RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2013

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	2013 $'000	2012 $'000	% increase/ (decrease)
Revenue and other income from continuing operations		4,181,138	3,961,101	5.6%
Operating revenue from continuing operations		4,174,535	3,956,476	5.5%
Profit from continuing operations before finance costs, tax, depreciation, amortisation and non-core items (EBITDA)		627,691	583,487	7.6%
Profit from continuing operations before finance costs, tax and non-core items (EBIT)		485,302	438,779	10.6%
Core profit after tax from continuing operations	**(1),(3)**	**290,872**	**252,646**	**15.1%**
Non-core items				
- Non-cash rent expense relating to leased UK hospitals		(21,640)	(23,693)	
- Amortisation of service concession assets		(2,271)	(2,186)	
- Charge for expired debt facility costs due to early refinancing		-	(5,924)	
- Other		(8,571)	3,058	
Income tax on non-core items		8,014	3,153	
Income tax refund received relating to changes to tax consolidation legislation		-	17,051	
		(24,468)	(8,541)	(186.5%)
Net profit after tax for the period attributable to members *		**266,404**	**244,105**	**9.1%**

Earnings per share (cents per share)

Core EPS - Continuing operations	**(1),(2),(3)**	**135.9c**	**116.1c**	17.1%
Diluted Statutory EPS - Continuing operations		**123.9c**	**111.8c**	10.8%

*: 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 30/06/2013 $000	Full year ended 30/06/2012 $000
Net profit for the period attributable to the owners of the parent	266,404	244,105
Less: dividend paid on convertibles adjustment rate equity securities (CARES)	(15,508)	(17,676)
Profit used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	250,896	226,429
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	200,538,313	200,828,094
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,569,630	202,443,435
Earnings per share (cents per share)		
- basic (after CARES dividend)	**125.1**	**112.7**
- diluted (after CARES dividend)	**123.9**	**111.8**
- basic (after CARES dividend) from continuing operations	**125.1**	**112.7**
- diluted (after CARES dividend) from continuing operations	**123.9**	**111.8**

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	Amount per security	Franked amount per security
Current year - Interim dividend - Final proposed dividend	 29.0¢ 41.5¢	 29.0¢ 41.5¢
Total dividend	70.5¢	70.5¢
Previous corresponding year - Interim dividend - Final proposed dividend	 25.5 ¢ 34.5 ¢	 25.5 ¢ 34.5 ¢
Total dividend	60.0 ¢	60.0 ¢
Record date for determining entitlements to the ordinary dividend		6 September 2013
Date the current year ordinary dividend is payable		25 September 2013

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES dividend	4 October 2013
Date the current year CARES dividend is payable	21 October 2013

The proposed final ordinary and CARES dividends will be franked at the rate of 30% (2012: 30%).

1.4 NET TANGIBLE ASSETS

	30/06/2013	30/06/2012
Net tangible assets per ordinary share	$2.47	$2.40

1.5 COMMENTARY ON RESULTS

Commentary on results follows.

ASX ANNOUNCEMENT

29 August 2013

RAMSAY HEALTH CARE REPORTS 15.1% RISE IN FULL YEAR CORE NET PROFIT

Financial Highlights

- Core net profit[1] after tax up 15.1% to $290.9 million
- Core earnings per share[2] (EPS) up 17.1% to 135.9 cents
- Group:
    - Revenue up 5.5% to $4.2 billion
    - EBIT up 10.6% to $485.3 million
- Australia & Indonesia:
    - Revenue up 6.8% to $3.4 billion
    - EBIT up 11.2% to $418.2 million
- Europe:
    - UK EBITDAR up 2.6% to £93.4 million
    - France EBITDAR up 4.9% to €31.4 million
- Final dividend 41.5 cents fully franked, up 20.3% on the previous corresponding period, bringing the full-year dividend to 70.5 cents, up 17.5%
- Targeting Core NPAT and Core EPS growth for the Group of 12%-14% in FY14

Overview

Australia's largest private hospital operator Ramsay Health Care today announced a Group core net profit after tax of $290.9 million for the year ended 30 June 2013, a 15.1% increase on the previous corresponding period.

Group core net profit delivered core earnings per share of 135.9 cents for the year, a 17.1% increase on the 116.1 cents recorded a year ago and slightly ahead of upgraded guidance announced to the market in February 2013.

Ramsay recorded a statutory net profit after tax of $266.4 million (up 9.1% on the prior year) after deducting net non-core items.

Directors are pleased to announce a fully-franked final dividend of 41.5 cents, up 20.3% on the previous corresponding period, taking the full year dividend to 70.5 cents, up 17.5% on the prior year. The dividend Record Date is 6 September 2013 with payment on 25 September 2013. The Dividend Reinvestment Plan will remain suspended.

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[1] *Before non-core items*
[2] *Core net profit after CARES dividends*

Ramsay Health Care Managing Director Christopher Rex said the business performed well across the Company's worldwide portfolio and contributions are flowing through from the brownfield capacity expansion programme.

"As anticipated, newly completed projects have commenced contributing to earnings, in addition to the continuation of upside from projects completed in prior years," Mr Rex said.

He said strategically the year had been very successful in terms of building on the key components of the Company's growth strategy.

"This year we successfully progressed our strategy for public/private collaborations, acquiring Peel Health Campus in WA, a 152 bed public hospital located in southern Perth, and a new contract being negotiated to operate Mildura Base Hospital in Victoria.

"With our new Sunshine Coast hospital due to open in December 2013, which will deliver public and private services, the number of public/private ventures in Ramsay's Australian portfolio increases to five.

"We were also successful in expanding our Asian operations with the completion of the joint venture with Sime Darby Berhad on 1 July 2013. The partnership creates a viable growth strategy for Ramsay to expand its footprint throughout Asia leveraging off our significant management experience and Sime Darby's extensive Asian networks.

"After a period of consolidation, we acquired our tenth hospital in France in June 2013. Clinique de l'Union, a 531 bed hospital in Toulouse, is an excellent addition to our French portfolio and fits well with our growth strategy in France.

"Locally, the Board approved over $200 million in brownfield developments at Ramsay's Australian hospitals during the year, ensuring that our hospitals are well-positioned to meet the growing demand for health care in Australia."

Operational Highlights Australia

Ramsay's Australian business achieved revenue growth of 7% and EBIT growth of 11.1% during the period. Hospital level EBITDA margins increased 50 basis points from 17.4% to 17.9%.

During the year some major hospital expansions were completed and opened including the $47 million expansion of Greenslopes Private Hospital in Brisbane which saw the launch of maternity services at that hospital, and the $10 million expansion of surgical services at Beleura Private Hospital on the Mornington Peninsula.

Ramsay also opened the new $133 million Joondalup Private Hospital on the Joondalup Health Campus in Perth, the final stage of the $393 million development at that campus which has spanned four years and has been jointly funded by the WA government.

Hospital expansions remained a focus for the Company in FY13. Major expansions approved included: $64 million for the expansion of Hollywood Private in Perth; $56 million for the expansion of Warringal Private in Melbourne; and $34 million for the expansion of Pindara Private on the Gold Coast. These expansions will open over the next two years.

Ramsay acquired the 152 bed Peel Health Campus, a public hospital located in Mandurah, in May 2013 from Health Solutions WA. Ramsay is committed to investing in the expansion of both the public and private capacity of this hospital as soon as possible.

"The acquisition of Peel, the new contract at Mildura Base Hospital and the opening of the Sunshine Coast University Private Hospital in December 2013 further progresses the Company's strategy of public/private collaborations.

"We remain interested in exploring further opportunities as governments seek to procure more input from the private sector in the building and operation of public hospitals, such as the recently announced Northern Beaches Hospital in Sydney and the Sunshine Coast University Hospital at Kawana."

Operational Highlights Indonesia

Ramsay's Indonesian business delivered a strong operating result for the year. In local currency (Indonesian Rupiah) revenue grew 11.5% and EBIT grew 28% during the period. EBITDA margins rose from 16.5% to 17.8%.

On 1 July 2013, Ramsay completed the joint venture agreement with Sime Darby Berhad, in March 2013, following the announcement to form the venture.

The new joint venture combines Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals.

"Partnering with Sime Darby provides Ramsay with a platform to expand further throughout Asia, leveraging off Ramsay's significant healthcare management experience and Sime Darby's extensive Asian networks," Mr Rex said.

Operational Highlights Europe

Ramsay's UK business exceeded expectations during the year with EBITDAR rising 2.6% to £93.4 million off the back of a marginal increase in revenue. Similarly EBIT rose by 6% to £31.8 million.

Ramsay UK hospitals recorded a 6.2% rise in NHS admissions. NHS admissions now comprise close to 70% of the total admissions to Ramsay's UK facilities. UK operating margins before rent (EBITDAR) increased by 50 basis points to 25.5%.

Ramsay Santé also performed well with EBITDAR increasing by 4.9% to €31.4 million. Ramsay Santé operating margins before rent (EBITDAR) increased by 30 basis points to 18.0%. EBIT rose by 5.7% to €14.2 million.

In June 2013 Ramsay announced that its French subsidiary Ramsay Santé, acquired Clinique de l'Union, a 531 bed medical, surgical and obstetric hospital treating 43,000 inpatients and 26,000 emergency presentations each year.

This acquisition brings the total number of hospitals in the Ramsay Santé portfolio to 10 and is the second acquisition since Ramsay acquired its majority interest in the French operator in 2010.

Balance Sheet and Cash Flow

Continuing strong operating cash flow has allowed Ramsay to invest significantly in attractive brownfield developments whilst maintaining low leverage and significant financial flexibility. 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.

Outlook

The 2014 financial year will see Ramsay Health Care continue its successful growth strategy of reinvesting in its existing facilities; developing more public/private parternships; and pursuing acquisitions in new markets where it can apply its proven management model.

Managing Director Christopher Rex said Ramsay Health Care would continue to produce increasing returns from its successful brownfield capacity expansion programme following significant investment in brownfields over the past few years.

“We are looking forward to the opening of our Sunshine Coast University Private Hospital in December in partnership with Queensland Health.

“In Australia, we expect to progress our involvement in public/private collaborations given our significant experience in successfully operating these ventures.”

He said Ramsay would further develop and execute a growth plan with Sime Darby for Asia with the aim of developing a quality portfolio of hospitals throughout the Asian region.

“We will also integrate our newly acquired hospitals in Australia, Asia and France and grow them to their full potential, while continuing to canvas emerging opportunities in these and other markets.

“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 12%-14% for FY14.”

Contacts:

Christopher Rex
Managing Director
Ramsay Health Care
+ 612 9433 3444

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

Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

Year Ended 30 June
$ 000's

	FY2013 Australia & Indonesia	FY2013 Europe	FY2013 Group	FY2012 Group	% Increase
Net Profit After Tax (NPAT)					
Operating revenue	3,393,637	780,898	4,174,535	3,956,476	5.5%
EBITDA	523,496	104,195	627,691	583,487	7.6%
EBIT	418,262	67,040	485,302	438,779	10.6%
Core NPAT (1)			**290,872**	**252,646**	**15.1%**
Non-core items					
- Income tax refund (2)			-	17,051	
- Other non-core items, net of tax (3)			(24,468)	(25,592)	
Net non-core items, net of tax			(24,468)	(8,541)	
Reported NPAT			266,404	244,105	9.1%

	Group FY2013	Group FY2012	% Increase
Earnings Per Share, (EPS) cents			
Core EPS (4)	**135.9**	**116.1**	**17.1%**
Reported EPS	123.9	111.8	10.8%

	Group FY2013	Group FY2012	% Increase
Dividends Per Share, cents			
Final dividend, fully franked	41.5	34.5	20.3%
Full-year dividend, fully franked	70.5	60.0	17.5%

Notes

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

(2) Income Tax refund relating to changes in tax consolidation legislation

(3) 'Other non-core items, net of tax', include the non-cash portion of rent expense of $15.2 million, net of tax, relating to the UK hospitals.

(4) 'Core EPS' is derived from core net profit after CARES Dividends.

SECTION 2

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2013

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2013

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Revenue and other income			
Revenue from services	4	4,174,535	3,956,476
Interest income		4,257	4,625
Revenue - income from the sale of development assets		2,844	4,976
Other income - profit on sale of assets		2,346	7,406
Total revenue and other income		**4,183,982**	**3,973,483**
Employee benefits costs	5	(2,066,031)	(1,948,344)
Occupancy costs	5	(260,972)	(254,818)
Service costs		(203,110)	(211,975)
Medical consumables and supplies		(1,048,837)	(987,012)
Depreciation and amortisation	5	(147,006)	(146,894)
Cost of goods sold - book value of development assets sold		(1,677)	(4,355)
Total expenses, excluding finance costs		**(3,727,633)**	**(3,553,398)**
Profit from continuing operations before tax and finance costs		**456,349**	**420,085**
Finance costs	5	(69,695)	(83,507)
Profit before income tax from continuing operations		**386,654**	**336,578**
Income tax	6	(118,279)	(90,720)
Net profit for the year		**268,375**	**245,858**
Attributable to non-controlling interest		1,971	1,753
Attributable to owners of the parent		266,404	244,105
		268,375	**245,858**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	125.1	112.7
Profit (after CARES dividend) from continuing operations	7	125.1	112.7
Diluted earnings per share			
Profit (after CARES dividend)	7	123.9	111.8
Profit (after CARES dividend) from continuing operations	7	123.9	111.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $000	2012 $000
Net profit for the year		268,375	245,858
Items that will not be reclassified to net profit			
Actuarial loss on defined benefit plans	28	(1,481)	(1,045)
Items that may be subsequently reclassified to net profit			
Cash flow hedges			
Gain/(Loss) taken to equity		1,653	(18,031)
Transferred to income statement		9,424	9,802
Net loss on bank loan designated as a hedge of a net investment		(15,202)	(4,439)
Foreign currency translation		35,110	(6,423)
Income tax relating to components of other comprehensive income		(3,327)	2,469
Other comprehensive income/(expense) for the year, net of tax		**26,177**	**(17,667)**
Total comprehensive income for the year		**294,552**	**228,191**
Attributable to non-controlling interests		1,971	1,753
Attributable to the owners of the parent		292,581	226,438
		294,552	228,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 $000	2012 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	272,251	173,418
Trade receivables	13	482,843	422,167
Inventories	14	112,565	105,035
Other current assets	15	39,606	47,440
		907,265	**748,060**
Assets classified as held for sale	11	73,100	1,150
Total current assets		**980,365**	**749,210**
Non-current assets			
Other financial assets		1,952	2,445
Property, plant and equipment	16	1,970,127	1,846,459
Goodwill and intangible assets	17	985,306	870,643
Deferred tax asset	6	87,495	81,089
Non-current prepayments		10,653	10,748
Derivative financial instruments	23	2,270	-
Non-current receivables	13	24,223	25,355
Total non-current assets		**3,082,026**	**2,836,739**
TOTAL ASSETS		**4,062,391**	**3,585,949**
LIABILITIES			
Current liabilities			
Trade and other payables	19	642,636	579,342
Interest-bearing loans and borrowings	21	18,693	31,483
Derivative financial instruments	23	12,869	14,521
Provisions	20	38,839	42,323
Income tax payable	6	34,835	37,512
		747,872	705,181
Liabilities directly associated with assets classified as held for sale	11	46,068	-
Total current liabilities		**793,940**	**705,181**
Non-current liabilities			
Interest-bearing loans and borrowings	21	1,242,076	1,037,575
Provisions	20	423,017	369,181
Pension liability	28	10,833	18,142
Derivative financial instruments	23	7,296	14,519
Other creditors		13,446	5,297
Deferred tax liability	6	29,968	29,853
Total non-current liabilities		**1,726,636**	**1,474,567**
TOTAL LIABILITIES		**2,520,576**	**2,179,748**
NET ASSETS		**1,541,815**	**1,406,201**
EQUITY			
Issued capital	22	713,523	713,523
Treasury shares	22	(49,684)	(23,259)
Convertible Adjustable Rate Equity Securities (CARES)	22	252,165	252,165
Cash flow hedges	23	(12,499)	(20,249)
Share based payment reserve		33,026	23,101
Vested employee equity		(12,238)	(9,384)
Other reserves		(9,851)	(29,759)
Retained earnings		629,438	507,868
Parent interests		**1,543,880**	**1,414,006**
Non-controlling interests		**(2,065)**	**(7,805)**
TOTAL EQUITY		**1,541,815**	**1,406,201**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Changes in Equity for the Year to 30 June 2013							
	Balance at 1 July 2012 $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	Acquisition of Non-controlling Interest $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2013 $000
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(23,259)	-	(32,305)	5,880	-	-	-	(49,684)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	23,101	-	-	(3,026)	12,951	-	-	33,026
Cash flow hedges	(20,249)	-	-	-	-	-	7,750	(12,499)
Bank loan designated as a hedge of a net investment	88,735	-	-	-	-	-	(15,202)	73,533
Foreign currency translation	(118,494)	-	-	-	-	-	35,110	(83,384)
Retained earnings	507,868	(143,353)	-	-	-	-	264,923	629,438
Vested employee equity	(9,384)	-	-	(2,854)	-	-	-	(12,238)
Owners of the parent	**1,414,006**	**(143,353)**	**(32,305)**	**-**	**12,951**	**-**	**292,581**	**1,543,880**
Non-controlling interests	**(7,805)**	**-**	**-**	**-**	**-**	**3,769**	**1,971**	**(2,065)**
Total equity	**1,406,201**	**(143,353)**	**(32,305)**	**-**	**12,951**	**3,769**	**294,552**	**1,541,815**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	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)
Retained earnings	393,228	(128,420)	-	-	-	243,060	507,868
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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Receipts from customers		4,129,637	3,952,668
Payments to suppliers and employees		(3,487,609)	(3,323,717)
Income tax paid		(121,109)	(108,274)
Income tax refund		-	17,051
Finance costs		(70,510)	(103,835)
Net cash flows from operating activities	9	**450,409**	**433,893**
Cash flows from investing activities			
Purchase of property, plant and equipment		(265,574)	(222,213)
Proceeds from sale of property, plant and equipment		11,013	38,145
Interest received		4,257	4,625
Acquisition of business, net of cash received	10	(91,080)	-
Net cash flows used in investing activities		**(341,384)**	**(179,443)**
Cash flows from financing activities			
Dividends paid		(143,353)	(128,420)
Repayment of principal to bondholders		(3,160)	(2,916)
Repayment of finance lease - principal		(3,809)	(5,346)
Purchase of ordinary shares		(32,305)	(9,642)
Draw down of borrowings		632,897	993,608
Repayments of borrowings		(468,708)	(1,151,421)
Net cash flows used in financing activities		**(18,438)**	**(304,137)**
Net increase/(decrease) in cash and cash equivalents		90,587	(49,687)
Net foreign exchange differences on cash held		8,246	(3,440)
Cash and cash equivalents at beginning of year		173,418	226,545
Cash and cash equivalents at end of year	9	**272,251**	**173,418**

1. CORPORATE INFORMATION

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

The 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, listed investments and the assets and liabilities recognised through business combinations 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 2012.

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, provides additional information which is used for internal segment reporting and therefore would be useful for shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2013 $000	2012 $000
(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)		
Net profit attributable to owners of the parent	266,404	244,105
Add/(less) non-core items:		
- Non-cash rent expense relating to UK leased hospitals	21,640	23,693
- Amortisation - service concession assets	2,271	2,186
- Profit on sale of assets	-	(7,406)
- Income from the sale of development assets	(2,844)	(4,976)
- Book value of development assets sold	1,677	4,355
- Acquisition, disposal, and development costs	10,466	5,466
- (Gain)/loss on interest rate hedge	(67)	67
- Charge for expired debt facility costs due to early refinancing	-	5,924
Income tax on non-core items	(8,014)	(3,153)
Income tax refund received relating to changes to tax consolidation legislation	-	(17,051)
Non-controlling interest in non-core items net of tax	(661)	(564)
	24,468	8,541
Core profit (segment result) after tax from continuing operations	290,872	252,646
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	290,872	252,646
Less: CARES Dividend	(15,508)	(17,676)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	275,364	234,970
Weighted average number of ordinary shares adjusted for effect of dilution	202,569,630	202,443,435
Core earnings per share from continuing operations	135.9c	116.1c

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Reconciliation of statutory income statement to core (segment) income statement

The table below reconciles the statutory consolidated income statement to the core (segment) consolidated income statement. The non-core items listed at 2(a)(i) are excluded from the relevant line items in the consolidated statutory income statement to ascertain the core (segment) consolidated income statement.

	2013 $000 Statutory consolidated income statement	2013 $000 Non-core items as listed at 2(a)(i)	2013 $000 Core (segment) consolidated income statement
Revenue and other income			
Revenue from services	4,174,535	-	4,174,535
Interest income	4,257	-	4,257
Revenue - income from the sale of development assets	2,844	(2,844)	-
Other income - profit on sale of assets	2,346	-	2,346
Total revenue and other income	**4,183,982**	**(2,844)**	**4,181,138**
Employee benefits costs	(2,066,031)	-	(2,066,031)
Occupancy costs	(260,972)	21,640	(239,332)
Service costs	(203,110)	10,466	(192,644)
Medical consumables and supplies	(1,048,837)	-	(1,048,837)
Depreciation and amortisation	(147,006)	2,271	(144,735)
Cost of goods sold - book value development assets sold	(1,677)	1,677	-
Total expenses, excluding finance costs	**(3,727,633)**	**36,054**	**(3,691,579)**
Profit from continuing operations before tax and finance costs	**456,349**	**33,210**	**489,559**
Finance costs	(69,695)	(67)	(69,762)
Profit before income tax from continuing operations	**386,654**	**33,143**	**419,797**
Income tax	(118,279)	(8,014)	(126,293)
Net profit for the year	**268,375**	**25,129**	**293,504**
Attributable to non-controlling interest	1,971	661	2,632
Attributable to owners of the parent	266,404	24,468	290,872
	268,375	**25,129**	**293,504**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Reconciliation of statutory income statement to core (segment) income statement (continued)

	2012 $000 Statutory consolidated income statement	2012 $000 Non-core items as listed at 2(a)(i)	2012 $000 Core (segment) consolidated income statement
Revenue and other income			
Revenue from services	3,956,476	-	3,956,476
Interest income	4,625	-	4,625
Revenue - income from the sale of development assets	4,976	(4,976)	-
Other income - profit on sale of assets	7,406	(7,406)	-
Total revenue and other income	**3,973,483**	**(12,382)**	**3,961,101**
Employee benefits costs	(1,948,344)	-	(1,948,344)
Occupancy costs	(254,818)	23,693	(231,125)
Service costs	(211,975)	5,466	(206,509)
Medical consumables and supplies	(987,012)	-	(987,012)
Depreciation and amortisation	(146,894)	2,186	(144,708)
Cost of goods sold - book value development assets sold	(4,355)	4,355	-
Total expenses, excluding finance costs	**(3,553,398)**	**35,700**	**(3,517,698)**
Profit from continuing operations before tax and finance costs	**420,085**	**23,318**	**443,403**
Finance costs	(83,507)	5,991	(77,516)
Profit before income tax from continuing operations	**336,578**	**29,309**	**365,887**
Income tax	(90,720)	(20,204)	(110,924)
Net profit for the year	**245,858**	**9,105**	**254,963**
Attributable to non-controlling interest	1,753	564	2,317
Attributable to owners of the parent	244,105	8,541	252,646
	245,858	**9,105**	**254,963**

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) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except the following amended AASB Interpretation which the Group adopted as of 1 July 2012:

- 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)

The adoption of this new interpretation 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. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

The Group has changed the following accounting policy as of 1 July 2012:

Classification of Medical Malpractice Provision
The Group has assessed its accounting policy with regard to the classification of the medical malpractice provision. The Group previously classified the entire medical malpractice provision as a current liability. During the 2013 financial year, the Group determined that it would change its accounting policy to present the provision split between a current and non-current liability in the statement of financial position. The split is based on the timing of the expected cash flows. This provides the users more relevant information around the estimated pattern of payments out of the provision.

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

- The opening 1 July 2011 balance of $124,341,000 which was classified as current as reported in the 30 June 2012 financial report has been reclassified as $23,900,000 current and $100,441,000 non-current; and
- The closing June 2012 balance of $131,439,000 which was classified as current as reported in the 30 June 2012 financial report has been reclassified as $26,600,000 current and $104,839,000 non-current.

This reclassification has had no impact to the income statement and therefore there is no impact on earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(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 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 2015	The adoption of this new amendment will not have any impact on the financial report.	1 July 2015
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 report.	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 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 a material impact on the financial report.	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 adoption of this new standard will not have any impact on the financial report.	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 adoption of this new standard will not have any impact on the financial report.	1 July 2013
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 adoption of this new standard will not have any impact on the financial report.	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 2012-5	Amendments to Australian Accounting Standards Arising from Annual Improvements 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 adoption of this new standard will not have any impact on the financial report.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	The adoption of this amendment will not have any impact on the financial report.	1 July 2013
AASB 2012-10	Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	AASB 2012-10 amends the following standards: ► AASB 10 *Consolidation* and related standards - clarifies the transition guidance, in particular that the assessment of control is to be made at the beginning of the period AASB 10 is adopted rather that prior periods. ► AASB 10 and related standards to defer the mandatory application by not-for-profit entities to annual reporting periods beginning on or after 1 January 2014. ► Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 *Service Concession Arrangements*, to reflect changes made to the text of IFRSs by the IASB	1 January 2013	The adoption of this amendment will not have any impact on the financial report.	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)

(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 2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	The amendments deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	The adoption of this amendment will not have any impact on the financial position or performance of the Group. Disclosures on individual KMP's equity holdings will be removed.	1 July 2013

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

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

If the Group loses control over a subsidiary, it
- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- 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.

(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 18.

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

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

An impairment exists when the carrying value of an asset or cash-generating 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.

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

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

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) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of AASB 139 are classified as loans and receivables or held-to-maturity investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, such financial assets are subsequently measured at amortised cost using the effective interest method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of their EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 30 June 2013 and 2012.

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

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

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

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

ii) Impairment of financial assets

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

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit and loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iii) Financial liabilities

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

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

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

Subsequent measurement
The measurement of financial liabilities depends on their classification, described as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as a through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

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

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group has not offset any financial assets and liabilities for the years ended 30 June 2012 and 2013.

(v) Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 3.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

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.

(p) 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.

(q) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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

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

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

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

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

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

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

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

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

(r) 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)

(s) 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 are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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

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

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

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

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

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

(i) Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

The Group uses interest rate swap contracts as hedges of its exposure to fluctuations in interest rates.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 reduction 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.

(u) Intangible assets

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

(v) 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'.

(w) 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.

(x) 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.

(y) 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)

(z) 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

(aa) Pensions and other post employment benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined pension plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

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

The defined benefit asset or liability comprise the present value of the defined benefit obligation (using a discount rate based on government bonds), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they paid directly to the Group. Fair value is based on market value price information and, in the case of quoted securities, it is published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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.

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 30.

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:

	2013 $000	2012 $000
Financial Assets		
Cash and cash equivalents	272,251	173,418
Financial Liabilities		
Bank Loans	(395,783)	(264,389)
Net exposure	(123,532)	(90,971)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in note 23, with a net negative fair value of $17,895,000 (2012: negative: $29,040,000) 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 2013, after taking into account the effect of interest rate swaps, approximately 67% (2012: 73%) 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)**	
	2013	**2012**	**2013**	**2012**
	$000	**$000**	**$000**	**$000**
AUD				
+ 120 basis points (2012: + 200 basis points)	(2,513)	(1,153)	20,183	27,960
- 120 basis points (2012: - 200 basis points)	2,512	1,150	(21,096)	(29,974)
GBP				
+ 60 basis points (2012: + 100 basis points)	(244)	(445)	2,617	3,704
- 60 basis points (2012: - 100 basis points)	244	276	(2,647)	(3,617)
IDR				
+ 100 basis points (2012: + 100 basis points)	(15)	(120)	-	-
- 100 basis points (2012: - 100 basis points)	15	123	-	-
EUR				
+ 40 basis points (2012: + 100 basis points)	(150)	(19)	228	751
- 40 basis points (2012: - 100 basis points)	150	22	(229)	(741)

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 2013, comparing to 2012 is due to the decrease in hedging from 73% in 2012 to 67% in 2013 and the decreased interest rate volatility in 2013.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (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 £94,595,000 (2012: £83,420,000) that is not designated in a net investment hedge.

The Group has a GBP borrowing of £117,000,000 (2012: £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 23.

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 +/-15% 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)	
	2013	2012	2013	2012
	$000	$000	$000	$000
AUD/GBP +15% (2012: +10%)	(23)	(22)	(20,529)	(11,617)
AUD/GBP -15% (2012: -10%)	26	24	23,594	12,782

A sensitivity of 15% 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 €40,098,000 (2012: €39,414,000) 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)

(b) Foreign currency risk (continued)

At reporting date, had the Australian Dollar moved +/-20% 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)		Other Comprehensive Income Higher/(Lower)	
	2013 $000	2012 $000	2013 $000	2012 $000
AUD/EUR +20% (2012: +10%)	(12)	(70)	(9,505)	(4,362)
AUD/EUR -20% (2012: -10%)	14	77	11,406	4,801

A sensitivity of 20% 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.

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures & Responses (continued)

(d) Liquidity risk (continued)

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

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

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

Year ended 30 June 2013	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Trade and other payable	-	(636,301)	-	-	-	(636,301)
Interest-bearing loans and borrowings	-	(45,694)	(34,840)	(1,313,982)	-	(1,394,516)
Sub-ordinated bonds	-	-	-	(65,726)	-	(65,726)
Financial derivatives	-	(3,161)	(10,188)	(9,001)	-	(22,350)
	-	(685,156)	(45,028)	(1,388,709)	-	(2,118,893)

Year ended 30 June 2012	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Trade and other payable	-	(575,154)	-	-	-	(575,154)
Interest-bearing loans and borrowings	-	(17,219)	(50,359)	(1,184,518)	(5,203)	(1,257,299)
Sub-ordinated bonds	-	-	-	(57,642)	-	(57,642)
Financial derivatives	-	(3,948)	(11,713)	(20,281)	-	(35,942)
	-	(596,321)	(62,072)	(1,262,441)	(5,203)	(1,926,037)

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

Year ended 30 June 2013	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	4,488	12,626	20,709	-	37,823
Outflows	-	(7,649)	(22,814)	(29,710)	-	(60,173)
Net	-	(3,161)	(10,188)	(9,001)	-	(22,350)
Discounted at the applicable interbank rates	-	(2,847)	(10,022)	(7,296)	-	(20,165)

Year ended 30 June 2012	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	5,150	13,796	36,157	-	55,103
Outflows	-	(9,098)	(25,509)	(56,438)	-	(91,045)
Net	-	(3,948)	(11,713)	(20,281)	-	(35,942)
Discounted at the applicable interbank rates	-	(3,005)	(11,516)	(14,519)	-	(29,040)

4. REVENUE

Revenue from services

	2013 $000	2012 $000
Revenue from patients	4,081,267	3,871,505
Rental income - Other persons/corporations	40,471	37,304
Income from ancillary services	52,797	47,667
Revenue from services	4,174,535	3,956,476

5. EXPENSES

Expenses from Continuing Operations

	2013 $000	2012 $000
(a) Depreciation included in income statement		
Depreciation - Plant and equipment	103,081	103,655
Depreciation - Buildings	37,650	31,860
Total depreciation	140,731	135,515
(b) Amortisation included in income statement		
Service concession assets	2,834	2,186
Development cost	3,441	9,193
Total amortisation	6,275	11,379
(c) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the income statement	109,082	106,693

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*	(21,640)	(23,693)

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 2013 was lower than the rent expensed by $21,640,000 (2012: $23,693,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2013 $000	2012 $000
(d) Employee benefits cost		
Wages and salaries	1,863,167	1,760,807
Workers' compensation	16,210	16,166
Superannuation	110,321	100,738
Termination benefits	2,700	3,526
Other employment	62,406	59,375
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	11,227	7,732
	2,066,031	1,948,344
(e) Finance costs		
Interest expense - Other persons/corporations	75,947	80,144
Finance charges - Lease liability	1,631	1,734
Finance charges - Charge for expired debt facility costs due to early refinancing	-	5,924
Finance charges - (Gain)/loss on interest rate hedge	(67)	67
	77,511	87,869
Less: Finance costs capitalised	(7,816)	(4,362)
	69,695	83,507

6. INCOME TAX

	2013 $000	2012 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	131,894	111,209
Adjustments in respect of previous years	3,205	(15,074)
Deferred income tax		
Relating to origination and reversal of temporary differences	(15,080)	(48)
Adjustments in respect of deferred income tax of previous years	(1,740)	(5,367)
Income tax expense reported in the income statement	118,279	90,720

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

	2013 $000	2012 $000
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	386,654	336,578
At the Parent Entity's statutory income tax rate of 30% (2012: 30%)	115,996	100,973
Expenditure not allowable for income tax purposes	3,343	5,695
Income tax refund received relating to changes to tax consolidation legislation	-	(17,051)
Foreign tax rate adjustment	(1,159)	(30)
Other	99	1,133
	118,279	90,720
Income tax expense reported in the consolidated income statement attributable to continuing operations	118,279	90,720

(c) Amounts charged or credited directly to equity

	2013 $000	2012 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	3,376	(2,544)
Actuarial gain/loss on defined benefit plans	(120)	(302)
Treasury shares	(1,724)	(4,454)
	1,532	(7,300)

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2013 $000 Current income tax	2013 $000 Deferred income tax	2012 $000 Current income tax	2012 $000 Deferred income tax
Opening balance	(37,512)	51,236	(31,891)	26,040
(Charged)/ credited to income	(135,099)	16,820	(96,135)	5,415
(Charged)/ credited to equity	-	(1,532)	-	7,300
Reclassification	-	-	-	11,656
Transfer to liabilities held for resale	922	2,113	-	-
Payments/(Refunds)	119,450	-	90,667	-
Exchange differences	313	(1,189)	(153)	825
Acquisition of subsidiary	17,091	(9,921)	-	-
Closing balance	(34,835)	57,527	(37,512)	51,236

Amounts recognised in the statement of financial position

	2013	2012
Deferred tax asset	87,495	81,089
Deferred tax liability	(29,968)	(29,853)
Net deferred income tax	57,527	51,236

	Statement of Financial Position 2013 $000	2012 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(13,502)	(10,704)
Recognition of revenue	(11,599)	(9,662)
Depreciable assets	(57,505)	(62,428)
Other	(862)	(2,314)
Other provisions and lease liabilities	(20,051)	(18,435)
Gross deferred tax liabilities	(103,519)	(103,543)
Set-off of deferred tax assets	73,551	73,690
Net deferred tax liabilities	(29,968)	(29,853)
(ii) Deferred tax assets		
Employee provisions	80,770	70,578
Other provisions and lease liabilities	49,004	55,564
Unearned income	7,622	7,287
Other	7,767	1,358
Losses	10,487	11,248
Derivatives	5,396	8,744
Gross deferred tax assets	161,046	154,779
Set-off of deferred tax assets	(73,551)	(73,690)
Net deferred tax assets	87,495	81,089

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2013, there is $10,478,289 (2012: $10,011,179) 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 $40,843,000 (2012: increased $42,487,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 33.

(g) Tax relating to other comprehensive income

	2013 $000	2012 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	(496)	5,409
- Cashflow hedges transferred to the income statement	(2,831)	(2,940)
	(3,327)	2,469

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.

7. EARNINGS PER SHARE (CONTINUED)

	2013 $000	2012 $000
Net profit for the year attributable to the owners of the parent	266,404	244,105
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(15,508)	(17,676)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	250,896	226,429

	2013 Number of Shares	2012 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	200,538,313	200,828,094
Effect of dilution – share rights not yet vested (a)	2,031,317	1,615,341
Weighted average number of ordinary shares adjusted for the effect of dilution	202,569,630	202,443,435

(a) The share rights granted to Executives but not yet vested, have the potential to dilute basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	2013 Cents per Share	2012 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	125.1 c	112.7 c
- diluted (after CARES dividend) for the year	123.9 c	111.8 c
- basic (after CARES dividend) from continuing operations	125.1 c	112.7 c
- diluted (after CARES dividend) from continuing operations	123.9 c	111.8 c

8. DIVIDENDS PAID OR PROPOSED

	2013 $000	2012 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (29.0 cents per share) (2012: 25.5 cents per share)	58,604	51,531
(ii) Previous year final dividend paid		
Franked dividends – ordinary (34.5 cents per share) (2012: 29.5 cents per share)	69,718	59,614
	128,322	111,145
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (41.5 cents per share) (2012: 34.5 cents per share)	83,864	69,718
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	15,508	17,676
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	7,088	8,318

8. DIVIDENDS PAID OR PROPOSED (CONTINUED)

	Parent	
	2013 $000	2012 $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% (2012: 30%)	238,852	180,744
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	31,029	24,418
	269,881	205,162
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	(38,979)	(33,444)
	230,902	171,718

* 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% (2012: 30%). $90,952,000 (2012: $78,036,000) of the proposed dividends will be franked at the rate of 30% (2012: 30%).

9. CASH AND CASH EQUIVALENTS

	2013 $000	2012 $000
Cash at bank and on hand	272,251	173,418
Reconciliation to Statement of cash flows		
For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and on hand	272,251	173,418
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	268,375	245,858
Adjustments for:		
Depreciation and amortisation	147,006	146,894
Interest received	(4,257)	(4,625)
Changes in assets & liabilities		
Deferred tax	(3,320)	(10,747)
Receivables	(50,508)	5,880
Other assets	25,297	(1,280)
Creditors and accruals	39,036	10,311
Provisions	34,869	52,208
Inventory	(5,106)	(16,094)
Tax provisions	(983)	5,488
Net cash from operating activities	450,409	433,893

Disclosure of financing facilities
Refer to note 30.

10. BUSINESS COMBINATIONS

On 7 June 2013, Ramsay Santé acquired 89% of the share capital of Clinique de l'Union and of Le Marquisat. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Clinique de l'Union and Le Marquisat as follows:

	$000
Cash overdraft	(4,770)
Accounts Receivable	14,083
Inventory	1,999
Other current assets	12,298
Property, plant and equipment	4,724
Deferred income tax asset	3,423
Creditors and accruals	(22,554)
Bank loans	(14,628)
Provisions and other liabilities non-current	(5,025)
Fair value of identifiable net liabilities	(10,450)
Non-controlling interest in identifiable acquired net liabilities	(3,769)
Goodwill arising on acquisition	43,478
	29,259
Acquisition date fair value of consideration transferred	
Cash paid	29,259
	29,259
Direct costs relating to the acquisition - included within service costs	1,293
The cash outflow on acquisition is as follows:	
Net cash overdraft acquired with the subsidiary	4,770
Cash paid	29,259
Net consolidated cash outflow	34,029

Ramsay Santé's non-controlling interest is 11%. The value of the non-controlling interest was recorded at fair value as at the acquisition date.

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

Key factors contributing to the $43,478,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique de l'Union and Le Marquisat facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Clinique de l'Union and Le Marquisat from acquisition to 30 June 2013 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 2013, as though Clinique de l'Union and Le Marquisat was acquired on 1 July 2012, would not be significantly different to the Group results as reported.

10. BUSINESS COMBINATIONS (CONTINUED)

On 31 May 2013, Ramsay acquired the assets of Peel Health Campus. Ramsay has provisionally recognised the fair values of the identifiable assets and liabilities of Peel Health Campus as follows:

	$000
Accounts Receivable	587
Prepayments	924
Inventory	1,198
Service concession asset	42,000
Property, plant and equipment	450
Deferred income tax liability	(13,344)
Provisions	(5,205)
Fair value of identifiable net assets	26,610
Goodwill arising upon acquisition pursuant to accounting standards	21,784
	48,394
Acquisition date fair value of consideration transferred	
Cash paid/to be paid	65,051
Less: tax effect	(16,657)
	48,394
Direct costs relating to the acquisition - included with service costs	65
The cash outflow/(inflow) on acquisition is as follows:	
Cash paid	57,051
Tax receivable	(16,657)
Deferred contingent purchase consideration	8,000
Net consolidated cash outflow	48,394

The primary reason for the business combination is the acquisition of the business assets of the Peel Health Campus.

Key factors contributing to the $21,784,000 of goodwill arising upon acquisition are synergies expected to be achieved as a result of combining the Peel Health Campus with the Group.

The results of Peel Health Campus from acquisition to 30 June 2013 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 2013, as though Peel Health Campus was acquired on 1 July 2012, would not be significantly different to the Group results as reported.

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 26 March 2013, Ramsay announced that it was entering into a joint venture with Sime Darby Berhad to expand operations in Southeast Asia. The deal will combine all Sime Darby's portfolio of healthcare assets in Malaysia with Ramsay's three hospitals in Indonesia, under a new joint venture company. The deal was completed on 1 July 2013. At 30 June 2013, Ramsay's Indonesian operation was classified as held for sale. The Indonesian operations are part of the "Asia Pacific" reporting segment.

The major classes of assets and liabilities of the Group classified as held for sale at 30 June are as follows:

	2013 $000	2012 $000
Assets		
Trade and other receivables	12,300	-
Inventories	2,654	-
Other assets	2,852	-
Property, plant and equipment	32,049	1,150
Goodwill and intangible assets	23,245	-
Assets classified as held for sale	73,100	1,150
Liabilities		
Trade and other payables	(10,382)	-
Interest-bearing loans and borrowings	(20,262)	-
Provisions	(12,389)	-
Income tax payable	(922)	-
Deferred tax liabilities	(2,113)	-
Liabilities directly associated with assets classified as held for sale	(46,068)	-
Net assets directly associated with held for sale operations	**27,032**	**1,150**

12. 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.

	Total and Continuing operations		
	Asia Pacific $000	**Europe $000**	**Total $000**
Year ended 30 June 2013			
Revenue			
Revenue from services	3,393,637	780,898	4,174,535
Total revenue before intersegment revenue	3,393,637	780,898	4,174,535
Intersegment revenue	4,175	-	4,175
Total segment revenue	3,397,812	780,898	4,178,710
Results			
Segment net profit after tax	268,219	22,653	290,872
Interest	(34,071)	(31,434)	(65,505)
Income tax expense	(115,931)	(10,362)	(126,293)
Depreciation	(104,534)	(36,197)	(140,731)
Amortisation - software	(2,875)	(566)	(3,441)
Amortisation - service concession assets	(2,834)	-	(2,834)
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
Interest	(34,277)	(38,614)	(72,891)
Income tax expense	(106,010)	(4,914)	(110,924)
Depreciation	(98,438)	(37,077)	(135,515)
Amortisation - software	(8,474)	(719)	(9,193)
Amortisation - service concession assets	(2,186)	-	(2,186)

12. SEGMENT INFORMATION (CONTINUED)

	2013 $000	2012 $000
(i) Segment revenue reconciliation to income statement		
Total segment revenue	4,178,710	3,962,414
Inter segment sales elimination	(4,175)	(5,938)
Interest income	4,257	4,625
Revenue - income from the sale of development assets	2,844	4,976
Other income - Profit on sale of assets	2,346	7,406
Total revenue and other income - income statement	4,183,982	3,973,483

(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.

13. RECEIVABLES

	2013 $000	2012 $000
Current		
Trade and other debtors	499,402	430,352
Allowances for impairment loss	(16,559)	(8,185)
	482,843	422,167
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	15,162	18,725
Receivable from the Government for plant and equipment	2,988	2,498
Rental property bonds receivables	5,383	3,169
Other	690	963
	24,223	25,355
Total	507,066	447,522

(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 $16,559,000 (2012: $8,185,000) 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:

	2013	2012
At 1 July	(8,185)	(8,769)
Charge for the year (included in service costs)	(9,788)	(2,245)
Acquisition of subsidiary	(435)	-
Transfer to assets held for sale	1,069	-
Foreign exchange translation	(457)	157
Amounts written off	1,237	2,672
At 30 June	(16,559)	(8,185)

13. RECEIVABLES (CONTINUED)

(ii) Ageing analysis

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

	Total $000	Neither past due nor impaired $000	0-30 Days PDNI* $000	31-60 Days PDNI* $000	61-90 Days PDNI* $000	91+ Days PDNI* $000	Considered Impaired $000
2013	523,625	438,467	46,331	14,622	3,278	4,368	16,559
2012	455,707	376,736	41,117	17,857	3,877	7,935	8,185

PDNI – Past due not impaired

Receivables past due but not considered impaired are: $68,599,000 (2012: $70,786,000). 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**.**

14. INVENTORIES

	2013 $000	2012 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	94,478	94,880
Development assets to be sold that are currently under construction – at cost	18,087	10,155
	112,565	105,035

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2013 totalled $1,048,837,000 (2012: $987,012,000) 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 2013 totalled $1,677,000 (2012: $4,355,000) for the Group. This expense has been included in Cost of goods sold – Book value of development assets sold in the income statement.

15. OTHER CURRENT ASSETS

	2013 $000	2012 $000
Prepayments	38,713	36,027
GST receivable	-	7,829
Other current assets	893	3,584
	39,606	47,440

16. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
Cost			
At 1 July 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**
Additions	156,987	111,410	268,397
Acquisition of subsidiary	1,182	3,992	5,174
Disposals	(14,262)	(39,059)	(53,321)
Transfer to assets held for sale	(29,536)	(38,899)	(68,435)
Exchange Differences	26,172	42,653	68,825
At 30 June 2013	**1,939,217**	**1,239,466**	**3,178,683**
Depreciation and Impairment			
At 1 July 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)**
Depreciation charge for the year	(37,650)	(103,081)	(140,731)
Disposals	4,129	38,356	42,485
Transfer to assets held for sale	8,424	27,962	36,386
Exchange Differences	(7,573)	(27,539)	(35,112)
At 30 June 2013	**(333,425)**	**(875,131)**	**(1,208,556)**
Net Book Value			
At 30 June 2013	1,605,792	364,335	1,970,127
At 30 June 2012	1,497,919	348,540	1,846,459

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2013 is $42,148,000 (2012: $48,347,000).

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

17. 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 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**
Additions	-	1,254	4,182	5,436
Disposals	-	(1,116)	(131)	(1,247)
Acquisition of a subsidiary	65,262	42,000	79	107,341
Transfer to assets held for resale	(17,082)	(5,640)	(523)	(23,245)
Exchange Differences	31,378	334	677	32,389
At 30 June 2013	**917,709**	**78,916**	**39,683**	**1,036,308**
Amortisation and Impairment				
At 1 July 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)**
Amortisation charge for the year	-	(2,834)	(3,441)	(6,275)
Disposals	-	705	125	830
Exchange Differences	-	2	(568)	(566)
At 30 June 2013	**-**	**(17,178)**	**(33,824)**	**(51,002)**
Net Book Value				
At 30 June 2013	917,709	61,738	5,859	985,306
At 30 June 2012	838,151	27,033	5,459	870,643

^ *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.

18. 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 2013 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2014 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 (2012: 3%).

The pre tax discount rate applied to cash flow projections is 13.7% (2012: 12.8%). The post tax discount rate is 10.2% (2012: 9.8%).

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 2013 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 10.1% (2012: 7.9%). The post tax discount rate applied to cash flow projections is 8.5% (2012: 7.2%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2012: 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 2013 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% (2012: 6.3%). The post tax discount rate applied to cash flow projections is 5.7% (2012: 5.7%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 1% (2012: 0.5%).

18. 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	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Carrying amount of goodwill	558,874	554,172	203,750	187,858	155,085	96,121	917,709	838,151

* Goodwill attributable to the Indonesian business was transferred to assets held for sale at 30 June 2013.

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2013 and 30 June 2012

- 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 or revenue growth rates 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.

19. TRADE & OTHER PAYABLES

	2013 $000	2012 $000
Trade payable	252,668	246,979
Sundry creditors and accrued expenses	214,958	181,115
Employee and Director entitlements	172,035	148,575
Other payables	2,975	2,673
	642,636	579,342

(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.

20. PROVISIONS

	2013 $000	2012 $000
Current		
Restructuring provision	6,841	6,656
Unfavourable contracts	4,876	4,965
Insurance provision	22,550	26,600
Other provisions	4,572	4,102
	38,839	42,323
Non-current		
Non-current employee and Director entitlements	121,790	106,902
Deferred lease provision	173,112	137,393
Unfavourable contracts	14,903	18,270
Insurance provision	113,212	104,839
Other provisions	-	1,777
	423,017	369,181
Total	461,856	411,504

20. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2012	137,393	6,656	131,439	23,235	5,879	304,602
Arising during the year	21,640	433	11,858	-	1,698	35,629
Acquisition of subsidiary	-	-	-	-	460	460
Utilised during the year	-	(11)	(4,396)	(4,911)	(935)	(10,253)
Exchange differences	14,079	-	357	1,455	563	16,454
Unused amounts reversed	-	(237)	(3,496)	-	(3,093)	(6,826)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2013	173,112	6,841	135,762	19,779	4,572	340,066
Current 2013	-	6,841	22,550	4,876	4,572	38,839
Non-current 2013	173,112	-	113,212	14,903	-	301,227
	173,112	6,841	135,762	19,779	4,572	340,066
Current 2012	-	6,656	26,600	4,965	4,102	42,323
Non-current 2012	137,393	-	104,839	18,270	1,777	262,279
	137,393	6,656	131,439	23,235	5,879	304,602

(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; and
- land rich duties payable.

Insurance provision

Insurance policies are entered into to cover the various insurable risks. These policies have varying levels of deductibles. The medical malpractice provision is made to cover excesses arising under the Medical Malpractice Insurance policy. 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 four 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.

21. INTEREST BEARING LOANS AND BORROWINGS

		2013 $000	2012 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,424	3,159
- Lease liabilities	(ii)	3,691	4,163
- Bank loan	(iii)	11,578	5,041
Unsecured liabilities:			
- Bank Loans	(iii)	-	19,120
		18,693	31,483
Non-current			
Secured liabilities:			
- Loans - bondholders	(i)	16,979	20,403
- Lease liabilities	(ii)	16,157	18,108
- Bank loan	(iii)	79,577	38,968
- Loan - subordinated bonds	(iv)	53,110	42,716
Unsecured liabilities:			
- Bank loan	(iii)	1,076,253	917,380
		1,242,076	1,037,575
Total		1,260,769	1,069,058

(i) Loan - bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government.
(ii) Lease liabilities are effectively secured by the leased asset. Further information is set out in note 26.
(iii) Further information on bank loans is set out in note 30.
(iv) Loans - subordinated bonds. Further information is set out in note 30.

(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 2.82% to 3.69% (2012: 3.54% to 3.63%) for Australia, 0.49% to 0.69% (2012: 0.67% to 1.00%) for UK, 4.29% to 4.69% (2012: 4.20% to 4.48%) for Indonesia, and 0.18% to 0.66% (2012: 0.65% to 0.79%) for France respectively.

21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Fair values (continued)

	2013 Carrying Amount $000	2013 Fair Value $000	2012 Carrying Amount $000	2012 Fair Value $000
Bank loans	1,167,408	1,181,440	980,509	997,388
Lease liabilities	19,848	24,383	22,271	26,570
Bondholders	20,403	22,793	23,562	26,737
Subordinated bonds	53,110	64,563	42,716	55,293
	1,260,769	1,293,179	1,069,058	1,105,988

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:

	2013 $000	2012 $000
Finance lease		
Leased assets	42,148	48,347
Fixed and floating charge		
Receivables	18,725	22,014
Bank loan	135,130	80,568
Total non-current assets pledged as security	196,003	150,929

(d) Defaults & breaches

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

22. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2013 $000	2012 $000
22.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2012: 202,081,252 ordinary shares fully paid)	713,523	713,523

(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.

22.2 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 credit, to equity during the year to 30 June 2013 represents an increase in forecast long term interest rates.

22.3 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.

22.4 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.

22.5 Convertible Adjustable Rate Equity Securities (CARES)

	2013 $000	2012 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2012: 2,600,000 CARES shares fully paid)	252,165	252,165

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

22.5 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.

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

22.6 Treasury Shares

	2013 $000	2012 $000
2,246,158 ordinary shares (30 June 2012: 1,522,333)	49,684	23,259

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

22.7 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 22.5 for further information on the existing CARES (2,600,000).

During 2013, dividends of $143,829,852 (2012: $128,821,000) were paid. For the year ended 30 June 2013 fully franked ordinary dividends of 70.5c (2012: 60.0c) per share were declared (Interim dividend of 29.0c, Final dividend of 41.5c). These dividends represented a payout ratio of approximately 51.9% of Core Earnings per Share of 135.9c. Management's target for dividends for 2014 – 2017, 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 1.6 times for the year ended 30 June 2013 (2012: 1.5 times).

The Group has committed senior debt funding until April 2015 and April 2017 (please refer to Note 30 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.*

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 $000	2012 $000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	2,270	-
Current liabilities		
Interest rate derivative contracts – cash flow hedges	12,869	14,521
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	7,296	14,519

(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 2.85% (2012: 3.56%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.51% (2012: 0.89%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.22% (2012: 0.65%).

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 67% (2012: 73%) of the principal outstanding.

Fair value

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

Level 1 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.

	2013 $000	2012 $000
Financial assets		
Derivative instruments – interest rate swaps	2,270	-
Financial liabilities		
Derivative instruments – interest rate swaps	(20,165)	(29,040)

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

Transfer between categories

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

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

	2013 $000	2012 $000
0-1 years	259,958	351,216
1-2 years	279,917	240,708
2-3 years	272,018	170,708
3-5 years	321,632	321,820
	1,133,525	1,084,452

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:

	2013 $000	2012 $000
Opening balance	(20,249)	(14,489)
Transferred to interest expense	9,424	9,802
Taken to equity	1,653	(18,031)
Related income tax	(3,327)	2,469
Closing balance	(12,499)	(20,249)
(Gain)/loss on cash flow hedge ineffectiveness recognised immediately in the income statement	67	(67)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2013 is a GBP borrowing of £117,000,000 (2012: £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 $15,202,000 (2012: net loss $4,439,000) 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.

24. 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:

	2013 $000	2012 $000
Expense arising from equity-settled share based payment transactions	11,227	7,732
Total expense arising from share-based payment transactions (note 5 (d))	11,227	7,732

25. 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 AO	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.

26. EXPENDITURE COMMITMENTS

	Note	2013 $000	2012 $000
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		4,508	5,146
- After one year but not more than five years		14,345	15,877
- After more than five years		5,574	6,886
Total minimum lease payments		24,427	27,909
- Less: future finance charges		(4,579)	(5,638)
- Present value of minimum lease payments		19,848	22,271
Total lease liability accrued for:			
Current			
- Finance leases	21	3,691	4,163
Non-current			
- Finance leases	21	16,157	18,108
		19,848	22,271

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 eight years and the average discount rate implicit in the leases is between 4.0% to 7.4% (2012: 4.0% to 7.4%). The security over finance leases is disclosed in note 21.

26. EXPENDITURE COMMITMENTS (CONTINUED)

	Note	2013 $000	2012 $000
(b) Lease expenditure commitments – Group as lessee			
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		114,176	97,937
- After one year but not more than five years		426,413	375,649
- After more than five years		2,173,888	2,053,793
Aggregate lease expenditure contracted for at reporting date		2,714,477	2,527,379
Amounts provided for:			
- deferred lease – non-current	20	173,112	137,393
- unfavourable contract - current	20	4,876	4,965
- non-current	20	14,903	18,270
		192,891	160,628
Amounts not provided for:			
- rental commitments		2,521,586	2,366,751
Aggregate lease expenditure contracted for at reporting date		2,714,477	2,527,379

Operating leases have lease terms of between one and twenty four 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.

27. 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.

28. DEFINED BENEFIT PENSION PLAN

The Group has defined benefit plans in France and Indonesia, as at 30 June 2013. The defined benefit plans in the UK and Australia were closed in 2012. The UK plan was paid out in the current year.

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

	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(10,833)	(23,773)	(23,378)	(18,423)	(10,636)
Fair value of plans assets	-	5,631	4,537	4,098	3,990
Net (liability) – non-current	(10,833)	(18,142)	(18,841)	(14,325)	(6,646)

	Pension Plans	
	2013 $000	2012 $000
Net benefit expense (note 5) (recognised in superannuation expenses)	2,503	1,032

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

	Pension Plans	
	2013 $000	2012 $000
Opening defined benefit obligation	23,773	23,378
Acquisition balances	3,368	-
Current service cost	1,674	607
Interest cost	829	1,046
Benefits paid	(9,579)	(1,498)
Actuarial losses on obligation	1,481	663
Transfer to liabilities held for sale	(12,389)	-
Exchange differences on foreign plans	1,676	(423)
Closing defined benefit obligation	10,833	23,773

28. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Pension Plans 2013 $000	Pension Plans 2012 $000
Opening fair value of plans assets	5,631	4,537
Expected return	-	236
Contributions by employer	-	1,754
Benefits paid	(5,602)	(630)
Actuarial losses	-	(382)
Exchange differences on foreign plans	(29)	116
Fair value of plans assets	-	5,631
Actuarial return on plan assets	-	(146)

The Group expects to contribute $nil to its defined benefit pension plans in 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets for the UK for the year ended 30 June 2012 are shown below. No plans were funded for the year ended 30 June 2013.

	Pension Plans 2012 (%)
Equities	-
Bonds	94
Property	-
Other	6

	Pension Plans 2013 $000	Pension Plans 2012 $000
Actuarial losses recognised in the statement of comprehensive income	1,481	1,045
Cumulative actuarial losses recognised in the statement of comprehensive income	5,749	4,268

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

	Pension Plans 2013 (%)	Pension Plans 2012 (%)
Discount rate	2.9 - 6.5	2.5 - 6.6
Expected rate of return on assets	-	2.5
Future salary increases	2.5 - 10.0	2.5 - 10.0
Future pension increases	-	2.5

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.

29. AUDITORS' REMUNERATION

	2013 $	2012 $
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	1,606,000	1,490,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	1,010,000	1,179,000
Assurance related	19,000	27,000
Other	59,000	16,000
	2,694,000	2,712,000
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	820,000	664,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	184,000	251,000
Due diligence services	288,000	245,000
Other	15,000	24,000
	4,001,000	3,896,000

30. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (SFA), the first draw down was made under the SFA on 30 April 2012 and the term of the SFA commenced on 30 April 2012.

The 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.

The total amounts drawn down under the SFA as at 30 June 2013 was $845,000,000, £145,000,000 and € nil (30 June 2012 : $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 SFA is unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

(ii) Bilateral Facilities

The bilateral facilities are detailed below and the terms and conditions are consistent with the SFA:

- Bilateral facility with ANZ for working capital with a limit of $6,500,000 and £3,100,000. The ANZ bilateral facility consists of a cash advance facility, overdraft facility and indemnity/guarantee facility (in both AUD and GBP).
- Bilateral facility with NAB for working 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 2013 the total outstanding was $10,996,149 (2012: $10,760,958) and £3,550,968 (2012: £3,550,968).

30. BORROWINGS (CONTINUED)

(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. On 8 February 2013, this credit facility was extended until 8 August 2013.

As at 30 June 2013 an amount of IDR 81,610,000,000 (2012: 81,610,000,000) was drawn under this facility. The interest rate is JIBOR plus 3.0%. On 5 July 2013 this credit facility was fully repaid and refinanced.

On 8 February 2010 PT Affinity Health Indonesia entered into a three-year revolving credit facility with PT ANZ Panin Bank with a total facility limit of IDR 163,220,000,000. On 8 February 2013, this credit facility was extended until 8 August 2013.

As at 30 June 2013 an amount of IDR 102,020,000,000 (2012: IDR 102,020,000,000) was drawn under this facility. The interest rate is JIBOR plus mandatory costs plus 2.5%. On 5 July 2013 this credit facility was repaid in full and refinanced.

Ramsay Health Care Limited and Affinity Health Pty Ltd provided a corporate guarantee and indemnity in respect of all amounts payable under both of the above loans. This guarantee and indemnity was released on 27 May 2013.

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility agreement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2013 was € 65,030,000 (2012: €37,000,000) and the undrawn commitment (after the mandatory repayments and cancellations totalling €14,970,000) was € 5,000,000 (2012:€44,000,000).

The 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 debt facilities are secured against certain assets of the Ramsay Santé group.

(v) Ramsay Santé Subordinated Bonds

Ramsay Santé 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 million 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 2013 an amount of € 54,614,236 (2012: €54,614,236) and accrued interest of €26,654,836 (2012: €20,634,433) was outstanding in respect of these bonds. As at 30 June 2013, Predica, the non-controlling interest held €26,477,000 (2012: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €10,805,307 (2012: €8,043,545).

(vi) Other Interest Bearing Loans

At 30 June 2013 a loan to bondholders of $20,402,913 (2012: $23,562,680) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 13).

31. SUBSEQUENT EVENTS

On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad, through the contribution of our Indonesian assets and cash payments of approximately $120 million over 3 years.

Our Indonesian assets were classified as held for sale as at 30 June 2013, as disclosed in Note 11.

There have been no other 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.

32. 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

32. 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

32. 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	
	2013	2012
Consolidated Income Statement	$000	$000
Profit from operations before income tax	351,925	329,312
Income tax expense	(104,871)	(89,797)
Net profit for the year	247,054	239,515
Retained earnings at the beginning of the year	486,795	375,684
Dividends provided for or paid	(143,364)	(128,404)
Retained earnings at the end of the year	590,485	486,795
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	181,254	102,959
Trade receivables	380,832	347,559
Inventories	88,235	73,107
Other current assets	12,058	22,192
	662,379	545,817
Assets classified as held for sale	10,546	1,150
Total Current Assets	672,925	546,967
Non-current Assets		
Other financial assets	411,853	422,913
Goodwill and intangibles	636,641	574,172
Deferred tax asset	66,219	58,538
Property, plant and equipment	1,632,974	1,519,694
Derivative financial instruments	2,270	-
Other non-current assets	16,183	13,360
Total Non-current Assets	2,766,140	2,588,677
TOTAL ASSETS	3,439,065	3,135,644
LIABILITIES		
Current Liabilities		
Trade and other payables	495,683	446,043
Interest-bearing loans and borrowings	-	85
Provisions	26,005	33,748
Derivative financial instruments	12,403	14,128
Income tax payable	36,367	38,091
Total Current Liabilities	570,458	532,095
Non-current Liabilities		
Interest-bearing loans and borrowings	1,037,670	876,636
Provisions	236,124	209,879
Other Creditors	8,000	-
Derivative financial instruments	6,912	13,947
Total Non-current Liabilities	1,288,706	1,100,462
TOTAL LIABILITIES	1,859,164	1,632,557
NET ASSETS	1,579,901	1,503,087

32. CLOSED GROUP (CONTINUED)

	Closed Group	
	2013 $000	2012 $000
EQUITY		
Issued capital	713,523	713,523
Treasury shares	(49,684)	(23,259)
Convertibles Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	590,485	486,795
Other reserves	73,412	73,863
TOTAL EQUITY	1,579,901	1,503,087

33. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	2013 $000	2012 $000
Current assets	1,132,888	1,125,364
Total assets	1,276,730	1,269,333
Current liabilities	(40,183)	(43,468)
Total liabilities	(40,183)	(43,468)
Issued capital	(713,523)	(713,523)
Other equity	(523,024)	(512,342)
Total shareholders' equity	(1,236,547)	(1,225,865)
Net profit for the year after tax	141,138	140,805

As a condition of the class order (set out in note 32), 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 32 for further information.

SECTION 3

STATUS OF AUDIT

FOR THE YEAR ENDED 30 JUNE 2013

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.