australia.

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.

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$m	\$m	\$m	\$m
Bank loans	2,498.2	2,510.6	2,585.8	2,626.9

Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 16.

Assets pledged as security

No assets have been pledged as security for the loans and borrowings.



Accounting Policies

LOANS AND BORROWINGS

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Losses are recognised in profit or loss when the liabilities are derecognised.

7 Net debt (Continued)

7.c Lease liabilities



The Group has lease contracts for the use of hospitals, office space and various items of equipment and vehicles which it uses in its operations. Leases of hospitals and office space can have lease terms between 5 and 120 years, while vehicles and equipment generally have lease terms between 5 and 10 years.

Generally, the Group is restricted from assigning and subleasing the leased assets. A number of the lease contracts include extensions, termination options and variable lease payments, which are discussed below.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with a low value. The Group applies the 'short term lease' and 'lease of low value assets' recognition exemptions for these leases.

	2022 \$m	2021 \$m
As at 1 July	1,889.2	1,751.3
Additions	34.4	138.5
Business combinations	471.2	0.0
Disposals or terminations	(2.1)	(1.4)
Payments	(185.5)	(171.2)
Accretion of interest	129.9	120.6
Reassessment of lease terms	11.3	18.5
Exchange differences	(82.9)	32.9
As at 30 June	2,265.5	1,889.2
	2022 \$m	2021 \$m
Current lease liabilities	57.1	53.8
Non-current lease liabilities	2,208.4	1,835.4
Total lease liabilities	2,265.5	1,889.2

Assets pledged as security

The carrying amounts of assets pledged as security for lease liabilities are set out in the following table:

	2022 \$m	2021 \$m
Leased assets pledged as security	445.8	-

Cash outflows

The Group had total cash outflows for leases of approximately \$194.9 million in 2022 (2021: \$182.6 million) - the principal portion of lease payments totalled \$55.6 million (2021: \$50.6 million), interest payments totalled \$129.9 million (2021: \$120.6 million) and other payments relating to low-value assets, short term and variable lease payments totalled approximately \$9.4 million (included in payments to suppliers and employees) (2021: \$11.4 million).

7 Net debt (Continued)



Accounting Policies

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets, being those with a cost of \$50,000 or less; and
- Leases with a term of 12 months or less.

LEASE LIABILITIES

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

LEASE ASSETS

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the shorter of the useful life of the asset or the term of the lease. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of the lease.

The Group applies the short term lease recognition exemption to its short term lease of equipment, being those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the low-value assets recognition exemption to leases of equipment that are considered to be of low value. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight line basis over the lease term.



Key Accounting Judgements, Estimates and Assumptions

LEASE TERM

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the options to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

DISCOUNT RATES

The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate (IBR). The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

7 Net debt (Continued)

7.d Derivative financial instruments



A derivative is a financial instrument typically used to manage an underlying risk, using futures, swaps and options. The value change of a derivative is related to changes in a variable, such as interest rate or foreign exchange rate. The Group uses derivatives to manage exposure to foreign exchange and interest rate risk.

	2022 \$m	2021 \$m
Current assets		
Interest rate and foreign exchange derivative contracts – cash flow hedges	8.9	-
Interest rate and foreign exchange derivative contracts – economic hedges	2.4	-
Non-current assets		
Interest rate and foreign exchange derivative contracts – cash flow hedges	29.6	-
Interest rate and foreign exchange derivative contracts – economic hedges	-	-
	40.9	-
Current liabilities		
Interest rate and foreign exchange derivative contracts – cash flow hedges	-	(2.8)
Non-current liabilities		
Interest rate and foreign exchange derivative contracts – cash flow hedges	-	(4.3)
	-	(7.1)
Net derivative assets/(liabilities)	40.9	(7.1)

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.

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 base interest rate excluding margin of 1.477% (2021: 0.0666%). Interest bearing loans in Euro of the Group currently bear a zero variable base interest rate excluding margin (2021: 0%) pursuant to an interest rate floor within the facility agreements whereby base interest rate (EURIBOR) is deemed to be zero when it is negative.

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 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 30% (2021: 5%) of the floating principal outstanding.

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.

Interest rate risk

Information regarding interest rate risk exposure is set out in Note 16.

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 ratings in order to manage this credit risk.

Notes to the Combined Financial Statements

Capital – Financing

Ramsay Health Care Funding Group

7 Net debt (Continued)

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.

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:

	2022 \$m	2021 \$m
0-1 years	100.0	-
1-2 years	210.0	-
2-3 years	300.0	110.0
3-5 years	450.0	-
Over 5 years	-	-
	1,060.0	110.0

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.



Accounting Policies

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.

7 Net debt (Continued)



Accounting Policies

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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

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 predominantly interest rate swap contracts as hedges of its exposure to fluctuations in interest rates. There is an economic relationship between the hedged item and the hedging instrument as the term of the interest rate swap matches the terms of the variable rate loan (that is, notional amount, maturity, base rate, payment and reset dates).

The Group only designates the intrinsic value of the interest rate option contracts as hedging instruments. The time value of the interest rate option contracts are recognised in Other Comprehensive Income and accumulated in a separate component of equity under the cost of Hedging Reserve. These deferred costs of hedging are recognised in the profit or loss on a systematic basis over the tenor of the interest rate option contracts.

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.

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; or
- A discounted cash flow analysis or other valuation models.

Fair value of derivative financial instruments

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

Notes to the Combined Financial Statements

Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

III Assets and Liabilities – Operating and Investing



This section outlines how the Ramsay Funding Group manages its assets and liabilities to generate profit.

How the Funding Group manages its overall financial position

The Funding 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	2022 \$m	2021 \$m
Working capital	8	(147.3)	(105.4)
Property, plant and equipment	10	3,106.5	2,770.0
Right of use assets	11	1,502.2	1,123.2
Intangible assets	12	2,754.1	1,547.3
Current and deferred tax assets	14	240.5	243.7
Other assets/(liabilities)	15	878.7	2,814.4
		8,334.7	8,393.2

8 Working capital

	Note	2022 \$m	2021 \$m
Trade and other receivables (current)	8.a	926.2	746.5
Inventories	8.b	208.0	233.3
Trade and other creditors (current)	8.c	(1,281.5)	(1,085.2)
		(147.3)	(105.4)

Consistent with prior periods, the Group 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 \$450 million as at 30 June 2022.

The change in working capital during the year is mostly as a result of an increase in the trade and other creditors as a result of the acquisition of Elysium and an increase in expenses as a result of increased activity during the year.

8.a Trade and other receivables



Trade and other receivables primarily consists of amounts outstanding from Governments, Health Funds and Self Insured patients for delivering health care and related services.

	2022 \$m	2021 \$m
Current		
Trade and other receivables	962.6	769.0
Receivables from related entities	0.1	1.0
Allowances for impairment loss	(36.5)	(23.5)
	926.2	746.5
Non-current		
Rental property bonds receivable	1.9	1.8
Other loans receivable	5.2	6.0
	7.1	7.8
Total	933.3	754.3

8 Working capital (Continued)

Allowances for impairment loss

An allowance for expected credit loss (ECL) is recognised based on the difference between the contractual cash flows and the expected cash flows. The Group has applied a simplified approach in calculating ECLs by establishing a provision matrix for forward-looking factors specific to the debtors and the economic environment.

Movements in the allowances for impairment loss were as follows:

	2022 \$m	2021 \$m
As at 1 July	(23.5)	(37.1)
Charge for the year	(23.3)	-
Exchange differences	0.5	(2.3)
Amounts written off	9.8	(0.2)
Disposal of subsidiary	-	16.1
As at 30 June	(36.5)	(23.5)

Ageing analysis

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

	Total \$m	Neither past due nor impaired \$m	0-30 Days PDNI ¹ \$m	31-60 Days PDNI ¹ \$m	61-90 Days PDNI ¹ \$m	91+ Days PDNI ¹ \$m	Considered impaired \$m
2022	969.8	770.5	65.5	46.4	26.0	24.9	36.5
2021	777.8	662.2	45.9	27.7	11.0	7.5	23.5

¹ PDNI – Past due not impaired

Receivables past due but not considered impaired are: \$162.8 million (2021: \$92.1 million). 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 Government Authorities and creditworthy Health Funds.

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.

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.

Foreign exchange & interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 16.

Notes to the Combined Financial Statements

Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

8 Working capital (Continued)

8.b Inventories



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.

	2022 \$m	2021 \$m
Amount of medical supplies to be consumed in providing future patient services – at cost	159.6	187.8
Development assets to be sold that are currently under construction – at cost	48.4	45.5
Total	208.0	233.3

Inventory expense

Medical supplies recognised as an expense for the year ended 30 June 2022 totalled \$1,726.6 million (2021: \$1,702.0 million) for the Group. This expense has been included in the expense category 'medical consumables and supplies' in the Income Statement. The cost of development assets sold which has been recognised as an expense for the year ended 30 June 2022 totalled \$1.4 million (2021: \$8.5 million) for the Group. This expense has been included in the expense category 'cost of development assets sold' in the Income Statement.



Accounting Policies

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.

8.c Trade and other creditors



Trade and other creditors consists of amounts owing to employees and suppliers for goods and/or services delivered and customer amounts paid in advance of provision of services.

	2022 \$m	2021 \$m
Trade creditors	526.5	313.8
Accrued expenses	335.5	345.8
Employee and Director entitlements	411.9	418.2
Other creditors	7.6	7.4
Total	1,281.5	1,085.2

Fair value

Trade and other creditors amounts 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.

Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk exposure are set out in Note 16.

9 Business combinations



Ramsay's growth has been driven, in part, by acquisitions of businesses within the healthcare sector.

Elysium – 2022

On 31 January 2022, Ramsay acquired 100% of the voting shares of the leading UK based mental healthcare provider Elysium Healthcare (**Elysium**) for \$1.5 billion, consisting of \$0.7 billion of bank loans acquired with the business that were repaid and \$0.8 billion paid for in cash. The acquisition was funded through Ramsay's existing debt facilities.

Elysium is a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions and has a strong partnership with the UK National Health Service.

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	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
Business combination date fair value of consideration transferred	812.6
The cash outflow as a result of the business combination is as follows:	
Cash paid	(812.6)
Net cash acquired with the subsidiary	5.8
Net cash outflow	(806.8)
Direct costs relating to the business combination – included within service costs	20.0

The goodwill of \$1,313.4 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 Elysium 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 fair value of the acquired receivables amounts to \$82.4 million. The gross contractual amount receivable is \$84.3 million.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right of use assets were measured at an amount equal to the lease liabilities and adjusted for prepaid leases and lease incentives.

From the date of acquisition to 30 June 2022, Elysium contributed \$284.3 million of revenue and \$23.1 million to profit before interest and tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, 1 July 2021, revenue from continuing operations would have been \$688.5 million and profit before interest and tax from continuing operations for the Group would have been \$58.9 million.

Notes to the Combined Financial Statements

Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

10 Property, plant and equipment



Property, plant and equipment represents the investment by the Group in tangible assets such as land, buildings, hospital fit-outs and medical equipment.

	Land & Buildings \$m	Plant & Equipment \$m	Assets Under Construction \$m	Total \$m
30 June 2022				
Cost	2,966.2	2,229.6	398.4	5,594.2
Accumulated depreciation and impairment	(829.8)	(1,657.9)	-	(2,487.7)
	2,136.4	571.7	398.4	3,106.5
<i>Movement:</i>				
As at 1 July 2021	1,857.0	512.8	400.2	2,770.0
Additions	76.2	142.3	159.1	377.6
Transferred from assets under construction	124.7	70.5	(195.2)	-
Business combinations	179.3	37.6	37.7	254.6
Reclassification (Note 12)	1.2	(4.9)	-	(3.7)
Depreciation	(78.6)	(165.0)	-	(243.6)
Impairment	(4.1)	-	-	(4.1)
Disposals	(1.7)	(14.1)	(0.3)	(16.1)
Exchange differences	(17.6)	(7.5)	(3.1)	(28.2)
As at 30 June 2022	2,136.4	571.7	398.4	3,106.5
30 June 2021				
Cost	2,612.2	2,137.2	400.2	5,149.6
Accumulated depreciation and impairment	(755.2)	(1,624.4)	-	(2,379.6)
	1,857.0	512.8	400.2	2,770.0
<i>Movement:</i>				
As at 1 July 2020	1,809.1	520.5	386.9	2,716.5
Additions	17.3	81.0	185.6	283.9
Transferred from assets under construction	92.4	56.7	(149.1)	-
Reclassification (Note 12)	-	3.6	(24.4)	(20.8)
Depreciation	(65.8)	(150.6)	-	(216.4)
Disposals	(0.3)	(1.1)	-	(1.4)
Exchange differences	4.3	2.7	1.2	8.2
As at 30 June 2021	1,857.0	512.8	400.2	2,770.0
30 June 2020				
Cost	2,497.1	2,023.2	386.9	4,907.2
Accumulated depreciation and impairment	(688.0)	(1,502.7)	-	(2,190.7)
	1,809.1	520.5	386.9	2,716.5

10 Property, plant and equipment (Continued)



Accounting Policies

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 to 60 years
- Plant and equipment, other than plant integral to buildings – various periods not exceeding 10 years

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

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.

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 the Income Statement in the year the asset is derecognised.



Key Accounting Judgements, Estimates and Assumptions

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

Notes to the Combined Financial Statements

Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

11 Right of use assets



A right of use asset represents the Group's, as a lessee, right to use an asset over the life of a lease. See note 7.c for the Group's lease arrangements and related lease liabilities recognised.

	Leased Property \$m	Leased Plant & Equipment \$m	Total \$m
30 June 2022			
Cost	2,438.0	10.6	2,448.6
Accumulated depreciation and impairment	(943.6)	(2.8)	(946.4)
	1,494.4	7.8	1,502.2
<i>Movement:</i>			
As at 1 July 2021	1,119.8	3.4	1,123.2
Additions	27.6	6.8	34.4
Business combinations	471.2	-	471.2
Depreciation	(80.9)	(2.4)	(83.3)
Reassessment of lease terms	11.3	-	11.3
Disposals or terminations	(1.3)	-	(1.3)
Exchange differences	(53.3)	-	(53.3)
As at 30 June 2022	1,494.4	7.8	1,502.2
30 June 2021			
Cost	2,027.2	4.2	2,031.4
Accumulated depreciation and impairment	(907.4)	(0.8)	(908.2)
	1,119.8	3.4	1,123.2
<i>Movement:</i>			
As at 1 July 2020	1,027.4	0.6	1,028.0
Additions	134.4	3.2	137.6
Depreciation	(76.3)	(0.4)	(76.7)
Reassessment of lease terms	18.2	0.3	18.5
Disposals or terminations	(0.8)	(0.3)	(1.1)
Exchange differences	16.9	-	16.9
As at 30 June 2021	1,119.8	3.4	1,123.2
30 June 2020			
Cost	1,844.3	1.3	1,845.6
Accumulated depreciation and impairment	(816.9)	(0.7)	(817.6)
	1,027.4	0.6	1,028.0

Leased assets, where pledged, are used as security for the related lease liabilities. Refer note 7.c.

12 Intangible assets



The Group's investment in intangible assets includes goodwill, service concession assets and on-premise software.

	Goodwill \$m	Service Concession Assets \$m	Other ¹ \$m	Total \$m
30 June 2022				
Cost	2,690.5	105.1	112.9	2,908.5
Accumulated amortisation and impairment	-	(75.2)	(79.2)	(154.4)
	2,690.5	29.9	33.7	2,754.1
<i>Movement:</i>				
As at 1 July 2021	1,461.3	38.5	47.5	1,547.3
Additions	-	0.8	0.5	1.3
Business combinations	1,313.4	-	-	1,313.4
Reclassification (Note 10)	-	(0.7)	4.4	3.7
Amortisation	-	(8.2)	(7.4)	(15.6)
Disposals	-	(0.2)	(4.6)	(4.8)
Impairment	-	-	(6.0)	(6.0)
Exchange differences	(84.2)	(0.3)	(0.7)	(85.2)
As at 30 June 2022	2,690.5	29.9	33.7	2,754.1
30 June 2021				
Cost	1,461.3	103.9	120.6	1,685.8
Accumulated amortisation and impairment	-	(65.4)	(73.1)	(138.5)
	1,461.3	38.5	47.5	1,547.3
<i>Movement:</i>				
As at 1 July 2020	1,454.2	45.4	17.1	1,516.7
Additions	-	0.6	23.1	23.7
Reclassification (Note 10)	-	-	20.8	20.8
Amortisation	-	(7.5)	(6.9)	(14.4)
Disposals	-	-	(7.1)	(7.1)
Exchange differences	7.1	-	0.5	7.6
As at 30 June 2021	1,461.3	38.5	47.5	1,547.3
30 June 2020				
Cost	1,454.2	103.3	79.6	1,637.1
Accumulated amortisation and impairment	-	(57.9)	(62.5)	(120.4)
	1,454.2	45.4	17.1	1,516.7

¹ Mainly on-premise software costs, including both purchased and internally generated software.

12 Intangible assets (Continued)



Accounting Policies

GOODWILL

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. 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 *IFRS 8/AASB 8 Operating Segments*.

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.

SERVICE CONCESSION ASSETS

Service concession assets represent the Group's right 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'.

OTHER INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software 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.

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

- Service Concession Asset – over the term of the arrangement
- Software - 2 to 10 years

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.

12 Intangible assets (Continued)



Accounting Policies

	Service Concession Assets	Software costs
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the arrangement	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.



Key Accounting Judgements, Estimates and Assumptions

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

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Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

13 Impairment testing of goodwill



Goodwill arises when the Group acquires a business. It is the portion of the purchase price that is higher than the sum of the fair value of net assets acquired, which represents the synergies expected to arise from the acquisition. Goodwill is impaired when its historical cost exceeds its current recoverable amount.

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 operating 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. Goodwill is tested for impairment on an annual basis, as a minimum.

Goodwill has been allocated to the Asia Pacific operating segment and the UK operating segment as shown in the table below. The provisional goodwill acquired through acquisition of Elysium Healthcare has not been allocated to operating segments at 30 June 2022.

	Asia Pacific \$m	UK \$m	Unallocated \$m	Total \$m
2022	1,181.7	267.4	1,241.3	2,690.5
2021	1,181.7	279.6	-	1,461.3



Key Accounting Judgements, Estimates and Assumptions

The recoverable amount of the Asia Pacific operating segment and the UK operating segment has been determined based on a value in use calculation using cash flow projections as at 30 June 2022 based on financial estimates approved by senior management and the Board of Directors covering the following financial year. In determining the 2023 (year 1) cash flow projections and subsequent year growth factors, management has factored in the performance of the Group in the current year, including the period impacted by COVID. Management currently forecasts that the Group volume and cost profiles will return to pre-COVID levels in 2023 for all CGUs. A growth factor is then applied to the following 4 years through to the end of the value in use models. Key assumptions used in the value in use calculations are outlined in the table below. Significant assumptions used in the impairment testing are inherently subjective and in times of economic uncertainty, such as that, caused by the COVID pandemic, the degree of subjectivity is higher than it might otherwise be.

	Asia Pacific %	UK %
Terminal growth rate (Year 5+)		
2022	3.0	1.9
2021	3.0	1.9
Pre-tax discount rate		
2022	9.9	10.3
2021	9.7	8.4

Key inputs in value in use calculations are:

- Tax rates have been estimated at 30% for Australian operations, and 25% 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 CGU and on the aggregated CGUs based on assessing the effect of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates.

For Asia Pacific and UK, 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.

14 Taxes



This note provides an analysis of the income tax expense and deferred tax balances, including a reconciliation of the tax expense recognised, reconciled to the Group's net profit before tax at the Group's applicable tax rate. A deferred tax asset or liability is created when there are temporary differences between the accounting profit and taxable profit, representing a future income tax receivable or payable.

(i) Income tax expense

	2022 \$m	2021 \$m
The major components of income tax expense are:		
Current income tax		
Current income tax charge	143.8	191.1
Deferred income tax		
Relating to origination and reversal of temporary differences	(58.7)	(16.5)
Adjustments in respect of deferred income tax of previous years	(10.7)	(5.6)
Income tax expense reported in the Combined Income Statement	74.4	169.0

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

	2022 \$m	2021 \$m
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	253.2	573.8
At the Parent Entity's statutory income tax rate of 30% (2021: 30%)	76.0	172.1
Expenditure not allowable for income tax purposes	4.0	23.6
Amounts not assessable for income tax purposes	(8.2)	(5.3)
Impact of changes in foreign tax rates on deferred tax balances	(8.1)	(13.3)
Foreign tax rate adjustment due to differences in rates between Australia and Other Countries	15.9	(0.3)
Other	(5.2)	(7.8)
Income tax expense reported in the Combined Income Statement	74.4	169.0

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Ramsay Health Care Funding Group

14 Taxes (Continued)

(iii) Recognised tax assets and liabilities

	2022 Current income tax \$m	2022 Deferred income tax \$m	2021 Current income tax \$m	2021 Deferred income tax \$m
As at 1 July	(5.8)	249.5	(8.6)	231.1
(Charged)/credited to income	(143.8)	69.4	(191.1)	22.1
(Charged)/credited to equity	-	17.0	-	(5.0)
Payments	168.1	-	193.9	-
Exchange differences	(0.2)	(3.8)	-	1.3
Acquisitions and disposals of subsidiary	(5.1)	(104.8)	-	-
As at 30 June	13.2	227.3	(5.8)	249.5

	Statement of Financial Position	
	2022 \$m	2021 \$m
Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:		
Deferred tax liabilities		
Inventory	(21.0)	(20.5)
Deferred revenue	(17.3)	(17.4)
Depreciable assets	(85.7)	(17.8)
Other provisions and lease liabilities	(56.0)	(13.3)
Gross deferred tax liabilities	(180.0)	(69.0)
Set-off of deferred tax assets	67.4	54.3
Net deferred tax liabilities	(112.6)	(14.7)
Deferred tax assets		
Employee provisions	132.6	132.7
Other provisions and lease liabilities	229.0	172.1
Unearned income	10.6	6.6
Losses	35.1	5.0
Derivatives	-	2.1
Gross deferred tax assets	407.3	318.5
Set-off of deferred tax liabilities	(67.4)	(54.3)
Net deferred tax assets	339.9	264.2

(iv) 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 IAS 12/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.

TAX LOSSES

At 30 June 2022, there were nil (2021: nil) losses carried forward and therefore no resulting deferred tax asset has been recognised.

14 Taxes (Continued)



Accounting Policies

INCOME TAX

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

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

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

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

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

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

OTHER TAXES

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

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

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

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



Key Accounting Judgements, 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.

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Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

15 Other assets/liabilities (net)

	Note	2022 \$m	2021 \$m
Prepayments – current and non-current		89.8	54.1
Other assets – current	15.a	7.7	1,964.1
Other financial assets – non-current		30.1	14.8
Investments in joint venture	15.b	238.1	217.5
Other investments	15.c	731.0	776.4
Other receivables – non-current	8.a	7.1	7.8
Provisions – current and non-current	15.d	(213.4)	(210.1)
Other creditors – non-current		(11.7)	(10.2)
		878.7	2,814.4

15.a Other current assets



Other current assets relate to non-trade amounts owned by the Group which are due or receivable within 12 months.

	2022 \$m	2021 \$m
Business combination amounts held in escrow	-	1,958.1
Other current assets	7.7	6.0
Total	7.7	1,964.1

The business combination amounts held in escrow, as at 30 June 2021, were governed by the escrow agreement between Ramsay and third parties for the Spire Healthcare Group PLC (**Spire**) acquisition.

The proposed Spire acquisition did not proceed and as a result, the amounts held in escrow of \$1,958.1 million at 30 June 2021 were released and used to pay down loans and borrowings of the Group.

15 Other assets/liabilities (net) (Continued)

15.b Investments in joint venture



A joint venture (**JV**) 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. The Group has a 50% interest in Ramsay Sime Darby Health Care Sdn Bhd (**RSDH**) (Malaysia registered company) and a 50% interest in Ascension Ramsay Global Sourcing Limited (UK registered company).

The Group has a 50% interest in RSDH, a joint venture involved in operating hospitals and day surgery facilities across Malaysia, Indonesia and Hong Kong, and a 50% interest in Ascension Ramsay Global Sourcing Limited. The Group's interest in joint venture is accounted for using the equity method in the combined financial statements.

	2022 \$m	2021 \$m
As at 1 July	217.5	245.8
Share of profit of joint venture	15.5	10.9
Dividend income received	-	(24.9)
Foreign currency translation and other equity movements	5.1	(14.3)
As at 30 June	238.1	217.5



Accounting Policies

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 and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

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

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

Notes to the Combined Financial Statements

Assets and Liabilities – Operating and Investing

Ramsay Health Care Funding Group

15 Other assets/liabilities (net) (Continued)

15.c Other Investments

The details of investments are as follows:

			2022 \$m	2021 \$m
Ramsay Sante SA			731.0	776.4
	Principal place of business	Country of incorporation	Proportion of ownership 2022	2021
Ramsay Sante SA	France	France	52.80%	52.50%

The Investment in Ramsay Sante SA is held directly by Ramsay Health Care (UK) Limited. The investment was settled in EUR and GBP and carried at historical cost in GBP, which is the functional currency of the direct holding company.

15.d Provisions



A provision is a liability with uncertain timing and amount, but the expected settlement amount can be reliably estimated by the Group. The main provisions held are in relation to insurance, restructuring, legal obligations, unfavourable contracts and employee benefits.

	2022 \$m	2021 \$m
Current		
Restructuring provision	5.4	-
Insurance provision	18.3	19.3
Legal and compliance provision	60.8	65.7
Other provisions	7.8	4.1
	92.3	89.1
Non-current		
Employee and Director entitlements	39.7	42.3
Insurance provision	67.7	71.3
Other provisions	13.7	7.4
	121.1	121.0
Total	213.4	210.1

Movements in provisions

	Restructuring \$m	Insurance \$m	Legal and Compliance \$m	Other Provisions \$m	Total \$m
As at 1 July 2021	-	90.6	65.7	11.5	167.8
Business combinations	5.4	-	1.3	-	6.7
Arising during the year	0.5	10.4	32.8	60.3	104.0
Utilised during the year	(0.3)	(7.6)	(34.0)	(50.3)	(92.2)
Unused amounts reversed	-	(7.0)	(4.8)	-	(11.8)
Exchange differences	(0.2)	(0.4)	(0.2)	-	(0.8)
As at 30 June 2022	5.4	86.0	60.8	21.5	173.7
Current 2022	5.4	18.3	60.8	7.8	92.3
Non-current 2022	-	67.7	-	13.7	81.4
	5.4	86.0	60.8	21.5	173.7
Current 2021	-	19.3	65.7	4.1	89.1
Non-current 2021	-	71.3	-	7.4	78.7
	-	90.6	65.7	11.5	167.8

15 Other assets/liabilities (net) (Continued)

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; and
- restructuring of entities with the Group.

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.

EMPLOYEE LEAVE BENEFITS

Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in 'Trade and other creditors' 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.

Long service leave

The liability for long service leave is recognised in the provision for employee entitlements 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.

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.



Accounting Policies

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.



Key Accounting Judgements, Estimates and Assumptions

The insurance 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.

15.e 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.

IV Risk Management



This section discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

16 Financial risk management



This note provides a summary of the Group's exposure to key financial risks, including interest rate, foreign currency, credit and liquidity risks, along with the Group's policies and strategies to mitigate these risks. There have been no material changes to our risk management policies since 1 July 2021.

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, derivatives, and other financial assets.

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 Syndicated Facility Agreements with its Banks. The Syndicated Facility Agreements are with prime financial institutions. By entering into Syndicated Facility Agreements with a number of financial institutions in addition to Bilateral Facility Agreements, the Group has reduced its counterparty risk.

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 7.b.

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:

	2022 \$m	2021 \$m
Financial Assets		
Cash and cash equivalents	112.9	42.9
Business combination amounts held in escrow	-	1,958.1
	112.9	2,001.0
Financial Liabilities		
Bank Loans	(1,738.2)	(2,290.4)
Net exposure	(1,625.3)	(289.4)

Interest rate derivatives contracts are outlined in Note 7.d, with a net positive fair value of \$38.1 million (2021: negative \$7.1 million) which are exposed to fair value movements if interest rates change.

16 Financial risk management (Continued)

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 combined entity's post tax profit and Other Comprehensive Income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
AUD				
+100 basis points (2021: +60 basis points)	(8.7)	(3.5)	11.8	1.4
-100 basis points (2021: -60 basis points)	8.7	3.5	(12.2)	(1.1)
GBP				
+100 basis points (2021: +50 basis points)	0.5	2.2	- ¹	- ¹
-100 basis points (2021: -50 basis points)	(0.5)	(2.2)	- ¹	- ¹
EUR				
+20 basis points (2021: +30 basis points)	(0.7)	1.6	- ¹	- ¹
-20 basis points (2021: -30 basis points)	0.7	(1.6)	- ¹	- ¹

¹ There were no outstanding interest rate derivative contracts which have been designated as effective hedges at the year end.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the interest rate volatility observed during the relevant financial year. The change in sensitivity applied for 2022, versus 2021, is due to the change in interest rate volatilities applicable to 2022.

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 functional currency).

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.

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. 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)	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
<i>British Pound (GBP)</i>				
+20% (2021: +15%)	-	(0.1)	-	(55.2)
-20% (2021: -15%)	-	0.1	-	74.6

The movement in the post-tax profit amounts 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.

16 Financial risk management (Continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments and other financial 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 based on expected credit loss where the Group measures the impairment using a lifetime expected loss allowance for all trade receivables. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered in default. 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 Governments. 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 combined 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.

16 Financial risk management (Continued)

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, bonds and leases.

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

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

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

	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	> 5 years \$m	Total \$m
As at 30 June 2022					
Trade and other liabilities	(926.1)	-	-	-	(926.1)
Loans and borrowings	(14.5)	(74.6)	(2,238.8)	-	(2,327.9)
Lease liabilities	(47.3)	(142.0)	(757.9)	(4,376.5)	(5,323.7)
Financial derivatives ¹	-	-	-	-	-
	(987.9)	(216.6)	(2,996.7)	(4,376.5)	(8,577.7)
As at 30 June 2021					
Trade and other liabilities	(1,081.8)	-	-	-	(1,081.8)
Loans and borrowings	(9.0)	(27.8)	(2,508.0)	(208.4)	(2,753.2)
Lease liabilities	(44.1)	(132.2)	(715.3)	(3,128.6)	(4,020.2)
Financial derivatives	(0.7)	(2.1)	(4.4)	-	(7.2)
	(1,135.6)	(162.1)	(3,227.7)	(3,337.0)	(7,862.4)

¹ Derivatives in the current financial year are a financial asset based on current market rates. Hence they are not included in the liquidity risk table above.

The disclosed financial derivative instruments in the above table are the net 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.

	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	> 5 years \$m	Total \$m
As at 30 June 2022¹					
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
Net	-	-	-	-	-
Discounted at the applicable interbank rates	-	-	-	-	-
As at 30 June 2021					
Inflows	-	0.1	1.5	-	1.6
Outflows	(0.7)	(2.2)	(5.9)	-	(8.8)
Net	(0.7)	(2.1)	(4.4)	-	(7.2)
Discounted at the applicable interbank rates	(0.6)	(2.1)	(4.4)	-	(7.1)

¹ Derivatives in the current financial year are a financial asset based on current market rates. Hence they are not included in the liquidity risk table above.

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V Other Information



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

17 Share based payment plans



A share based payment is a transaction in which the Group receives goods or services in exchange for rights to its own shares. Ramsay operates a performance rights scheme, where share rights may be issued to eligible employees.

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 combined 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:

	2022		2021	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,044,337		1,277,546	
granted	220,614	\$53.30	246,907	\$43.30
vested	(29,042)	\$66.22	(7,505)	\$68.22
forfeited	(602,745)	\$40.30	(472,611)	\$56.17
Balance at end of year	633,164		1,044,337	
Exercisable at end of year	-		-	

The following table summarises information about rights held by participants in the Executive Performance Rights Plan as at 30 June 2022:

Number of Rights	Grant Date	Vesting Date ¹	Weighted Average Fair Value ²
99,934	15-Nov-19	31-Aug-22	\$33.36
102,161	15-Nov-19	31-Aug-22	\$68.62
7,687	20-Apr-20	20-Apr-23	\$65.05
104,212	15-Dec-20	31-Aug-23	\$27.14
104,227	15-Dec-20	31-Aug-23	\$59.45
107,471	15-Dec-21	31-Aug-24	\$42.05
107,472	15-Dec-21	31-Aug-24	\$64.55
633,164			

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

17 Share based payment plans (Continued)



Accounting Policies

The Group provides benefits to employees (including Executive 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 or 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:

- The extent to which the vesting period has expired and
- 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 Rights Plan are classified and disclosed as Treasury shares and deducted from equity.



Key Accounting Judgements, 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 (market based conditions) are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 15 November 2019, 15 December 2020 and 15 December 2021:

	Granted 15-Dec-21	Granted 15-Dec-20	Granted 15-Nov-19
Dividend yield	2.21%	2.40%	2.31%
Expected volatility	29.56%	30.32%	22.50%
Risk-free interest rate	0.86%	0.10%	0.75%
Effective life of incentive right	3 years	3 years	3 years

The expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

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.

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Ramsay Health Care Funding Group

18 Capital commitments and contingent liabilities



Capital commitments are the Group's contractual obligation to make future payments in relation to purchases of assets.

Contingent liabilities are possible future cash payments arising from past events that are not recognised in the financial statements, as the likelihood of payment is not considered probable or cannot be reliably measured.

18.a Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2022 \$m	2021 \$m
Property, plant and equipment	298.8	58.1

18.b Contingent liabilities

The Group has a number of bank guarantees to third parties for various operational and legal purposes, none of which are individually material to the Group. No provision has been made in the financial statements in respect of these bank guarantees, as the probability of having to make a payment under these guarantees is considered remote.

The only material guarantee is for workers compensation self-insurance liabilities as required by State WorkCover authorities for \$42.9 million as at 30 June 2022 (2021: \$31.5 million). No provision has been recognised in the financial statements for these contingent liabilities. However a provision for self-insured risks relating to workers compensation claims in 'Other provisions' has been provided for (Refer Note 15.d).

19 Subsequent events



This note outlines events which have occurred between the reporting date, being 30 June 2022, and the date this report is signed.

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.

20 Related party transactions



This note discloses the Group's transactions with its related parties, including their relatives or related businesses.

Transactions with Related Party Entities

As at 30 June 2022 there were no outstanding transactions (2021: \$nil) to be billed to or billed from related party entities.

Compensation of Key Management Personnel

	2022 \$	2021 \$
Non-Executive Directors		
Short term benefits	2,264,421	2,287,212
Post-employment benefits	170,945	153,526
	2,435,366	2,440,738
Executive Directors		
Short term benefits	3,013,110	3,256,881
Post-employment benefits	23,568	21,694
Other long term benefits	543,582	321,157
Performance/Incentive rights	2,107,511	1,456,965
	5,687,771	5,056,697
Executives		
Short term benefits	1,431,432	1,854,055
Post-employment benefits	23,568	27,117
Other long term benefits	259,548	162,660
Performance/Incentive rights	827,897	941,055
	2,542,445	2,984,887
Total		
Short term benefits	6,708,963	7,398,148
Post-employment benefits	218,081	202,337
Other long term benefits	803,130	483,817
Performance/Incentive rights	2,935,408	2,398,020
	10,665,582	10,482,322

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Ramsay Health Care Funding Group

21 Auditors' remuneration



This note summarises the total remuneration received or receivable by the Group's external auditors for their audit, assurance and other services.

	2022 \$	2021 \$
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 combined group	2,569,495	2,199,656
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	280,000	-
Other services in relation to the entity and any other entity in the combined group		
Tax compliance	210,978	557,709
Assurance related	10,000	-
Advisory services	-	2,134,941
	3,070,473	4,892,306
Amounts received or due and receivable by overseas member firms of Ernst & Young (Australia) for:		
An audit or review of the financial report of the entity and any other entity in the combined group	663,373	588,460
Other services in relation to the entity and any other entity in the combined group		
Tax compliance	42,472	55,458
	705,845	643,918
Total	3,776,318	5,536,224
The total fees paid to Ernst & Young member firms by service type are:		
Audit Services	3,232,868	2,788,116
Non-audit Services	543,450	2,748,108
Total	3,776,318	5,536,224

22 Information relating to entities in the Funding Group



This note provides a list of all the material entities in the Funding Group and all the material entities that are guarantors of the Funding Group as at the reporting date. Certain dormant and immaterial subsidiaries have not been included.

Name	Country of Incorporation	% Equity Interest		Guarantor	
		2022	2021	2022	2021
Ramsay Health Care Limited	Australia	Parent	Parent	Yes	Yes
Adelaide Clinic Holdings Pty Limited	Australia	100%	100%	Yes	Yes
Affinity Health (FP) Pty Limited	Australia	100%	100%	Yes	Yes
Affinity Health Finance Australia Pty Limited	Australia	100%	100%	No	No
Affinity Health Foundation Pty Limited	Australia	100%	100%	No	No
Affinity Health Holdings Australia Pty Limited	Australia	100%	100%	No	No
Affinity Health Holdings Indonesia Pty Limited	Australia	100%	100%	No	No
Affinity Health Pty Limited	Australia	100%	100%	Yes	Yes
AH Holdings Health Care Pty Limited	Australia	100%	100%	Yes	Yes
AHC Foundation Pty Limited	Australia	100%	100%	No	No
AHC Tilbox Pty Limited	Australia	100%	100%	No	No
AHH Holdings Health Care Pty Limited	Australia	100%	100%	Yes	Yes
Alpha Healthcare Pty Limited	Australia	100%	100%	Yes	Yes
Alpha Pacific Hospitals Pty Limited	Australia	100%	100%	Yes	Yes
Alpha Westmead Private Hospital Pty Limited	Australia	100%	100%	Yes	Yes
AME Hospitals Pty Limited	Australia	100%	100%	Yes	Yes
AME Properties Pty Limited	Australia	100%	100%	Yes	Yes
AME Superannuation Pty Limited	Australia	100%	100%	No	No
AMNL Pty Limited	Australia	100%	100%	No	No
APL Hospital Holdings Pty Limited	Australia	100%	100%	Yes	Yes
Armidale Hospital Pty Limited	Australia	100%	100%	Yes	Yes
Attadale Hospital Property Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care (Allamanda) Pty Limited	Australia	100%	100%	No	No
Australian Hospital Care (Latrobe) Pty Limited	Australia	100%	100%	No	No
Australian Hospital Care (Masada) Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care (MPH) Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care (MSH) Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care (Pindara) Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care (The Avenue) Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care 1988 Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care Investments Pty Limited	Australia	100%	100%	No	No
Australian Hospital Care Pty Limited	Australia	100%	100%	Yes	Yes
Australian Hospital Care Retirement Plan Pty Limited	Australia	100%	100%	No	No
Australian Medical Enterprises Pty Limited	Australia	100%	100%	Yes	Yes
Beleura Properties Pty Limited	Australia	100%	100%	No	No
Benchmark – Beleura Pty Limited	Australia	100%	100%	Yes	Yes
Benchmark – Donvale Pty Limited	Australia	100%	100%	No	No
Benchmark – Peninsula Pty Limited	Australia	100%	100%	Yes	Yes
Benchmark – Surrey Pty Limited	Australia	100%	100%	Yes	Yes
Benchmark – Windermere Pty Limited	Australia	100%	100%	No	No
Benchmark Healthcare Holdings Pty Limited	Australia	100%	100%	Yes	Yes
Benchmark Healthcare Pty Limited	Australia	100%	100%	Yes	Yes
Bowral Management Company Pty Limited	Australia	100%	100%	Yes	Yes

Notes to the Combined Financial Statements

Other Information

Ramsay Health Care Funding Group

22 Information relating to entities in the Funding Group (Continued)

Name	Country of Incorporation	% Equity Interest		Guarantor	
		2022	2021	2022	2021
C&P Hospitals Holdings Pty Limited	Australia	100%	100%	Yes	Yes
C.R.P.H Pty Limited	Australia	100%	100%	No	No
Caboolture Hospital Pty Limited	Australia	100%	100%	Yes	Yes
Dabuvu Pty Limited	Australia	100%	100%	No	No
Dandenong Valley Private Hospital Pty Limited	Australia	100%	100%	No	No
Donvale Private Hospital Pty Limited	Australia	100%	100%	Yes	Yes
eHealth Technologies Pty Limited	Australia	100%	100%	No	No
eHospital Pty Limited	Australia	100%	100%	No	No
Glenferrie Private Hospital Pty Limited	Australia	100%	100%	Yes	Yes
Glengarry Hospital Property Pty Limited	Australia	100%	100%	Yes	Yes
Hadassah Pty Limited	Australia	100%	100%	Yes	Yes
Hallcraft Pty Limited	Australia	100%	100%	No	No
HCA Management Pty Limited	Australia	100%	100%	Yes	Yes
HCoA Hospital Holdings (Australia) Pty Limited	Australia	100%	100%	Yes	Yes
HCoA Operations (Australia) Pty Limited	Australia	100%	100%	Yes	Yes
Health Care Corporation Pty Limited	Australia	100%	100%	Yes	Yes
Health Technologies Pty Limited	Australia	100%	100%	No	No
Herglen Pty Limited	Australia	100%	100%	Yes	Yes
HOAIF Pty Limited	Australia	100%	100%	No	No
Hospital Affiliates of Australia Pty Limited	Australia	100%	100%	No	No
Hospital Corporation Australia Pty Limited	Australia	100%	100%	Yes	Yes
Hospital Developments Pty Limited	Australia	100%	100%	No	No
Hospitals of Australia Pty Limited	Australia	100%	100%	No	No
Illawarra Private Hospital Holdings Pty Limited	Australia	100%	100%	No	No
Jamison Private Hospital Property Pty Limited	Australia	100%	100%	No	No
Joondalup Health Campus Finance Limited	Australia	100%	100%	Yes	Yes
Joondalup Hospital Pty Limited	Australia	100%	100%	Yes	Yes
Linear Medical Pty Limited	Australia	100%	100%	Yes	Yes
Logan Hospital Pty Limited	Australia	100%	100%	No	No
Malahini Pty Limited	Australia	100%	100%	No	No
Mayne Properties Pty Limited	Australia	100%	100%	No	No
Mt Wilga Pty Limited	Australia	100%	100%	Yes	Yes
New Farm Hospitals Pty Limited	Australia	100%	100%	Yes	Yes
Newco Enterprises Pty Limited	Australia	100%	100%	No	No
Noosa Privatised Hospital Pty Limited	Australia	100%	100%	Yes	Yes
North Shore Private Hospital Pty Limited	Australia	100%	100%	Yes	Yes
Northern Private Hospital Pty Limited	Australia	100%	100%	No	No
P.M.P.H Pty Limited	Australia	100%	100%	No	No
Phiroan Pty Limited	Australia	100%	100%	Yes	Yes
Port Macquarie Hospital Pty Limited	Australia	100%	100%	No	No
Pruinosa Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Aged Care Holdings Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Aged Care Properties Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Centauri Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Diagnostics (No. 1) Pty Limited	Australia	100%	100%	No	No
Ramsay Diagnostics (No. 2) Pty Limited	Australia	100%	100%	No	No
Ramsay Finance Pty Limited	Australia	100%	100%	No	No

22 Information relating to entities in the Funding Group (Continued)

Name	Country of Incorporation	% Equity Interest		Guarantor	
		2022	2021	2022	2021
Ramsay Health Care (Asia Pacific) Pty Limited	Australia	100%	100%	No	No
Ramsay Health Care (South Australia) Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Health Care (Victoria) Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Health Care Australia Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Health Care Investments Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Health Care Services (QLD) Pty Limited	Australia	100%	100%	No	No
Ramsay Health Care Services (VIC) Pty Limited	Australia	100%	100%	No	No
Ramsay Health Care Services (WA) Pty Limited	Australia	100%	100%	No	No
Ramsay Hospital Holdings (Queensland) Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Hospital Holdings Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Pharmacy Retail Services Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Professional Services Pty Limited	Australia	100%	100%	Yes	Yes
Rannes Pty Limited	Australia	100%	100%	Yes	Yes
Rehabilitation Holdings Pty Limited	Australia	100%	100%	No	No
Relkban Pty Limited	Australia	100%	100%	No	No
Relkmet Pty Limited	Australia	100%	100%	Yes	Yes
RHC Ancillary Services Pty Limited	Australia	100%	100%	Yes	Yes
RHC Developments Pty Limited	Australia	100%	100%	Yes	Yes
RHC Nominees Pty Limited	Australia	100%	100%	No	No
Sibdeal Pty Limited	Australia	100%	100%	Yes	Yes
Simpak Services Pty Limited	Australia	100%	100%	No	No
Sydney & Central Coast Linen Services Pty Limited	Australia	100%	100%	No	No
The Benchmark Hospital Group Pty Limited	Australia	100%	100%	Yes	Yes
Tilemo Pty Limited	Australia	100%	100%	No	No
Victoria House Holdings Pty Limited	Australia	100%	100%	No	No
Votraint No. 664 Pty Limited	Australia	100%	100%	No	No
Votraint No. 665 Pty Limited	Australia	100%	100%	No	No
Westmead Medical Supplies Pty Limited	Australia	100%	100%	No	No
Workright Pty Limited	Australia	100%	100%	Yes	Yes
Ramsay Health Care UK Finance Limited	UK	100%	100%	Yes	Yes
Ramsay Health Care (UK) Limited	UK	100%	100%	Yes	Yes
Ramsay Health Care Holdings UK Limited	UK	100%	100%	Yes	Yes
Ramsay Diagnostics UK Limited	UK	100%	100%	Yes	Yes
Independent British Healthcare (Doncaster) Limited	UK	100%	100%	Yes	Yes
Ramsay Health Care UK Operations Limited	UK	100%	100%	Yes	Yes
Ramsay UK Properties Limited	UK	100%	100%	Yes	Yes
Exeter Medical Limited	UK	100%	100%	Yes	Yes
CareProgress Limited	UK	100%	0%	Yes	N/A
Castle Road Homes Limited	UK	100%	0%	Yes	N/A
Celtic Resource Management Ltd	UK	100%	0%	Yes	N/A
Darlington Neurological Care Centre Limited	UK	100%	0%	Yes	N/A
Elysium Care Partnerships Limited	UK	100%	0%	Yes	N/A
Elysium Care Partnerships No.2 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Acorn Care) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (All Saints) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Ann House) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Farndon) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Field House) Limited	UK	100%	0%	Yes	N/A

Notes to the Combined Financial Statements

Other Information

Ramsay Health Care Funding Group

22 Information relating to entities in the Funding Group (Continued)

Name	Country of Incorporation	% Equity Interest		Guarantor	
		2022	2021	2022	2021
Elysium Healthcare (Gregory House) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Healthlinc) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Lighthouse) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Phoenix) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (St Mary's) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare (Ultimate Care) Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Holdings 1 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Holdings 2 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Holdings 3 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare LC Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare No.2 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare No.3 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare No.4 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare No.5 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare No.6 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 1 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 2 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 3 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 4 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 5 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 6 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 7 Limited	UK	100%	0%	Yes	N/A
Elysium Healthcare Property 8 Limited	UK	100%	0%	Yes	N/A
Elysium Neurological Services (Adderley) Limited	UK	100%	0%	Yes	N/A
Elysium Neurological Services (Badby) Limited	UK	100%	0%	Yes	N/A
Elysium Neurological Services Limited	UK	100%	0%	Yes	N/A
Focus on Care Recruitment Limited	UK	100%	0%	Yes	N/A
Lighthouse Healthcare Group Limited	UK	100%	0%	Yes	N/A
Pendarren Court Ltd	UK	100%	0%	Yes	N/A
Ramsay Elysium Holdings Limited	UK	100%	0%	Yes	N/A
St George Healthcare Limited	UK	100%	0%	Yes	N/A
Stanley House Limited	UK	100%	0%	Yes	N/A
The Chimneys Healthcare Partnership Limited	UK	100%	0%	Yes	N/A
The Chimneys Limited	UK	100%	0%	Yes	N/A
Badby Properties (Darlington) S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Badby Properties (Middlesbrough) S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Badby Stoke (Care Homes 2) Property S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Badby Stoke (Care Homes) Property S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Sunflower Holding S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Sunflower Property S.à.r.l.	Luxembourg	100%	0%	Yes	N/A
Elysium Healthcare Group Limited	Guernsey	100%	0%	Yes	N/A

The net assets (excluding related party balances) of the Guarantor entities were \$3,772.3 million at 30 June 2022 (30 June 2021: \$4,037.1 million).