RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2012

RAMSAY HEALTH CARE LIMITED

INDEX

SECTION 1

RESULTS FOR ANNOUNCEMENT

TO THE MARKET

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.1 HIGHLIGHTS OF RESULTS

	Notes	2012 $'000	2011 $'000	% increase/ (decrease)
Revenue and other income from continuing operations		3,961,101	3,724,873	6.3%
Operating revenue from continuing operations		3,956,476	3,719,691	6.4%
Profit from continuing operations before finance costs, tax, depreciation, amortisation and non-core items (EBITDA)		583,487	526,330	10.9%
Profit from continuing operations before finance costs, tax and non-core items (EBIT)		438,779	395,493	10.9%
Core profit after tax from continuing operations	**(1),(3)**	**252,646**	**220,586**	**14.5%**
Non-core items				
- Non-cash rent expense relating to leased UK hospitals		(23,693)	(26,976)	
- Amortisation of service concession assets		(2,186)	(2,224)	
- Charge for expired debt facility costs due to early refinancing		(5,924)	-	
- Other		3,058	(65)	
Income tax on non-core items		3,153	7,054	
Income tax refund received relating to changes to tax consolidation legislation		17,051	-	
		(8,541)	(22,211)	(61.5%)
Net profit after tax for the period attributable to members *		**244,105**	**198,375**	**23.0%**

Earnings per share (cents per share)

Core EPS - Continuing operations	**(1),(2),(3)**	**116.1c**	**101.1c**	14.8%
Diluted Statutory EPS - Continuing operations		**111.8c**	**90.2c**	24.0%

*: The term members are inclusive of the holders of CARES

1. 'Core profit after tax from continuing operations' and 'core earnings per share - continuing operations' are before non-core items and from continuing operations.
2. Core earnings per share (Core EPS) calculation is based upon Core profit after tax from continuing operations adjusted for Preference Dividends, using weighted average of ordinary shares adjusted for effect of dilution.
3. Refer to note 2(a) of the Consolidated Financial Statements for further information.

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.2 EARNINGS PER SHARE

	Full year ended 30/06/2012 $000	Full year ended 30/06/2011 $000
Net profit for the period attributable to the owners of the parent	244,105	198,375
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(17,676)	(15,847)
Profit used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	226,429	182,528
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	200,828,094	201,106,486
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,443,435	202,457,705
Earnings per share (cents per share)		
- basic (after CARES dividend)	**112.7**	**90.8**
- diluted (after CARES dividend)	**111.8**	**90.2**
- basic (after CARES dividend) from continuing operations	**112.7**	**90.8**
- diluted (after CARES dividend) from continuing operations	**111.8**	**90.2**

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year		
- Interim dividend	25.5¢	25.5¢
- Final proposed dividend	34.5¢	34.5¢
Total dividend	60.0¢	60.0¢
Previous corresponding year		
- Interim dividend	22.5 ¢	22.5 ¢
- Final proposed dividend	29.5 ¢	29.5 ¢
Total dividend	52.0 ¢	52.0 ¢
Record date for determining entitlements to the ordinary dividend		7 September 2012
Date the current year ordinary dividend is payable		26 September 2012

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES dividend	5 October 2012
Date the current year CARES dividend is payable	22 October 2012

The proposed final ordinary and CARES dividends will be franked at the rate of 30% (2011: 30%).

1.4 NET TANGIBLE ASSETS

	30/06/2012	**30/06/2011**
Net tangible assets per ordinary share	$2.40	$1.94

RAMSAY HEALTH CARE LIMITED

1.5 COMMENTARY ON RESULTS

Commentary on results follows

ASX ANNOUNCEMENT

23 August 2012

RAMSAY HEALTH CARE REPORTS 14.5% RISE IN FULL YEAR CORE NET PROFIT

Financial Highlights

- Core net profit[1] up 14.5% to $252.6 million
- Reported statutory net profit after tax up 23.0% to $244.1 million
- Core EPS[2] up 14.8% to 116.1 cents
- Group revenue up 6.4% to $3.9 billion
    - Group EBIT up 10.9% to $438.8 million
- Australia and Indonesia revenue up 7.7% to $3.2 billion
    - Australia and Indonesia EBIT up 16.4% to $375.9 million
- Europe:
    - UK EBITDAR up 2.1% to £91.0 million
    - France EBITDAR up 14.9% to €30.0 million
- Final dividend 34.5 cents fully franked, up 16.9% on the previous corresponding period, bringing the full-year dividend to 60.0 cents, up 15.4%
- Targeting core NPAT and core EPS growth for the Group of 10% - 12% in FY13

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a Group core net profit after tax from continuing operations (before non-core items and amortisation of intangibles) of $252.6 million for the year to 30 June 2012, a 14.5% increase on the previous corresponding period.

Group core net profit delivered core earnings per share (EPS) of 116.1 cents for the year, a 14.8% increase on the previous corresponding period and in line with upgraded guidance announced to the market at the half year.

The result was driven by strong performances across the Australian hospitals as well as a positive contribution from Ramsay's UK operations. In France, Ramsay Santé performed to expectations.

[1] *Before non-core items*
[2] *Before non-core items and after CARES dividends*

Ramsay recorded a statutory net profit after tax of $244.1 million (up 23.0% on the prior year) after deducting net non-core items of $8.5 million (net of tax).

Included in the non-core items was the annual non-cash charge for deferred rent from the leasing of UK hospitals ($23.7 million gross), a charge for expiring debt facility costs ($5.9 million gross) and an income tax refund of $17.0 million. Overall non-core charges were down 62%.

Directors are pleased to announce a fully-franked final dividend of 34.5 cents, up 16.9% on the previous corresponding period, taking the full year dividend to 60.0 cents, up 15.4% on the previous year. The dividend Record Date is 7 September 2012 and the Payment Date is 26 September 2012. The Dividend Reinvestment Plan remains suspended.

Ramsay Managing Director Christopher Rex said the positive result reflected a strong performance across all areas of the business.

“The ageing population is driving an unprecedented growth in demand for healthcare. Ramsay has invested in a significant capacity expansion programme and will continue to invest to ensure it is able to provide needed hospital services to the communities in which it operates.

“Since 2007, Ramsay Health Care has committed in excess of $900 million in capacity expansions and facility improvements, and we anticipate ongoing investment of at least $100 million for new brownfield developments annually.

“In line with this, $103 million was approved for new projects during the year.

“A new debt facility, executed in November 2011, provides significant debt headroom for our continuing brownfield development programme, future acquisitions and working capital.”

During the year, Ramsay Health Care was recognized in the 2012 Global 100 Most Sustainable Corporations in the World. Announced at the World Economic Forum in Davos, Ramsay Health Care was one of only six Australian companies and the only Australian-based healthcare company recognized by the industry-leading corporate sustainability index. This recognition follows on from the Company’s inclusion in the FTSE4Good Index for meeting globally recognized environmental, social and corporate governance standards.

“It is a great achievement to be admitted to these corporate sustainability indices as it confirms the Company’s strategy and vision becoming one of the world’s most respected private hospital operators,” said Mr Rex.

“We recognise that continuous improvement in all areas of our business is critical to our success. We place a great deal of importance on safety, quality, human resources and how we operate our hospitals in our local environments.”

Operational highlights Australia

Ramsay's Australia and Indonesian business achieved revenue growth of 7.7% and EBIT growth of 16.4% during the period. EBITDA margins rose to 15.2% from 14.3%.

During FY12, a number of projects were completed at our Australian hospitals including an $8.7 million expansion of St Andrew's Private Hospital in Ipswich, Queensland; a $3.7 million expansion of Warners Bay Private Hospital in Newcastle, New South Wales; and an $11.8 million expansion of Mt Wilga Private Hospital, a rehabilitation hospital in northern Sydney.

Completed projects are being delivered on-time and under-budget and are meeting their business plans.

The Company expects ongoing investment of at least $100 million annually and, during FY12, $103 million was approved for new brownfield developments both in Australia and overseas.

Projects approved included a $47 million expansion of Greenslopes Private Hospital in Brisbane, which will see the introduction of obstetric services, an additional 74 beds; 4 theatres and 4 birthing suites. Construction is underway and is expected to be completed in mid 2013.

The major $393 million construction at Joondalup Health Campus ($133 million funded by Ramsay and the balance by the Western Australian State Government) remains on schedule for a completion date of mid 2013.

In September 2011 Ramsay commenced construction of the 200 bed private hospital on the Sunshine Coast. The Sunshine Coast University Private Hospital which will open in December 2013, will deliver a significant range and volume of services to public patients under contract with Queensland Health as well as private patient services.

Operational highlights Europe

Ramsay UK's revenue rose 3.0% during the year to £363.8 million despite having to digest the expected change in pricing of the ISTC contract revenues. EBITDAR increased by 2.1% to £91 million.

In FY12, Ramsay UK hospitals recorded an 11.3% rise in NHS admissions. With self pay and private medical insurance volumes still recovering, NHS admissions now exceed 65% of the total admissions to Ramsay's UK facilities.

UK operating margins before rent (EBITDAR) remain strong at approximately 25% despite the majority of growth coming from NHS patients.

During the year, the Health & Social Care Bill was passed into legislation. The primary focus of the legislation is the restructure of the NHS but the legislation strongly endorses competition, patient choice and private sector involvement in the delivery of publicly funded healthcare in the UK.
Overall EBITDAR for Ramsay Santé increased by 14.9% to €30.0 million. Excluding Clinique Convert acquired in May 2011, Ramsay Santé showed modest growth with EBITDAR increasing by 1.2%.

In France, market conditions are expected to remain challenging in the short term, however Ramsay remains positive about this marketplace which boasts a well-regarded health system and positive demographics.

Balance Sheet and Cash Flow

Strong operating cash flow has resulted in a further reduction in leverage. Furthermore, effective working capital management delivered a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

In November 2011, Ramsay executed a new underwritten debt facility agreement of A$2 billion equivalent.

The new syndicated debt facility allowed for the refinancing of the existing debt facility and provides significant debt headroom for Ramsay's continuing brownfields programme and developments, future acquisitions and working capital. The first facility draw down was made on 30 April 2012.

Outlook

"The ageing demographic is continuing to drive increased demand for healthcare. Our strategy of prudent capacity expansions and acquisitions means Ramsay Health Care is well-placed to be able to provide services to the growing number of patients requiring treatment," Mr Rex said.

"Our ongoing investment in capacity expansion will keep adding to earnings and contribute positively to EPS."

He said governments around the world were increasingly concerned about the rising costs of healthcare and, as a result, he anticipated increasing opportunities for private sector involvement in the provision of public hospital services.

"The development of the Sunshine Coast University Private Hospital in conjunction with Queensland Health is a perfect example of how the private sector can work together with government to deliver a world class tertiary health care facility for the community," Mr Rex said.

He said the Company remained positive about opportunities for expansion overseas. The UK business is well placed to capture future growth in NHS volumes. Market conditions in France are still challenging but the healthcare sector remains an attractive proposition.

"There is also significant growth in healthcare spending expected in emerging markets and we continue to monitor and investigate opportunities in these markets and other regions where there is a strategic fit and which meet our investment hurdles."

Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances Ramsay is targeting core NPAT and core EPS growth for the Group of 10% - 12% for FY13.

Contacts:

Christopher Rex
Managing Director
Ramsay Health Care
+ 612 9433 3444

For media enquiries:

Carmel Monaghan
Marketing & Public Relations Manager
Ramsay Health Care
+ 61 438 646 273

About Ramsay Health Care

Ramsay Health Care was established in Sydney, Australia in 1964 and has grown to become a global hospital group operating 117 hospitals and day surgery facilities across Australia, the United Kingdom, France and Indonesia. Ramsay Health Care is well-respected in the health care industry for operating quality private hospitals and for its excellent record in hospital management and patient care. It is this exceptional reputation that attracts leading health care practitioners to work in Ramsay facilities.

Ramsay Health Care facilities cater for a broad range of health care needs from day surgery procedures to highly complex surgery, as well as psychiatric care and rehabilitation. With circa 10,000 beds, the Company employs over 30,000 staff across three continents and treats over 1 million patients per annum.

In 2007, Ramsay Health Care acquired Capio UK and its portfolio of hospitals in England. Ramsay Health Care UK is now one of the leading providers of independent hospital services in England, with a network of 38 acute hospitals and day procedure centres providing a comprehensive range of clinical specialties to private and self insured patients as well as to patients referred by the NHS.

In March 2010, Ramsay Health Care purchased a 57% interest in Group Proclif SAS (Proclif), a leading private hospital operator based in France. Proclif changed its name to Ramsay Santé. Ramsay Santé is one of the leading operators of private hospitals in the greater Paris region managing eight acute hospitals in the fields of medicine, surgery and obstetrics with approximately 1000 beds and day places. Ramsay Health Care purchased a further hospital – Clinique Convert – in the Rhône Alpes region, in 2011. The Company now operates 9 hospitals in France.

Summary of Financial Performance

Year Ended 30 June
$ 000's

	FY2012			FY2011	
	Australia & Indonesia	**Europe**	**Group**	**Group**	**% Increase/ (Decrease)**
Net Profit After Tax (NPAT)					
Operating revenue	3,178,788	777,688	3,956,476	3,719,691	6.4%
EBITDA	482,065	101,422	583,487	526,330	10.9%
EBIT	375,858	62,921	438,779	395,493	10.9%
Core NPAT (1)			**252,646**	**220,586**	**14.5%**
Net non-core items, net of tax (2)			(8,541)	(22,211)	
Reported NPAT			244,105	198,375	23.0%
Earnings Per Share (cents)					
Core EPS (3)			**116.1**	**101.1**	**14.8%**
Reported EPS			111.8	90.2	24.0%
Dividends Per Share (cents)					
Final dividend, fully franked			34.5	29.5	16.9%
Full-year dividend, fully franked			60.0	52.0	15.4%

Notes

(1) 'Core NPAT' is before non-core items and from continuing operations.

(2) In line with accounting standards, 'net non-core items net of tax' include the annual non-cash portion of rent expense of $16.6 million net of tax relating to the UK hospitals.

(3) 'Core EPS' is before non-core items and from continuing operations and after CARES Dividends.

SECTION 2

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2012

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2012

CONTENTS PAGE

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Revenue and other income			
Revenue from services		3,956,476	3,719,691
Interest income		4,625	5,182
Revenue - income from the sale of development assets		4,976	15,011
Other income - profit on sale of assets		7,406	5,261
Total revenue and other income	4	**3,973,483**	**3,745,145**
Employee benefits costs	5	(1,948,344)	(1,825,074)
Occupancy costs	5	(254,818)	(248,273)
Service costs		(211,975)	(204,742)
Medical consumables and supplies		(987,012)	(950,375)
Cost of goods sold - book value of development assets sold		(4,355)	(10,561)
Depreciation, amortisation and impairment	5	(146,894)	(135,075)
Total expenses, excluding finance costs		**(3,553,398)**	**(3,374,100)**
Profit from continuing operations before tax and finance costs		**420,085**	**371,045**
Finance costs	5	(83,507)	(76,924)
Profit before income tax from continuing operations		**336,578**	**294,121**
Income tax	6	(90,720)	(93,755)
Profit after tax from continuing operations		**245,858**	**200,366**
Net profit for the year		**245,858**	**200,366**
Attributable to non-controlling interest		1,753	1,991
Attributable to owners of the parent		244,105	198,375
		245,858	**200,366**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	112.7	90.8
Profit (after CARES dividend) from continuing operations	7	112.7	90.8
Diluted earnings per share			
Profit (after CARES dividend)	7	111.8	90.2
Profit (after CARES dividend) from continuing operations	7	111.8	90.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Net profit for the year		245,858	200,366
Other comprehensive income/(expense)			
Cash flow hedges			
(Loss)/gain taken to equity	22	(18,031)	36,609
Transferred to income statement	22	9,802	(25,519)
Actuarial (loss) on defined benefit plans	27	(1,045)	(885)
Net (loss)/gain on bank loan designated as a hedge of a net investment		(4,439)	34,372
Foreign currency translation		(6,423)	(44,328)
Income tax on items of other comprehensive income	6	2,469	(3,327)
Other comprehensive (expense) for the year net of tax		**(17,667)**	**(3,078)**
Total comprehensive income for the year		**228,191**	**197,288**
Attributable to non-controlling interest		1,753	1,991
Attributable to owners of the parent		226,438	195,297
		228,191	197,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $000	2011 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	173,418	226,545
Trade receivables	12	422,167	424,517
Inventories	13	105,035	87,801
Derivative financial instruments	22	-	823
Other current assets	14	47,440	46,167
		748,060	**785,853**
Assets classified as held for sale		1,150	1,150
Total current assets		**749,210**	**787,003**
Non-current assets			
Other financial assets		2,445	1,943
Property, plant and equipment	15	1,846,459	1,786,496
Goodwill and intangible assets	16	870,643	886,196
Deferred tax asset	6	81,089	48,892
Non-current prepayments		10,748	10,999
Derivatives financial instruments	22	-	635
Non-current receivables	12	25,355	29,287
Total non-current assets		**2,836,739**	**2,764,448**
TOTAL ASSETS		**3,585,949**	**3,551,451**
LIABILITIES			
Current liabilities			
Trade and other payables	18	579,342	537,317
Interest-bearing loans and borrowings	20	31,483	13,903
Derivative financial instruments	22	14,521	9,182
Provisions	19	147,162	135,455
Income tax payable	6	37,512	31,891
Total current liabilities		**810,020**	**727,748**
Non-current liabilities			
Interest-bearing loans and borrowings	20	1,037,575	1,227,226
Provisions	19	264,342	230,599
Pension liability	27	18,142	18,841
Derivative financial instruments	22	14,519	13,029
Other creditors		5,297	7,293
Deferred tax liability	6	29,853	22,852
Total non-current liabilities		**1,369,728**	**1,519,840**
TOTAL LIABILITIES		**2,179,748**	**2,247,588**
NET ASSETS		**1,406,201**	**1,303,863**
EQUITY			
Issued capital	21.1	713,523	713,523
Treasury shares	21.6	(23,259)	(18,474)
Convertible Adjustable Rate Equity Securities (CARES)	21.5	252,165	252,165
Cash flow hedges	22	(20,249)	(14,489)
Share based payment reserve		23,101	13,867
Vested employee equity		(9,384)	(7,502)
Other reserves		(29,759)	(18,897)
Retained earnings		507,868	393,228
Parent interests		**1,414,006**	**1,313,421**
Non-controlling interests		**(7,805)**	**(9,558)**
TOTAL EQUITY		**1,406,201**	**1,303,863**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Changes in Equity for the Year to 30 June 2012						
	Balance at 1 July 2011 $000	**Dividends $000**	**Shares purchased for executive performance share plan $000**	**Treasury shares vesting to employees in the year $000**	**Share based payment reserve $000**	**Total comprehensive income for the year, net of tax $000**	**Balance at 30 June 2012 $000**
Issued capital	713,523	-	-	-	-	-	713,523
Treasury shares	(18,474)	-	(9,642)	4,857	-	-	(23,259)
Convertible preference shares - CARES	252,165	-	-	-	-	-	252,165
Share based payment reserve	13,867	-	-	(2,975)	12,209	-	23,101
Cash flow hedges	(14,489)	-	-	-	-	(5,760)	(20,249)
Bank loan designated as a hedge of a net investment	93,174	-	-	-	-	(4,439)	88,735
Foreign currency translation	(112,071)	-	-	-	-	(6,423)	(118,494)
Actuarial loss on pension fund	(3,223)	-	-	-	-	(1,045)	(4,268)
Retained earnings	396,451	(128,420)	-	-	-	244,105	512,136
Vested employee equity	(7,502)	-	-	(1,882)	-	-	(9,384)
Owners of the parent	**1,313,421**	**(128,420)**	**(9,642)**	**-**	**12,209**	**226,438**	**1,414,006**
Non-controlling interests	**(9,558)**	**-**	**-**	**-**	**-**	**1,753**	**(7,805)**
Total equity	**1,303,863**	**(128,420)**	**(9,642)**	**-**	**12,209**	**228,191**	**1,406,201**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Changes in Equity for the Year to 30 June 2011							
	Balance at 1 July 2010 $000	Dividends $000	Shares purchased for executive performance share plan $000	Treasury shares vesting to employees in the year $000	Share based payment reserve $000	Disposal of Non-controlling Interest $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2011 $000
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(8,081)	-	(12,188)	1,795	-	-	-	(18,474)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	9,228	-	-	(1,143)	5,782	-	-	13,867
Cash flow hedges	(22,252)	-	-	-	-	-	7,763	(14,489)
Bank loan designated as a hedge of a net investment	58,802	-	-	-	-	-	34,372	93,174
Foreign currency translation	(67,743)	-	-	-	-	-	(44,328)	(112,071)
Actuarial loss on pension fund	(2,338)	-	-	-	-	-	(885)	(3,223)
Retained earnings	308,823	(110,747)	-	-	-	-	198,375	396,451
Vested employee equity	(6,850)	-	-	(652)	-	-	-	(7,502)
Owners of the parent	**1,235,277**	**(110,747)**	**(12,188)**	**-**	**5,782**	**-**	**195,297**	**1,313,421**
Non-controlling interests	**(11,420)**	**-**	**-**	**-**	**-**	**(129)**	**1,991**	**(9,558)**
Total equity	**1,223,857**	**(110,747)**	**(12,188)**	**-**	**5,782**	**(129)**	**197,288**	**1,303,863**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities			
Receipts from customers		3,952,668	3,750,915
Payments to suppliers and employees		(3,323,717)	(3,152,254)
Income tax paid		(108,274)	(87,537)
Income tax refund		17,051	-
Finance costs		(103,835)	(80,533)
Net cash flows from operating activities	9	**433,893**	**430,591**
Cash flows from investing activities			
Purchase of property, plant and equipment		(222,213)	(214,957)
Proceeds from sale of property, plant and equipment		38,145	4,935
Interest received		4,625	5,182
Acquisition of subsidiary, net of cash received	10	-	(18,069)
Net cash flows used in investing activities		**(179,443)**	**(222,909)**
Cash flows from financing activities			
Dividends paid		(128,420)	(110,747)
Repayment of principal to Bondholders		(2,916)	(2,692)
Repayment of finance lease - principal		(5,346)	(4,686)
Purchase of ordinary shares		(9,642)	(12,188)
Draw down of borrowings		993,608	-
Repayments of borrowings		(1,151,421)	(28,856)
Net cash flows used in financing activities		**(304,137)**	**(159,169)**
Net (decrease)/increase in cash and cash equivalents		(49,687)	48,513
Net foreign exchange differences on cash held		(3,440)	(7,657)
Cash and cash equivalents at beginning of year		226,545	185,689
Cash and cash equivalents at end of year	9	**173,418**	**226,545**

1. CORPORATE INFORMATION

Ramsay Health Care Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company's functional and presentational currency is AUD ($).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and listed investments which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items are otherwise carried at cost.

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2011.

The financial report is presented in Australian dollars and all values are rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. This is an entity to which the Class Order applies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2012 $000	2011 $000
Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit attributable to owners of the parent	244,105	198,375
Add/(less) non-core items:		
- Non-cash rent expense relating to UK leased hospitals	23,693	26,976
- Amortisation - service concession assets	2,186	2,224
- Profit on sale of assets	(7,406)	(5,261)
- Income from the sale of development assets	(4,976)	(15,011)
- Book value of development assets sold	4,355	10,561
- Acquisition, disposal, and development costs	5,466	4,683
- Impairment of non-current assets	-	2,014
- Defined benefit pension plan costs	-	3,444
- Loss on interest rate hedge	67	76
- Charge for expired debt facility costs due to early refinancing	5,924	-
Income tax on non-core items	(3,153)	(7,054)
Income tax refund received relating to changes to tax consolidation legislation	(17,051)	-
Non-controlling interest in non-core items (net of tax)	(564)	(441)
	8,541	22,211
Core profit (segment result) after tax from continuing operations	252,646	220,586
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	252,646	220,586
Less: CARES Dividend	(17,676)	(15,847)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	234,970	204,739
Weighted average number of ordinary shares adjusted for effect of dilution	202,443,435	202,457,705
Core earnings per share from continuing operations	116.1c	101.1c

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations

(i) Change in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- AASB 2009 – 12 *Amendments to Australian Accounting Standards* (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and interpretations 2, 4, 16, 1039 & 1052)
- AASB 2010 – 5 *Amendments to Australian Accounting Standards* (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and interpretations 112, 115, 127, 132 & 1042)
- AASB 2010 – 6 *Amendments to Australian Accounting Standards* (AASB 1 & AASB 7)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)
The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment of the interpretation has no effect on the financial position nor performance of the Group.

AASB 2009 – 12 Amendments to Australian Accounting Standards
This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. All the other amendments principally arise from editorial corrections made by the IASB to its Standards and Interpretations and by the AASB to its pronouncements. The amendments have had no effect on the financial position or performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(i) Change in accounting policy (continued)

AASB 2010 – 5 Amendments to Australian Accounting Standards
This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.
These amendments have no major impact on the requirements of the amended pronouncements. The amendments have had no effect on the financial position or performance of the Group.

AASB 2010 – 6 Amendments to Australian Accounting Standards
This Standard adds and amends disclosure requirements about transfers of financial assets, including the nature of the financial assets involved and the risks associated with them. The amendments have had no effect on the financial position or performance of the Group.

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The adoption of this new amendment will not have any impact on the financial position or performance of the Group.	1 July 2012

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013**	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	1 January 2013	The adoption of this new standard will not have any impact on the financial position or performance of the Group.	1 July 2013

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

** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.	1 January 2013	The adoption of this new standard will not have any impact on the financial position or performance of the Group.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
Annual Improvements 2009–2011 Cycle ***	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	The Group has not yet determined the extent of the impact of these amendments if any.	1 July 2013

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

*** IFRS amendments have not yet been adopted by the AASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ramsay Health Care Limited and its subsidiaries and special purpose entities (‘the Group') as at and for the period ended 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Ramsay Health Care Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Non-controlling interests represent the interest in Health Care Trust No 1, PT Affinity Health Indonesia and Ramsay Santé SA not held by the Group.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group losses control over a subsidiary, it
- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

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

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

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of patient volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Significant accounting estimates & assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 17.

Share – based payment transactions

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

Medical malpractice provision

The Group determines an amount to be provided for the self-insured retention, potential uninsured claims and 'Incurred but not Reported' ('IBNR') in relation to medical malpractice with reference to actuarial calculations. This actuarial calculation is performed at each reporting period.

Pension benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of corporate bonds in the respective country. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the specific country.

(f) Foreign currency translation

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

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

All exchange differences, arising in relation to foreign operations, in the consolidated financial report are taken directly to equity until the disposal of these operations, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the overseas subsidiaries are: Indonesian Rupiah for Affinity Health Indonesia; British pounds for Ramsay Health Care (UK) Limited; and Euro for Ramsay Santé SA. As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Ramsay Health Care Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

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

(g) Property, plant & equipment

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

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

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

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

(i) Impairment
The carrying values of 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 units 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 those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

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.

(j) Investments & other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting period.

Recognition & derecognition
All regular way purchases and sales of financial assets are recognised on the trade date, that is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cashflows from the financial assets have expired or been transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments & other financial assets (continued)

Loans & receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

(k) Inventories

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

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

(l) Trade & other receivables

Trade receivables, which generally have 15-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

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

(m) Cash & cash equivalents

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

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

(n) Interest-bearing loans & borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payment transactions

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

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

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

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

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

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

(i) The extent to which the vesting period has expired and

(ii) The number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date.

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

Share Based Payment Reserve
This reserve is used to record the value of the share based payments provided to employees.

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

Vested Employee Equity
Shares that have vested and have been exercised by employees under the Executive Performance Share Plan are classified and disclosed as Vested Employee Equity.

(q) Leases

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (continued)

Onerous/Unfavourable lease
A lease whereby the carrying value exceeds the fair value is considered an onerous/unfavourable lease. These onerous/unfavourable leases are reflected as a liability with an assigned fair value and are amortised over the remaining life of the lease term.

(r) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from patients
Revenue from patients is recognised on the date on which the services were provided to the patient.

Interest
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the Groups' right to receive the payment is established.

Rental income
Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised in the income statement as an integral part of the total rental income.

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

Income from sale of development assets
Income from sale of development assets is recognised when the payment is received.

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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.

(t) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Derivative financial instruments & hedging

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

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement in the period in which those gains or losses arose. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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 forecast transaction; or
- hedges of a net investment in a foreign operation.

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

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

(i) Cash Flow Hedges
Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are 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, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest in a joint venture

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reductions in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(w) Intangible assets

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

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

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

A summary of the policy applied to the Group's intangible assets are as follows:

	Service Concessions Assets	**Development Costs**
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the lease (up to 40 years)	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.	Annually for assets not yet available for use. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Service Concession Assets

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

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

(y) Trade & other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

(z) Employee leave benefits

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

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

(aa) Insurance

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles.

Medical Malpractice Insurance
A provision is made to cover excesses arising under the Medical Malpractice Insurance Policy. This provision is actuarially assessed at each reporting period.

Insurance Funding
Insurance premiums are prepaid at the beginning of each insurance period through an external insurance financier. The insurance premiums are expensed over the period.

(ab) Contributed Equity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(ad) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Managing Director and the Board of Directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(ae) Pensions & other post-employment benefits

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

The employer’s portion of the current services cost, past service costs related to employee service in prior periods, and any curtailment gains or losses are charged to the income statement.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the period.

The interest cost on liabilities net of the expected return on asset in the plans, is charged to the finance expense line in the income statement.

Actuarial gains and losses are recognised in full in equity. These comprise on scheme assets, the difference between the expected and actual return on assets, and, on scheme liabilities, the difference between the actuarial assumptions and actual experience, and the effect of changes in actuarial assumptions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Pensions & other post-employment benefits (continued)

The defined benefit pension asset or liability in the Statement of Financial Position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short-term deposits, available-for-sale financial assets and derivatives.

Risk Exposures & Responses

The Group manages its exposure to key financial risks, including interest rate and currency 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. 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, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Group has entered into a Syndicated Facility Agreement with its Banks. The Syndicated Facility Agreement is with prime financial institutions. By entering into a Syndicated Facility Agreement with a number of financial institutions compared to financing through a Bilateral Facility Agreement, the Group has reduced its counterparty risk.

The Board reviews and agrees policies for managing each of these risks as summarised below.

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

(a) Interest rate risk
The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in note 29.

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:

	2012 $000	2011 $000
Financial Assets		
Cash and cash equivalents	173,418	226,545
Financial Liabilities		
Bank Loans	(264,389)	(274,562)
Net exposure	(90,971)	(48,017)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in note 22, with a net negative fair value of $29,040,000 (2011: negative: $20,753,000) which are exposed to fair value movements if interest rates change.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to maintain at least 50% of its borrowings at fixed rates which are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 73% (2011: 76%) of the Group's borrowings are at a fixed rate of interest.

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

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2012	2011	2012	2011
	$000	$000	$000	$000
AUD				
+ 200 basis points (2011: + 100 basis points)	(1,153)	(1,060)	27,960	2,159
- 200 basis points (2011: - 100 basis points)	1,150	1,052	(29,974)	(2,189)
GBP				
+ 100 basis points (2011: + 100 basis points)	(445)	(353)	3,704	4,325
- 100 basis points (2011: - 100 basis points)	276	48	(3,617)	(3,966)
IDR				
+ 100 basis points (2011: + 100 basis points)	(120)	(136)	-	-
- 100 basis points (2011: - 100 basis points)	123	137	-	-
EUR				
+ 100 basis points (2011: + 100 basis points)	(19)	(22)	751	1,134
- 100 basis points (2011: - 100 basis points)	22	22	(741)	(1,189)

The assumed movement in basis points for the interest rate sensitivity analysis is considered reasonable, given the market forecasts available at the reporting date and the current economic environment in which the consolidated entity operates.

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The change in sensitivity in 2012, comparing to 2011 is due to the decrease in hedging from 76% in 2011 to 73% in 2012 and the increased interest rate volatility in 2012.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk

United Kingdom
As a result of significant operations in the United Kingdom, the Group's Statement of Financial Position can be affected significantly by movements in the AUD/GBP exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in British Pounds.

At reporting date, the Group had the GBP exposure of £83,420,000 (2011: £18,898,000) that is not designated in a net investment hedge.

The Group has a GBP borrowing of £117,000,000 (2011: £117,000,000) that is designated as a hedge of the net investment in the UK operation. Further information on the hedge is set out in note 22.

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At reporting date, had the Australian Dollar moved +/-10% against the British Pound, as illustrated in the table below, with all other variables held constant, 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)**	
	2012	**2011**	**2012**	**2011**
	\$000	**\$000**	**\$000**	**\$000**
AUD/GBP +10%	(22)	(290)	(11,617)	(2,283)
AUD/GBP -10%	24	319	12,782	2,511

A sensitivity of 10% has been used as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

The movements in profit are due to an increase or decrease in the fair value of the GBP denominated financial instruments not designated in net investment hedges.

** Movements disclosed for variation in exchange rates relate to financial instruments. These would be offset by equal movements to the assets of the net investment giving an overall impact to equity of zero.*

France
As a result of operations in France, the Group's Statement of Financial Position can be affected significantly by movements in the AUD/EUR exchange rates.

At reporting date, the Group had the Euro exposure of €39,414,000 (2011: €39,116,000) that is not designated in net investment hedges.

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(b) Foreign currency risk (continued)

At reporting date, had the Australian Dollar moved +/-10% against the Euro, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower) 2012 $000	Post Tax Profit Higher/(Lower) 2011 $000	Other Comprehensive Income Higher/(Lower) 2012 $000	Other Comprehensive Income Higher/(Lower) 2011 $000
AUD/EUR +10%	(70)	(67)	(4,362)	(4,742)
AUD/EUR -10%	77	74	4,801	5,218

A sensitivity of 10% has been used as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

The movements in profit are due to an increase or decrease in the fair value of the Euro denominated financial instruments not designated in the net investment hedges.

(c) Credit risk

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

The Group does not hold any credit derivatives to offset its credit exposure.

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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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 APRA prudential requirements, or Governments.

Derivative financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

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

(d) Liquidity risk

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

A. Non-derivative financial liabilities
The following liquidity risk disclosures reflect all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities are based on contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital including inventories and trade receivables.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

Year ended 30 June 2012	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	173,418	-	-	-	173,418
Trade and other receivables	430,352	10,193	12,577	2,585	455,707
	603,770	10,193	12,577	2,585	629,125
Financial liabilities					
Trade and other payables	(575,154)	-	-	-	(575,154)
Interest-bearing loans and borrowings	(67,578)	(51,686)	(1,132,832)	(5,203)	(1,257,299)
Sub-ordinated bonds	-	-	(57,642)	-	(57,642)
	(642,732)	(51,686)	(1,190,474)	(5,203)	(1,890,095)
Net outflow	(38,962)	(41,493)	(1,177,897)	(2,618)	(1,260,970)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

Year ended 30 June 2011	≤ 1 year $000	1-2 years $000	2-5 years $000	>5years $000	Total $000
Liquid financial assets					
Cash and cash equivalents	226,545	-	-	-	226,545
Trade and other receivables	426,333	3,289	11,608	7,117	448,347
	652,878	3,289	11,608	7,117	674,892
Financial liabilities					
Trade and other payables	(533,357)	-	-	-	(533,357)
Interest-bearing loans and borrowings	(123,684)	(1,138,187)	(40,911)	-	(1,302,782)
Sub-ordinated bonds	-	-	(55,884)	-	(55,884)
	(657,041)	(1,138,187)	(96,795)	-	(1,892,023)
Net (outflow)/inflow	(4,163)	(1,134,898)	(85,187)	7,117	(1,217,131)

B. Derivative financial liabilities

Due to the unique characteristics and risks inherent to derivative instruments, the Group (through the Group Treasury Function) separately monitors the liquidity risk arising from transacting in derivative instruments.

The table below details the liquidity risk arising from the derivative liabilities held by the Group at reporting date. Net settled derivative liabilities comprise forward interest rate swap contracts that are used as economic hedges of interest payable.

	< 6 months $000	6 – 12 months $000	1 – 5 years $000	>5 years $000	Total $000
Year ended 30 June 2012					
Derivatives liabilities – net settled	(8,217)	(7,316)	(13,671)	-	(29,204)
Net maturity	(8,217)	(7,316)	(13,671)	-	(29,204)
Year ended 30 June 2011					
Derivatives liabilities – net settled	(6,308)	(6,109)	(11,433)	-	(23,850)
Net maturity	(6,308)	(6,109)	(11,433)	-	(23,850)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

(e) Fair value

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

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

	2012 $000	2011 $000
Financial assets		
Derivative instruments – interest rate swaps	-	1,458
Financial liabilities		
Derivative instruments – interest rate swaps	(29,040)	(22,211)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, and foreign exchange contracts not traded on a recognised exchange.

Transfer between categories

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

4. REVENUE

Revenue and Other Income

	2012 $000	2011 $000
Revenue from patients	3,871,505	3,652,194
Rental income - Other persons/corporations	37,304	26,689
Income from ancillary services	47,667	40,808
Interest - Other persons/corporations	4,625	5,182
Revenue and other income from continuing operations	3,961,101	3,724,873
Income from sale of development assets	4,976	15,011
Profit on sale of assets	7,406	5,261
	3,973,483	3,745,145

5. EXPENSES

Expenses from Continuing Operations

	2012 $000	2011 $000
(a) Depreciation and impairment included in income statement		
Depreciation - Plant and equipment	103,655	90,675
Depreciation - Buildings	31,860	31,133
Impairment - Plant and equipment	-	2,014
Total depreciation and impairment	135,515	123,822
(b) Amortisation included in income statement		
Service concession assets	2,186	2,224
Development cost	9,193	9,029
Total amortisation	11,379	11,253
(c) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the income statement	106,693	105,298

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

Reduction in operating profit resulting from accounting in accordance with AASB 117 *Leases* and UIG 115 *Operating leases – incentives*	(23,693)	(26,976)

Ramsay Health Care (UK) Limited has entered into 30 year term lease agreements for the rent of hospital properties. The lease agreements have fixed annual increases of 2.75% per annum. Where leases have fixed annual increases and not variable annual increases, AASB 117 requires that straight line accounting be applied. The cash rent paid for the year ended 30 June 2012 was lower than the rent expensed by $23,693,000 (2011: $26,976,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2012 $000	2011 $000
(d) Employee benefits expense		
Wages and salaries	1,760,807	1,654,262
Workers' compensation expense	16,166	11,244
Superannuation expense	100,738	94,188
Termination benefits expense	3,526	1,566
Other employment expense	59,375	54,650
Share-based payments expense (including expense arising from transactions accounted for as equity-settled share-based payment transactions)	7,732	5,720
Defined benefit pension plan costs	-	3,444
	1,948,344	1,825,074
(e) Finance costs		
Interest expense - Other persons/corporations	80,144	78,652
Finance charges - Lease liability	1,734	2,215
Finance charges - Charge for expired debt facility costs due to early refinancing	5,924	-
Finance charges - Loss on interested rate hedge	67	76
	87,869	80,943
Less: Finance costs capitalised	(4,362)	(4,019)
	83,507	76,924

6. INCOME TAX

	2012 $000	2011 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	111,209	86,650
Adjustments in respect of previous years	(15,074)	(1,648)
Deferred income tax		
Relating to origination and reversal of temporary differences	(48)	3,013
Adjustments in respect of deferred income tax of previous years	(5,367)	5,740
Income tax expense reported in the income statement	90,720	93,755

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

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

	2012 $000	2011 $000
Accounting profit before tax from continuing operations	336,578	294,121
At the Parent Entity's statutory income tax rate of 30% (2011: 30%)	100,973	88,236
Expenditure not allowable for income tax purposes	5,695	3,962
Income tax refund received relating to changes to tax consolidation legislation	(17,051)	-
Foreign tax rate adjustment	(30)	(295)
Other	1,133	1,852
	90,720	93,755
Income tax expense reported in the consolidated income statement attributable to continuing operations	90,720	93,755

(c) Amounts charged or credited directly to equity

	2012 $000	2011 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	(2,544)	3,260
Actuarial gain/loss on defined benefit plans	(302)	-
Treasury shares	(4,454)	(244)
	(7,300)	3,016

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2012 $000 Current income tax	2012 $000 Deferred income tax	2011 $000 Current income tax	2011 $000 Deferred income tax
Opening balance	(31,891)	26,040	(35,819)	39,094
(Charged)/ credited to income	(96,135)	5,415	(85,002)	(8,753)
(Charged)/ credited to equity	-	7,300	-	(3,016)
Reclassification	-	11,656	-	-
Payments/(Refunds)	90,667	-	89,252	-
Exchange differences	(153)	825	(322)	(1,765)
Acquisition of subsidiary	-	-	-	480
Closing balance	(37,512)	51,236	(31,891)	26,040
Tax expense in the income statement		(90,720)		(93,755)
Amounts recognised in the statement of financial position				
Deferred tax asset		81,089		48,892
Deferred tax liability		(29,853)		(22,852)

	Statement of Financial Position 2012 $000	2011 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(10,704)	(11,451)
Recognition of revenue	(9,662)	(10,686)
Depreciable assets	(62,428)	(65,100)
Other	(2,314)	(10,162)
Other provisions and lease liabilities	(18,435)	(14,305)
Gross deferred tax liabilities	(103,543)	(111,704)
Set-off of deferred tax assets	73,690	88,852
Net deferred tax liabilities	(29,853)	(22,852)
(ii) Deferred tax assets		
Employee provisions	70,578	65,425
Other provisions and lease liabilities	55,564	41,404
Unearned income	7,287	5,497
Other	1,358	4,692
Losses	11,248	14,401
Derivatives	8,744	6,325
Gross deferred tax assets	154,779	137,744
Set-off of deferred tax assets	(73,690)	(88,852)
Net deferred tax assets	81,089	48,892

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2012, there is $10,011,179 (2011: $10,091,759) of unrecognised deferred income tax assets in relation to capital losses carried forward. As it is not probable they will be used in the foreseeable future, they have not been recognised.

(f) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation intercompany assets of Ramsay Health Care Limited have increased by $42,487,000 (2011: increased $38,502,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 32.

(g) Tax relating to other comprehensive income

	2012 $000	2011 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	5,409	(10,983)
- Cashflow hedges transferred to the income statement	(2,940)	7,656
	2,469	(3,327)

7. EARNINGS PER SHARE

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

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

	2012 $000	2011 $000
Net profit for the year attributable to the owners of the parent	244,105	198,375
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(17,676)	(15,847)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	226,429	182,528

	2012 Number of Shares	2011 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,828,094	201,106,486
Effect of dilution – share rights	1,615,341	1,351,219
Weighted average number of ordinary shares adjusted for the effect of dilution	202,443,435	202,457,705

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. The rights granted to Executives have the potential to dilute earnings per share.

Earnings per share (cents per share)		
- basic (after CARES dividend) for the year	112.7	90.8
- diluted (after CARES dividend) for the year	111.8	90.2
- basic (after CARES dividend) from continuing operations	112.7	90.8
- diluted (after CARES dividend) from continuing operations	111.8	90.2

8. DIVIDENDS PAID OR PROPOSED

	2012 $000	2011 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (25.5 cents per share) (2011: 22.5 cents per share)	51,531	45,468
(ii) Previous year final dividend paid		
Franked dividends – ordinary (29.5 cents per share) (2011: 25.0 cents per share)	59,614	50,520
	111,145	95,988
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (34.5 cents per share) (2011: 29.5 cents per share)	69,718	59,614
(c) Dividends declared and paid during the period on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	17,676	15,847
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends CARES	8,318	8,982

	Parent	
	2012 $000	2011 $000
(e) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2011: 30%)	180,744	147,464
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	24,418	21,303
	205,162	168,767
The amount of franking credits available for future reporting periods:		
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(33,444)	(28,965)
	171,718	139,802

* As Ramsay Health Care Ltd and its 100% owned subsidiaries have formed a tax consolidated group, effective 1 July 2003, this represents the current tax payable for the Australian group.

The tax rate at which paid dividends have been franked is 30% (2011: 30%). $78,036,000 (2011: $68,596,000) of the proposed dividends will be franked at the rate of 30% (2011: 30%).

9. CASH AND CASH EQUIVALENTS

	2012 $000	2011 $000
Cash at bank and in hand	173,418	226,545

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

	2012 $000	2011 $000
Cash at bank and in hand	173,418	226,545

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

	2012 $000	2011 $000
Net profit after tax for the year	245,858	200,366
Adjustments for:		
Depreciation, amortisation and impairment	146,894	135,075
Interest received	(4,625)	(5,182)
Changes in assets & liabilities		
Deferred tax	(10,747)	10,214
Receivables	5,880	26,998
Other assets	(1,280)	2,136
Creditors and accruals	10,311	11,166
Provisions	52,208	53,003
Inventory	(16,094)	811
Tax provisions	5,488	(3,996)
Net cash from operating activities	433,893	430,591

Disclosure of financing facilities
Refer to note 29.

10. BUSINESS COMBINATIONS

Acquisition of Clinique Convert - 2011

On 31 May 2011, Ramsay Santé acquired 99.77% of the share capital of Clinique Convert. Ramsay Santé has recognised the fair values of the identifiable assets and liabilities of the Clinique Convert as follows:

	$000
Cash overdraft	(11)
Accounts Receivable	2,191
Inventory	762
Other current assets	1,351
Property, plant and equipment	7,647
Deferred income tax asset	480
Creditors and accruals	(5,658)
Intercompany loan	(4,196)
Provisions and other liabilities non-current	(2,187)
Fair value of identifiable net assets	379
Non-controlling interest in identifiable acquired net liabilities	(1)
Intercompany loan eliminated on consolidation	4,196
Goodwill arising on acquisition	13,484
	18,058
Acquisition date fair value of consideration transferred	
Cash paid	18,058
	18,058
Direct costs relating to the acquisition - included within acquisition, disposal, restructuring and integration costs.	599
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(11)
Cash paid	(18,058)
Net consolidated cash outflow	(18,069)

Ramsay Santé's non-controlling interest is 0.23%. The value of the non-controlling interest was calculated using the fair value of the identifiable net assets as at the acquisition date.

The primary reason for the business combination is the acquisition of an existing business.

Key factors contributing to the $13,484,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique Convert facilities with the rest of the Group. The goodwill balance represents goodwill attributed to the parent only, as indicated goodwill attributable to the non-controlling interest has not been recognised. This acquisition provides a number of benefits for the Group.

The results of Clinique Convert from acquisition to 30 June 2011 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2011, as though Clinique Convert was acquired on 1 July 2010, would not be significantly different to the Group results as reported.

Included in the business acquired were receivables with a gross contractual and fair value of $2,191,000 resulting from providing services to patients. Management expects these to be collected in full and converted to cash consistent with customer terms.

11. SEGMENT INFORMATION

Identification of reportable segments

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

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

Discrete financial information about each of these operating businesses is reported to the Managing Director and his management team on at least a monthly basis.

Types of services

The reportable operating segments derive their revenue primarily from providing health care services to both public and private patients in the community.

Accounting policies and inter-segment transactions

Transfer prices between operating segments are on an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between the segments. These transfers are eliminated on consolidation.

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the accounts and in prior periods.

11. SEGMENT INFORMATION (CONTINUED)

Total and Continuing operations

	Asia Pacific $000	**Europe $000**	**Total $000**
Year ended 30 June 2012			
Revenue			
Revenue from services	3,178,788	777,688	3,956,476
Total revenue before intersegment revenue	3,178,788	777,688	3,956,476
Intersegment revenue	5,938	-	5,938
Total segment revenue	3,184,726	777,688	3,962,414
Results			
Segment net profit after tax	235,300	17,346	252,646
Finance costs	(44,593)	(38,914)	(83,507)
Interest income	4,325	300	4,625
Income tax expense	(81,101)	(9,619)	(90,720)
Depreciation and impairment	(98,438)	(37,077)	(135,515)
Amortisation - software	(8,474)	(719)	(9,193)
Amortisation - service concession assets	(2,186)	-	(2,186)

	Asia Pacific $000	**Europe $000**	**Total $000**
Year ended 30 June 2011			
Revenue			
Revenue from services	2,952,634	767,057	3,719,691
Total revenue before intersegment revenue	2,952,634	767,057	3,719,691
Intersegment revenue	3,400	-	3,400
Total segment revenue	2,956,034	767,057	3,723,091
Results			
Segment net profit after tax	199,052	21,534	220,586
Finance costs	(38,523)	(38,401)	(76,924)
Interest income	5,182	-	5,182
Income tax expense	(87,132)	(6,623)	(93,755)
Depreciation and impairment	(90,312)	(33,510)	(123,822)
Amortisation - software	(8,519)	(510)	(9,029)
Amortisation - service concession assets	(2,224)	-	(2,224)

11. SEGMENT INFORMATION (CONTINUED)

	2012 $000	2011 $000
(i) Segment revenue reconciliation to income statement		
Total segment revenue	3,962,414	3,723,091
Inter segment sales elimination	(5,938)	(3,400)
Interest income	4,625	5,182
Revenue - income from the sale of development assets	4,976	15,011
Other income - Profit on sale of assets	7,406	5,261
Total revenue - income statement	3,973,483	3,745,145

(ii) Segment net profit after tax reconciliation to income statement

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

12. RECEIVABLES

	2012 $000	2011 $000
Current		
Trade and other debtors	430,352	433,286
Allowances for impairment loss	(8,185)	(8,769)
	422,167	424,517
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	18,725	22,014
Receivable from the Government for plant and equipment	2,498	2,864
Rental property bonds receivables	3,169	1,983
Other	963	2,426
	25,355	29,287
Total	447,522	453,804

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. An impairment loss of $8,185,000 (2011: $8,769,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

	2012	2011
At 1 July	(8,769)	(8,852)
Charge for the year	(2,245)	(4,858)
Acquisition of subsidiary	-	(51)
Foreign exchange translation	157	555
Amounts written off (included in service costs)	2,672	4,437
At 30 June	(8,185)	(8,769)

12. RECEIVABLES (CONTINUED)

(ii) Ageing analysis

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

	Total	Neither past due nor impaired	0-30 Days PDNI*	31-60 Days PDNI*	61-90 Days PDNI*	91+ Days PDNI*	Considered Impaired
2012	455,707	376,736	41,117	17,857	3,877	7,935	8,185
2011	462,573	339,477	58,436	25,803	12,321	17,767	8,769

*****_PDNI – Past due not impaired_

Receivables past due but not considered impaired are: $70,786,000 (2011: $114,327,000). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

(iii) 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.

(iv) Credit risk

The maximum exposure to credit risk for current receivables is their fair value. Collateral is not held as security. The Group's credit risk is low in relation to trade debtors because the majority of transactions are with the Government and Health Funds

The maximum exposure to credit risk for non-current receivables at the reporting date is the higher of the carrying value and fair value of each class of these receivables. As the majority of the non-current receivables are receivable from the Government, this is assessed as low risk.

(v) Foreign exchange & interest rate risk

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

(vi) Terms & conditions

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

13. INVENTORIES

	2012 $000	2011 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	94,880	76,150
Development assets to be sold that are currently under construction – at cost	10,155	11,651
	105,035	87,801

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2012 totalled $987,012,000 (2011: $950,375,000) for the Group. This expense has been included in the medical consumables and supplies in the income statement. The cost of development assets sold which has been recognised as an expense for the year ended 30 June 2012 totalled $4,355,000 (2011: $10,561,000) for the Group. This expense has been included in Cost of goods sold – Book value of development assets sold in the income statement.

14. OTHER CURRENT ASSETS

	2012 $000	2011 $000
Prepayments	36,027	35,874
GST receivable	7,829	7,785
Other current assets	3,584	2,508
	47,440	46,167

15. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
Cost			
At 1 July 2010	1,611,037	1,069,369	2,680,406
Additions	126,601	94,996	221,597
Acquisition of subsidiary	-	7,647	7,647
Disposals	(3,366)	(20,203)	(23,569)
Exchange Differences	(39,428)	(45,122)	(84,550)
At 30 June 2011	**1,694,844**	**1,106,687**	**2,801,531**
Additions	139,344	92,197	231,541
Disposals	(29,985)	(32,885)	(62,870)
Exchange Differences	(5,529)	(6,630)	(12,159)
At 30 June 2012	**1,798,674**	**1,159,369**	**2,958,043**
Depreciation and Impairment			
At 1 July 2010	(249,921)	(693,381)	(943,302)
Depreciation charge for the year	(31,133)	(90,675)	(121,808)
Impairment	-	(2,014)	(2,014)
Disposals	459	14,305	14,764
Exchange Differences	5,376	31,949	37,325
At 30 June 2011	**(275,219)**	**(739,816)**	**(1,015,035)**
Depreciation charge for the year	(31,860)	(103,655)	(135,515)
Disposals	5,842	26,807	32,649
Exchange Differences	482	5,835	6,317
At 30 June 2012	**(300,755)**	**(810,829)**	**(1,111,584)**
Net Book Value			
At 30 June 2012	1,497,919	348,540	1,846,459
At 30 June 2011	1,419,625	366,871	1,786,496

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2012 is $48,347,000 (2011: $53,682,000).
Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

16. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
Cost				
At 1 July 2010	871,549	43,329	31,610	946,488
Additions	-	445	3,661	4,106
Acquisition of subsidiary	13,484	-	3	13,487
Disposals	(944)	(257)	-	(1,201)
Exchange Differences	(41,537)	(1,243)	(286)	(43,066)
At 30 June 2011	**842,552**	**42,274**	**34,988**	**919,814**
Additions	-	308	1,031	1,339
Disposals	-	(17)	(232)	(249)
Exchange Differences	(4,401)	(481)	(388)	(5,270)
At 30 June 2012	**838,151**	**42,084**	**35,399**	**915,634**
Amortisation and Impairment				
At 1 July 2010	-	(10,822)	(11,715)	(22,537)
Amortisation charge for the year	-	(2,224)	(9,029)	(11,253)
Disposals	-	172	-	172
At 30 June 2011	**-**	**(12,874)**	**(20,744)**	**(33,618)**
Amortisation charge for the year	-	(2,186)	(9,193)	(11,379)
Disposals	-	9	232	241
Exchange Differences	-	-	(235)	(235)
At 30 June 2012	**-**	**(15,051)**	**(29,940)**	**(44,991)**
Net Book Value				
At 30 June 2012	838,151	27,033	5,459	870,643
At 30 June 2011	842,552	29,400	14,244	886,196

^ *Internally generated, including software costs*

(ii) Description of the Group's intangible assets and goodwill

Goodwill has been acquired through business combinations and is determined to have an indefinite life. The key factor contributing to the goodwill relates to the synergies existing within the acquired businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

The intangible asset, 'service concession assets', has been acquired through business combinations and purchases of assets.

17. IMPAIRMENT TESTING OF GOODWILL

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

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

- Australia;
- United Kingdom;
- France; and
- Indonesia

Goodwill allocated to the Indonesian business segment is not significant in comparison with the total carrying amount of goodwill.

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2012 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2013 with a 5% extrapolated growth factor for the next 4 years. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2011: 3%).

The pre tax discount rate applied to cash flow projections is 12.8% (2011: 12.3%). The post tax discount rate is 9.8% (2011: 9.5%).

United Kingdom

The recoverable amount of the United Kingdom business is also determined based on a value in use calculation using cash flow projections as at 30 June 2012 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 7.9% (2011: 9.2%). The post tax discount rate applied to cash flow projections is 7.2% (2011: 8.0%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2011: 2%).

France

The recoverable amount of the French business is also determined based on a value in use calculation using cash flow projections as at 30 June 2012 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 6.3% (2011: 6.4%). The post tax discount rate applied to cash flow projections is 5.7 % (2011: 5.8%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 0.5% (2011: 0.5%).

17. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

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

The carrying amounts of goodwill allocated to the Asia Pacific (Australia/Indonesia) business, to the UK business and the French business, are significant in comparison with the total carrying amounts of goodwill.

	Australia/Indonesia		UK		France		Total	
	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000
Carrying amount of goodwill	554,172	554,172	187,858	183,217	96,121	105,163	838,151	842,552

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2012 and 30 June 2011

- Budgeted margins – the basis used to determine the value assigned to the budgeted margins is the average margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus values assigned to margins reflects past experience and expected efficiency improvements. The margins are driven by consideration of future admissions and occupancy case mix across all facilities within the group based on past experiences and management's assessment of growth.
- Tax rates have been estimated at 30% for Australian operations, and 24% - 33% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

For the United Kingdom, management do not consider that any reasonable likely combination of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates or a loss of the GC4 revenue would result in the carrying value of the UK goodwill exceeding the recoverable amount.

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

18. TRADE & OTHER PAYABLES

	2012 $000	2011 $000
Trade payable	246,979	227,285
Sundry creditors and accrued expenses	181,115	167,300
Employee and director entitlements	148,575	140,312
Other payables	2,673	2,420
	579,342	537,317

(i) Fair values

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(ii) Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk exposure are set out in note 3.

19. PROVISIONS

	2012 $000	2011 $000
Current		
Restructuring provision	6,656	6,730
Unfavourable contracts	4,965	4,384
Insurance provision	131,439	124,341
Other provisions	4,102	-
	147,162	135,455
Non-current		
Non-current employee and Director entitlements	106,902	93,568
Deferred lease provision	137,393	110,328
Unfavourable contracts	18,270	23,173
Other provisions	1,777	3,530
	264,342	230,599
Total	411,504	366,054

19. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2011	110,328	6,730	124,341	27,557	3,530	272,486
Arising during the year	23,670	540	13,297	-	4,145	41,652
Utilised during the year	-	(614)	(5,046)	(4,859)	(642)	(11,161)
Exchange differences	3,395	-	(91)	537	(552)	3,289
Unused amounts reversed	-	-	(1,062)	-	(602)	(1,664)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2012	137,393	6,656	131,439	23,235	5,879	304,602
Current 2012	-	6,656	131,439	4,965	4,102	147,162
Non-current 2012	137,393	-	-	18,270	1,777	157,440
	137,393	6,656	131,439	23,235	5,879	304,602
Current 2011	-	6,730	124,341	4,384	-	135,455
Non-current 2011	110,328	-	-	23,173	3,530	137,031
	110,328	6,730	124,341	27,557	3,530	272,486

(b) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of acquisitions in the prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition;
- land rich duties payable; and
- costs expected to be incurred with the disposal of facilities during 2012 and 2013.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover excesses arising under the Medical Malpractice Insurance policy. This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 10 - 20% of the estimated Ramsay claim cost.

Deferred lease provision

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

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty five years. As at acquisition these contracts were not at market rates and as such were considered unfavourable. These unfavourable contracts were not recognised as a liability in the books of the acquiree but have been assigned a fair value and recognised as a liability on acquisition. The leases are due to expire in 2037.

20. INTEREST BEARING LOANS AND BORROWINGS

		2012 $000	2011 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,159	2,916
- Lease liabilities	(ii)	4,163	5,572
- Bank loan	(iii)	5,041	5,415
Unsecured liabilities:			
- Bank Loans	(iii)	19,120	-
		31,483	13,903
Non-current			
Secured liabilities:			
- Loans - bondholders	(i)	20,403	23,563
- Lease liabilities	(ii)	18,108	21,984
- Bank loan	(iii)	38,968	51,218
- Loan - subordinated bonds	(iv)	42,716	43,278
Unsecured liabilities:			
- Bank loan	(iii)	917,380	1,087,183
		1,037,575	1,227,226
Total		1,069,058	1,241,129

(i) Loan - bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government.
(ii) Lease liabilities are effectively secured by the leased asset (refer note 25).
(iii) Further information on bank loans is set out in note 29.
(iv) Loans - subordinated bonds. Further information is set out in note 29.

(a) Fair values

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 3.54% to 3.63% (2011: 4.61% to 5.23%) for Australia, 0.67% to 1.00% (2011: 0.77% to 1.24%) for UK, 4.20% to 4.48% (2011: 6.00% to 7.20%) for Indonesia, and 0.65% to 0.79% (2011: 1.13% to 2.03%) for France respectively.

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	2012		2011	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	980,509	997,388	1,143,816	1,194,365
Lease liabilities	22,271	26,570	27,556	26,243
Bondholders	23,562	26,737	26,479	28,792
Subordinated bonds	42,716	55,293	43,278	59,906
	1,069,058	1,105,988	1,241,129	1,309,306

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

(b) Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

(c) Assets pledged as security

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

	2012 $000	2011 $000
Finance lease		
Leased assets	48,347	53,682
Fixed and floating charge		
Receivables	18,725	22,014
Bank loan	84,257	92,184
Total non-current assets pledged as security	151,329	167,880

(d) Defaults & breaches

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

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2012 $000	2011 $000
21.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2011: 202,081,252 ordinary shares fully paid)	713,523	713,523

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

21.1 Ordinary Shares (continued)

(b) Terms & conditions of issued capital

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

21.2 Cash Flow Hedges Reserve

Nature & Purpose
This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The debit to equity during the year to 30 June 2012 represents a decrease in forecast long term interest rates.

21.3 Share Based Payment Reserve

Nature & Purpose
This reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their compensation.

21.4 Vested Employee Equity

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

21.5 Convertible Adjustable Rate Equity Securities (CARES)

	2012 $000	**2011 $000**
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2011: 2,600,000 CARES shares fully paid)	252,165	252,165

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

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

(b) Terms and conditions of CARES

Issuer	**Ramsay Health Care Limited**
Security	Convertible Adjustable Rate Equity Securities (CARES) which are a non-cumulative, redeemable and convertible preference shares in Ramsay.
Face Value	$100 Per CARES.
Dividends	The holder of each CARES is entitled to a preferred, non-cumulative, floating rate dividend equal to: Dividend Entitlement = $\frac{\text{Dividend Rate x Face Value x N}}{365}$ where: N is the number of days in the Dividend Period The payment of Dividends is at the Directors' discretion and is subject to there being funds legally available for the payment of Dividends and the restrictions which apply in certain circumstances under the financing arrangements. If declared, the first Dividend will be payable on each CARES in arrears on 20 October 2005 and thereafter on each 20 April and 20 October until CARES are converted or exchanged.
Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: Dividend Rate = (Market Rate + Margin) x (1-T) where: The Market Rate is the 180 day Bank Bill Swap Rate applying on the first day of the Dividend Period expressed as a percentage per annum. The Margin for the period to 20 October 2010 was 2.85% per annum. It was determined by the Bookbuild held on 26 April 2005. T is the prevailing Australian corporate tax rate applicable on the Allotment Date. As Ramsay did not convert or exchange by 20 October 2010 the Margin was increased by a one time step up of 2.00% (200 basis points) per annum.
Step-up	One-time 2.00% (200 basis points) step-up in the Margin at 20 October 2010
Franking	Ramsay expects the Dividends paid on CARES to be fully franked. If a Dividend is not fully franked, the Dividend will be grossed up to compensate for the unfranked component. If, on a Dividend Payment Date, the Australian corporate tax differs from the Australian corporate tax rate on the Allotment Date, the Dividend will be adjusted downwards or upwards accordingly.
Conversion or exchange by Ramsay	CARES have no maturity. Ramsay may convert or exchange some or all CARES at its election for shares or $100 in cash for each CARES on 20 October 2010 and each Dividend Payment Date thereafter. Ramsay also has the right to: • convert or exchange CARES after the occurrence of a Regulatory Event; and • convert CARES on the occurrence of a Change in Control Event. Ramsay cannot elect to convert or exchange only some CARES if such conversion or exchange would result in there being less than $50 million in aggregate Face Value of CARES on issue.
Conversion Ratio	The rate at which CARES will convert into Shares will be calculated by reference to the market price of Shares during 20 business days immediately preceding, but not including, the conversion date, less a conversion discount of 2.5%. An adjustment is made to the market price calculation in the case of a Change in Control Event. The Conversion Ratio for each CARES will not be greater than 400 shares.
Ranking	CARES rank equally amongst themselves in all respects and are subordinated to all creditors but rank in priority to Shares.
Participation	Unless CARES are converted into Shares, CARES confer no rights to subscribe for new shares in any fundraisings by Ramsay or to participate in any bonus or rights issues by Ramsay.
Voting Rights	CARES do not carry a right to vote at general meeting of Ramsay except in limited circumstances.

21. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES (CONTINUED)

21.6 Treasury Shares

	2012 $000	2011 $000
1,522,333 ordinary shares (30 June 2011: 1,319,666)	23,259	18,474

Nature & Purpose
Treasury shares are shares in the Group held by the Executive Performance Share Plan and are deducted from equity.

21.7 Capital Management

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

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

Refer to note 21.5 for further information on the existing CARES (2,600,000).

During 2012, dividends of $128,821,000 (2011: $111,835,000) were paid. For the year ended 30 June 2012 fully franked ordinary dividends of 60.0c (2011: 52.0c) per share were declared (Interim dividend of 25.5c, Final dividend of 34.5c). These dividends represented a payout ratio of approximately 51.7% of Core Earnings per Share of 116.1c. Management's target for dividends for 2013 – 2016, subject to ongoing cash needs of the business, are increases in line with the growth in Core Earnings per Share and management will endeavour to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 1.5 times for the year ended 30 June 2012 (2011: 1.93 times).

The Group had certain senior debt facilities that would have matured in November 2012. These facilities were refinanced and the wholly owned Subsidiaries of the Group (except certain dormant subsidiaries) have committed senior debt funding until April 2015 and April 2017 (please refer to Note 29 for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

The wholly owned Subsidiaries of the Group (except certain dormant subsidiaries) are not and have not been in breach of any of the financial and other undertakings of the Senior Debt Facility Agreement.

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $000	2011 $000
Current assets		
Interest rate derivatives contracts – cash flow hedges	-	823
Non – current assets		
Interest rate derivatives contracts – cash flow hedges	-	635
Current liabilities		
Interest rate derivatives contracts – cash flow hedges	14,521	9,182
Non - current liabilities		
Interest rate derivatives contracts – cash flow hedges	14,519	13,029

(a) Instruments used by the Group

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

(i) Interest rate swaps – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 3.56% (2011: 5.01%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.89% (2011: 0.83%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.65% (2011: 1.53%).

In order to reduce the variability of the future cash flows in relation to the interest bearing loans, the Group has entered into Australian Dollar, GBP and Euro interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 73% (2011: 76%) of the principal outstanding.

The Australian Dollar interest rate swap contracts fixed interest rate range between 3.51% and 5.69% (2011: 4.55% and 5.69%) and the variable rates is the 90-day bank bill swap bid rate, which at reporting date was 3.49% (2011: 5.00%). The GBP interest rate swap contracts fixed interest rate range between 3.02% and 5.46% (2011: 3.02% and 5.46%) and the variable rate is the 90-day London inter-bank offered rate, which at reporting date was 0.87% (2011: 0.93%). The Euro interest rate swap contracts fixed interest rate range between 2.015% and 2.02% (2011: 2.015% and 2.02%) and the variable rate is the 90 day Euro zone interbank deposit rates, which at reporting date was 0.65% (2011: 1.55%).

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

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

	2012 $000	2011 $000
0-1 years	351,216	400,000
1-2 years	240,708	369,491
2-3 years	170,708	70,000
3-5 years	321,820	185,821
	1,084,452	1,025,312

The interest rate derivatives require settlement of net interest receivable or payable each 90 or 180 days. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributed to the hedged risk are taken directly to equity and re-classified to the income statement when the interest expense is recognised.

Movement in interest rate swaps cash flow hedge reserve:

	2012 $000	2011 $000
Opening balance	(14,489)	(22,252)
Transferred to interest expense	9,802	(25,519)
Taken to equity	(18,031)	36,609
Related income tax	2,469	(3,327)
Closing balance	(20,249)	(14,489)
Loss on cash flow hedge ineffectiveness recognised immediately in the income statement	(67)	(76)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2012 is a GBP borrowing of £117,000,000 (2011: £117,000,000) which has been designated as a hedge of the net investment in the UK subsidiaries. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investment in the UK subsidiary. A net loss on the bank loan designated as a hedge of the net investment of $4,439,000 (2011: net gain $34,372,000) was recognised in equity during the year.

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

(b) Interest rate risk

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

(c) Credit risk

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

23. SHARE BASED PAYMENT PLANS

Recognised share-based payment expenses

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

	2012 $000	2011 $000
Expense arising from equity-settled share based payment transactions	7,732	5,720
Total expense arising from share-based payment transactions (note 5 (d))	7,732	5,720

24. DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

(i) Directors

P.J. Ramsay AO	Non-Executive Chairman
M.S. Siddle	Non-Executive Deputy Chairman
C.P. Rex	Managing Director
B.R. Soden	Group Finance Director
A.J. Clark AM	Non-Executive Director
P.J. Evans	Non-Executive Director
I.P.S. Grier AM	Non-Executive Director
R.H. McGeoch AM	Non-Executive Director
K.C.D. Roxburgh	Non-Executive Director

(ii) Executives

D.A. Sims	Chief Operating Officer – Australia/Indonesia
C.R. McNally	Head of Global Strategy and European Operations

There were no changes of the key management personnel after the reporting date.

	Note	2012 $000	2011 $000
25. EXPENDITURE COMMITMENTS			
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		5,146	4,126
- After one year but not more than five years		15,877	12,019
- After more than five years		6,886	25,420
Total minimum lease payments		27,909	41,565
- Less: future finance charges		(5,638)	(14,009)
- Present value of minimum lease payments		22,271	27,556
Total lease liability accrued for:			
Current			
- Finance leases	20	4,163	5,572
Non-current			
- Finance leases	20	18,108	21,984
		22,271	27,556

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and twenty five years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2011: 4.0% to 7.4%). The security over finance leases is disclosed in note 20.

25. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	2012 $000	2011 $000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		97,937	92,811
- After one year but not more than five years		375,649	376,325
- After more than five years		2,053,793	2,094,085
Aggregate lease expenditure contracted for at reporting date		2,527,379	2,563,221
Amounts provided for:			
- deferred lease – non-current	19	137,393	110,328
- unfavourable contract - current	19	4,965	4,384
- non-current	19	18,270	23,173
		160,628	137,885
Amounts not provided for:			
- rental commitments		2,366,751	2,425,336
Aggregate lease expenditure contracted for at reporting date		2,527,379	2,563,221

Operating leases have lease terms of between one and twenty five years. Assets which are the subject of operating leases include land and buildings, motor vehicles and items of medical equipment.

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

Ramsay Health Care Australia Pty Limited has a 15 year agreement with Mildura Base Hospital Pty Limited to manage and operate the Mildura Base Hospital, in accordance with the Hospital Service Agreement between Mildura Base Hospital Pty Limited and the State of Victoria. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk. The Hospital was opened on 19 September 2000.

(d) Guarantee and indemnity in relation to a hospital

In relation to one of the hospitals, Ramsay Health Care Limited has given a guarantee in favour of Australian Unity. Ramsay Health Care Limited granted a guarantee and indemnity in favour of an unrelated third party, Australian Unity (‘Landlord’), the lessor of The Valley Private Hospital (‘Lessee’). Ramsay has guaranteed, amongst other things, the performance of the lessees' obligations under the lease. The guaranteed obligations include the payment of all sums of money payable by the Lessee and the Landlord and prompt performance of all obligations of the tenant. Ramsay sold all of the shares in the lessee to BCN. Ramsay's obligations to guarantee the performance and payment of monies continue during the term of the lease. No liability is expected to arise.

26. 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.

27. DEFINED BENEFIT PENSION PLAN

The Group has defined benefit plans in the UK, France and Indonesia, as at 30 June 2012. The defined benefit plans in the UK and Australia are now closed and were only open to existing employees who had always been on the plan. They were not open to new employees. During this year the decision was made to wind up the Australian plan this was completed by 30 June 2012. The decision to wind up the UK plan was made in 2011 and was still underway at 30 June 2012.

The following tables summarise the components of net benefit expense recognised in the consolidated Income Statement and the funded status and amounts recognised in the consolidated Statement of Financial Position for the plans:

	Pension Plans	
	2012 $000	**2011 $000**
Net benefit expense (recognised in employee benefits)		
Current service cost	607	726
Interest cost on benefit obligation	1,046	1,077
Expected return on plan assets	(237)	(236)
Net actuarial (gains)/losses recognised in the period	(386)	(214)
Past service cost	2	-
Net benefit expense (note 5) (recognised in superannuation expense)	1,032	1,353
Actual return on plan assets	(146)	769

	2012 $000	**2011 $000**	**2010 $000**	**2009 $000**	**2008 $000**
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(23,773)	(23,378)	(18,423)	(10,636)	(10,304)
Fair value of plans assets	5,631	4,537	4,098	3,990	5,236
Net (liability) – non-current	(18,142)	(18,841)	(14,325)	(6,646)	(5,068)

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

	Pension Plans	
	2012 $000	**2011 $000**
Opening defined benefit obligation	23,378	18,423
Acquisition of subsidiary	-	1,119
Current service cost	607	726
Interest cost	1,046	1,077
Actuarial assessment of value required to wind up UK plans	-	3,444
Benefits paid	(1,498)	(150)
Actuarial losses on obligation	663	1,418
Past service costs	-	-
Exchange differences on foreign plans	(423)	(2,679)
Closing defined benefit obligation	23,773	23,378

27. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plans	
	2012 $000	2011 $000
Opening fair value of plans assets	4,537	4,098
Expected return	236	238
Contributions by employer	1,754	402
Benefits paid	(630)	-
Actuarial losses	(382)	533
Exchange differences on foreign plans	116	(734)
Fair value of plans assets	5,631	4,537

The Group expects to contribute $3,631,000 to its defined benefit pension plans in 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets for the UK (2011: UK and Australia) are as follows:

	Pension Plans	
	2012 (%)	2011 (%)
Equities	-	60 - 69
Bonds	94	20 - 21
Property	-	4 - 6
Other	6	6 -14

	Pension Plans	
	2012 $000	2011 $000
Actuarial losses recognised in the statement of comprehensive income	1,045	885
Cumulative actuarial losses recognised in the statement of comprehensive income	4,268	3,223

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

	Pension Plans	
	2012 (%)	2011 (%)
Discount rate	2.5 - 6.6	4.5 - 7.6
Expected rate of return on assets	2.5	6.5
Future salary increases	2.5 - 10.0	2.0 - 10.0
Future pension increases	2.5	3.7

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

28. AUDITORS' REMUNERATION

	2012 $	2011 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	1,490,000	1,593,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	1,179,000	916,000
Assurance related	27,000	23,000
Other	16,000	58,000
	2,712,000	2,590,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	664,000	736,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	251,000	284,000
Due diligence services	245,000	37,000
Other	24,000	-
	3,896,000	3,647,000

29. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility & Working Capital Facility

a) Repayment and Cancellation of senior debt facility

On 30 April 2012 the Ramsay Group repaid and cancelled the Syndicated Facility Agreement (2007 SFA) executed on 20 November 2007 and maturing on 19 November 2012.

The amounts repaid under the 2007 SFA totalled A$740,000,000 and £200,000,000.

***b)* Execution of new senior debt facility**

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (2011 SFA).

The 2011 SFA consists of:

- A three year revolving facility – with total commitments of $400,000,000, £86,666,667 and €100,000,000; and

- A five year revolving facility – with total commitments of $800,000,000, £173,333,333 and €200,000,000.

On 30 April 2012 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) made the first draw downs under the 2011 SFA of A$760,000,000 and £150,000,000 and these draw downs were used to repay and refinance the 2007 SFA and for working capital.

The total amounts drawn down under the 2011 SFA as at 30 June 2012 was $700,000,000, £150,000,000 and €nil.

The three year facility matures in April 2015 and the five year facility matures in April 2017.

The 2011 SFA is unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

29. BORROWINGS (CONTINUED)

Terms & Conditions (continued)

(ii) Bilateral Facilities

The terms and conditions of the existing bilateral facilities, detailed below, have been amended to be consistent with the 2011 SFA:

- Bilateral facility with ANZ for working capital with a limit of $6,500,000 and £3,100,000. The ANZ bilateral facility consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP).
- Bilateral facility with NAB for working with a limit of $10,000,000 and £10,000,000. The NAB bilateral facility includes a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP) together with certain transactional facilities.
- Other bilateral facilities (including set-off facilities, corporate card and lease line facilities) with Westpac and others.
- Under the bilateral facilities as at 30 June 2012 the total outstanding was $10,760,958 (2011: $10,411,636) and £3,550,968 (2011: £4,734,624).

(iii) Indonesian Bank Loan

On 8 February 2010 PT Affinity Health Indonesia entered into a one-year revolving credit facility with PT ANZ Panin Bank with a total facility of IDR 81,610,000,000 and on 4 February 2011, this facility agreement was amended whereby the term of the facility was extended to 8 February 2013. As at 30 June 2012 an amount of IDR 81,610,000,000 (2011: 81,610,000,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with ANZ Panin Bank. The total facility limit is IDR 163,220,000,000 and as at 30 June 2012 an amount of IDR 102,020,000,000 (2011: IDR 128,220,000,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 1.2%.

Ramsay Health Care Limited and Affinity Health Pty Ltd have provided a corporate guarantee and indemnity in respect of all amounts payable under both of the above loans.

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility arrangement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40,000,000 worth of core debt facilities, €40,000,000 worth of debt facilities to fund future acquisitions and/or expansionary capital expenditures and €5,000,000 revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2012 was €37,000,000 (2011: €40,000,000) and the undrawn commitment (after the mandatory repayment and cancellation) was €44,000,000 (2011: €45,000,000).

The new debt facilities have a maturity of five years and 50% of the loans are term loans with the remainder being repayable as a bullet on maturity. The new debt facilities are secured against certain assets of the Ramsay Santé group.

29. BORROWINGS (CONTINUED)

Terms & Conditions (continued)

(v) Ramsay Sante subordinated bonds

Ramsay Sante issued to its shareholders a securitised loan in the form of bonds amounting to €11,458,036 on 15 December 2005, €11,247,717 on 14 June 2007, €13,908,483 on 23 July 2009 and €18,000,000 on 2 October 2009.

The terms and conditions of the bonds are the same for all bond issues.

The bonds accrue interest at a rate of 8% per annum, capitalised annually. The interest is payable at the end of the term.

The bonds are due to mature between 6 and 9 years following their respective subscription dates.

The bonds are reimbursable upon maturity at their normal value, namely 1 euro per bond.

As at 30 June 2012 an amount of €54,614,236 (2011: €54,614,236) and accrued interest of €20,634,433 (2011: €15,059,985) was outstanding in respect of these bonds. As at 30 June 2012, Predica, the non-controlling interest held €26,477,000 (2011: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €8,043,545 (2011: €5,486,359).

30. SUBSEQUENT EVENTS

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

31. CLOSED GROUP

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the following entities from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

RHC Nominees Pty Limited
RHC Developments Pty Limited
Ramsay Health Care Investments Pty Limited
Ramsay Hospital Holdings Pty Limited
Ramsay Hospital Holdings (Queensland) Pty Limited
Ramsay Finance Pty Limited
Ramsay Aged Care Holdings Pty Limited
Ramsay Aged Care Properties Pty Limited
RHC Ancillary Services Pty Limited
Linear Medical Pty Limited
Newco Enterprises Pty Limited
Sydney & Central Coast Linen Services Pty Limited
Benchmark Healthcare Holdings Pty Limited
Benchmark Healthcare Pty Limited
AHH Holdings Health Care Pty Limited
AH Holdings Health Care Pty Limited
Ramsay Centauri Pty Limited
Alpha Healthcare Pty Limited
Ramsay Health Care Australia Pty Limited
Donvale Private Hospital Pty Limited
The Benchmark Hospital Group Pty Limited
Dandenong Valley Private Hospital Pty Limited
Benchmark – Surrey Pty Limited
Benchmark – Peninsula Pty Limited
Benchmark – Donvale Pty Limited
Benchmark – Windermere Pty Limited
Benchmark – Beleura Pty Limited
Beleura Properties Pty Limited
Affinity Health Care Holdings Pty Limited
Affinity Health Holdings Australia Pty Limited
Affinity Health Finance Australia Pty Limited
Affinity Health Pty Limited
Affinity Health Foundation Pty Limited
Affinity Health Holdings Indonesia Pty Limited
Hospitals of Australia Pty Limited
Relkban Pty Limited
Relkmet Pty Limited
Votraint No. 664 Pty Limited
Votraint No. 665 Pty Limited
Australian Medical Enterprises Pty Limited
AME Hospitals Pty Limited
Victoria House Holdings Pty Limited
C&P Hospitals Holdings Pty Limited
HCoA Hospital Holdings (Australia) Pty Limited
AME Properties Pty Limited
AME Superannuation Pty Limited
Attadale Hospital Property Pty Limited
Glengarry Hospital Property Pty Limited
Hadassah Pty Limited
Rannes Pty Limited
Hallcraft Pty Limited
Jamison Private Hospital Property Pty Limited
Affinity Health (FP) Pty Limited
Armidale Hospital Pty Limited

31. CLOSED GROUP (CONTINUED)

Entities subject to class order (continued)

Caboolture Hospital Pty Limited
Joondalup Hospital Pty Limited
Logan Hospital Pty Limited
Noosa Privatised Hospital Pty Limited
AMNL Pty Limited
Mayne Properties Pty Limited
Port Macquarie Hospital Pty Limited
HCoA Operations (Australia) Pty Limited
Hospital Corporation Australia Pty Limited
Dabuvu Pty Limited
HOAIF Pty Limited
HCA Management Pty Limited
Malahini Pty Limited
Tilemo Pty Limited
Hospital Affiliates of Australia Pty Limited
C.R.P.H Pty Limited
Hospital Developments Pty Limited
P.M.P.H Pty Limited
Pruinosa Pty Limited
Australian Hospital Care Pty Limited
Australian Hospital Care (Allamanda) Pty Limited
Australian Hospital Care (Latrobe) Pty Limited
Australian Hospital Care 1998 Pty Limited
AHC Foundation Pty Limited
AHC Tilbox Pty Limited
Australian Hospital Care (Masada) Pty Limited
Australian Hospital Care Investments Pty Limited
Australian Hospital Care (MPH) Pty Limited
Australian Hospital Care (MSH) Pty Limited
Australian Hospital Care (Pindara) Pty Limited
Australian Hospital Care (The Avenue) Pty Limited
Australian Hospital Care Retirement Plan Pty Limited
eHealth Technologies Pty Limited
Health Technologies Pty Limited
Rehabilitation Holdings Pty Limited
Bowral Management Company Pty Limited
Simpak Services Pty Limited
APL Hospital Holdings Pty Limited
Alpha Pacific Hospitals Pty Limited
Health Care Corporation Pty Limited
Alpha Westmead Private Hospital Pty Limited
Illawarra Private Hospital Holdings Pty Limited
Northern Private Hospital Pty Limited
Westmead Medical Supplies Pty Limited
Herglen Pty Limited
Mt Wilga Pty Limited
Sibdeal Pty Limited
Workright Pty Limited
Adelaide Clinic Holdings Pty Limited
eHospital Pty Limited
New Farm Hospitals Pty Limited
North Shore Private Hospital Pty Limited
Phiroan Pty Limited
Ramsay Health Care (Asia Pacific) Pty Limited
Ramsay Health Care (South Australia) Pty Limited
Ramsay Health Care (Victoria) Pty Limited
Ramsay Health Care Services (QLD) Pty Limited
Ramsay Health Care Services (VIC) Pty Limited
Ramsay Health Care Services (WA) Pty Limited
Ramsay Professional Services Pty Limited
Ramsay Diagnostics (No. 1) Pty Limited
Ramsay Diagnostics (No. 2) Pty Limited

31. CLOSED GROUP (CONTINUED)

As a condition of the Class Order, these entities entered into a Deed of Cross Guarantee on 22 June 2006 or have subsequently been added as parties to the Deed of Gross Guarantee by way of Assumption Deeds dated 24 April 2008, 27 May 2010 and 24 June 2011. The effect of the deed is that Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Ramsay Health Care Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated Income Statement and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

	Closed Group	
	2012	**2011**
Consolidated Income Statement	**$000**	**$000**
Profit from operations before income tax	329,312	261,820
Income tax expense	(89,797)	(81,363)
Net profit for the year	239,515	180,457
Retained earnings at the beginning of the year	375,684	307,740
Actuarial gain/(loss) on defined benefit plan	-	(105)
Retained earnings adjustments for addition of entities into the class order	-	(1,662)
Dividends provided for or paid	(128,404)	(110,746)
Retained earnings at the end of the year	486,795	375,684
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	102,959	148,404
Trade receivables	347,559	317,500
Inventories	73,107	68,055
Derivative financial instruments	-	823
Other current assets	22,192	21,609
	545,817	556,391
Assets classified as held for sale	1,150	1,150
Total Current Assets	546,967	557,541
Non-current Assets		
Other financial assets	422,913	421,052
Goodwill and intangibles	574,172	583,648
Deferred tax asset	58,538	26,799
Property, plant and equipment	1,519,694	1,441,166
Other non-current assets	13,360	15,605
Total Non-current Assets	2,588,677	2,488,270
TOTAL ASSETS	3,135,644	3,045,811
LIABILITIES		
Current Liabilities		
Trade and other payables	446,043	415,267
Interest-bearing loans and borrowings	85	86
Provisions	135,648	127,951
Derivative financial instruments	14,128	8,948
Income tax payable	38,091	36,370
Total Current Liabilities	633,995	588,622
Non-current Liabilities		
Interest-bearing loans and borrowings	876,636	940,822
Other creditors	-	17
Pension liability	-	140
Derivative financial instruments	13,947	13,029
Provisions	107,979	95,524
Total Non-current Liabilities	998,562	1,049,532
TOTAL LIABILITIES	1,632,557	1,638,154
NET ASSETS	1,503,087	1,407,657

31. CLOSED GROUP (CONTINUED)

EQUITY		
Issued capital	713,523	713,523
Treasury shares	(23,259)	(18,474)
CARES (convertibles Adjustable Rate Equity Securities)	252,165	252,165
Retained earnings	486,795	375,684
Other reserves	73,863	84,759
TOTAL EQUITY	1,503,087	1,407,657

32. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	**2012 $000**	**2011 $000**
Current assets	1,125,364	1,099,874
Total assets	1,269,333	1,241,566
Current liabilities	(43,468)	(39,892)
Total liabilities	(43,468)	(39,892)
Issued capital	(713,523)	(713,523)
Other equity	(512,342)	(488,151)
Total shareholders' equity	(1,225,865)	(1,201,674)
Net profit for the year after tax	140,805	84,589

As a condition of the class order (set out in note 31), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. Refer to note 31 for further information.

SECTION 3

STATUS OF AUDIT

FOR THE YEAR ENDED 30 JUNE 2012

AUDIT UPDATE

This report is based on accounts to which one of the following applies.

(Tick one)

- ☐ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☑ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have *not* yet been audited or reviewed.