RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2016

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

		2016 $000	2015 $000	% increase/ (decrease)
Revenue and other income	(3)	8,691,197	7,361,332	18.1%
Revenue from services		8,684,116	7,355,489	18.1%
Profit before disposal of assets, finance costs, tax, depreciation, amortisation and non-core items (Core EBITDA)		1,268,954	1,106,350	14.7%
Profit before finance costs, tax and non-core items (Core EBIT)		897,063	803,889	11.6%
Core net profit after tax attributable to owners of the parent	(1),(3)	**481,425**	**412,089**	**16.8%**
Non-core items after tax attributable to owners of the parent	(3)	(31,128)	(26,547)	17.3%
Net profit after tax for the period attributable to owners of the parent *		**450,297**	**385,542**	**16.8%**

Earnings per share (cents per share)

Diluted Core EPS	(1),(2),(3)	**231.4**	**196.6**	**17.7%**
Diluted Statutory EPS		**216.1**	**183.5**	**17.8%**

* Inclusive of the dividends payable to holders of Convertible Adjustable Rate Equity Securities (CARES)
1. ‘Core net profit after tax' and 'diluted core earnings per share' are before non-core items.
2. Diluted core earnings per share (Diluted Core EPS) calculation is based upon Core net profit after tax adjusted for Preference Dividends, using the weighted average number of ordinary shares adjusted for the effect of dilution.
3. Refer to the Overview section (i) of the Consolidated Financial Statements for further information.

1.2 EARNINGS PER SHARE

	Full year ended 30/06/2016 $000	Full year ended 30/06/2015 $000
Net profit for the period attributable to the owners of the parent	450,297	385,542
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(12,958)	(13,734)
Profit used in calculating basic and diluted earnings per share (after CARES dividend)	437,339	371,808
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	200,948,992	200,985,638
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,415,611	202,598,503
Earnings per share	**Cents per share**	
- basic (after CARES dividend)	**217.6**	**185.0**
- diluted (after CARES dividend)	**216.1**	**183.5**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	Amount per security	Franked amount per security
Current year - Interim dividend - Final proposed dividend	 47.0¢ 72.0¢	 47.0¢ 72.0¢
Total dividend	119.0¢	119.0¢
Previous corresponding period - Interim dividend - Final proposed dividend	 40.5¢ 60.5¢	 40.5¢ 60.5¢
Total dividend	101.0¢	101.0¢
Record date for determining entitlements to the ordinary dividend	7 September 2016	
Date the current year ordinary dividend is payable	29 September 2016	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES interim dividend	6 October 2016
Date the interim CARES dividend is payable	20 October 2016

The proposed interim ordinary and CARES dividends will be franked at the rate of 30% (2015: 30%).

1.4 NET TANGIBLE ASSETS

Net tangible assets (NTA) per share at 30 June 2016 is $0.41 (June 2015: $0.30).

1.5 DETAILS OF JOINT VENTURE ENTITY

The detail of the joint venture entity which contributes to Ramsay Health Care Limited's net profit is detailed below:

Name of entity	Contribution to net profit		Percentage of ownership interest	
	Full year ended 30/06/2016 $000	Full year ended 30/06/2015 $000	As at 30/06/2016	As at 30/06/2015
Equity accounted joint venture entity Ramsay Sime Darby Health Care Sdn Bhd	9,966	10,098	50%	50%
Total share of after tax profits of equity accounted investments	**9,966**	**10,098**		

1.6 DETAILS OF ENTITY OVER WHICH CONTROL HAS BEEN GAINED

Control over French private hospital operator Hôpital Privé Métropole (HPM) was gained on 17 December 2015 when Ramsay Générale de Santé acquired 99.69% of the share capital of HPM in December 2015 and January 2016.

1.7 COMMENTARY ON RESULTS

Commentary on results follows.

ASX ANNOUNCEMENT

30 August 2016

RAMSAY HEALTH CARE REPORTS 17.7% RISE IN FULL YEAR CORE EPS AND 16.8% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 16.8% to $481.4 million
- Core earnings per share[2] (Core EPS) up 17.7% to 231.4 cents
- Group:
  - Revenue up 18.1% to $8.7 billion
  - EBIT up 11.6% to $897.1 million
- Australia/Asia:
  - Australia revenue up 8.8% to $4.4 billion
  - Australia EBIT up 11.8% to $572.0 million
  - Equity accounted share of Asian joint venture net profits of $10.0 million.
- France:
  - Revenue up 27.3% to €2.2 billion
  - EBIT up 2.2% to €147.2 million
- United Kingdom:
  - Revenue up 4.0% to £429.6 million
  - EBIT up 9.5% to £44.3 million
- Final dividend 72.0 cents fully franked, up 19.0% on the previous corresponding period, bringing the full-year dividend to 119.0 cents fully franked, up 17.8%

Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Core Net Profit After Tax of $481.4 million for the year ended 30 June 2016, a 16.8% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 231.4 cents for the year, an increase of 17.7% on the 196.6 cents recorded in the previous corresponding period.

The Company's statutory reported net profit after tax (after net non-core items) of $450.3 million was up 16.8% on the prior year.

Directors are pleased to announce a fully-franked final dividend of 72.0 cents, up 19.0% on the previous corresponding period, taking the full year dividend to 119.0 cents fully-franked, up 17.8% on the prior year. The dividend Record Date is 7 September 2016 with payment on 29 September 2016. The Dividend Reinvestment Plan will remain suspended.

Ramsay Health Care Managing Director Christopher Rex said the Company had delivered another excellent result with all segments performing at or above expectations.

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

"Solid volume growth, ongoing efficiencies, strategic acquisitions, and further investment in our facilities, continue to underpin our strong financial performance," Mr Rex said.

Across the world, Ramsay Health Care opened over 500 beds and 26 operating theatres during the year as it continues to ensure its facilities cater for the growing demand for hospital services into the future.

Record referrals to our hospitals in the UK drove strong admissions growth for Ramsay UK during the year.

In December 2015, Ramsay Générale de Santé finalised the acquisition of the HPM Group of hospitals in Lille, bringing its total cluster of hospitals in Lille to 11, and giving Ramsay's French business a strong presence in this region. Ramsay now has 124 facilities in France and remains the clear private hospital leader in that country.

"All regions are experiencing an ageing and growing population and with that comes a greater demand for healthcare. We continue to invest in our facilities and our technology to ensure that we can attract the best specialists and meet the growing needs of a population with an increasing chronic disease burden.

"Drawing upon the experience we have gained in the operation of our 200 hospital pharmacies across the world we have commenced a strategic plan to extend our services beyond the hospital walls. To this end, we are in the process of establishing strategically located community pharmacies across Australia, concentrating initially in close proximity to our hospitals. This will allow us to provide extended services to our patients including participation in the provision of care to the chronically ill.

"Of paramount importance, we remain focused on providing the best and safest care to the three million plus patients who enter our hospitals each year and a safe working environment for staff. We have an excellent culture of safety and I am very pleased to report that we will complement this in the coming year through an alignment with the Royal Australasian College of Surgeons (RACS) and the roll out of Vanderbilt University's Professional Accountability Program.

As an international strategic partner with the International Consortium for Health Outcomes Measurement (ICHOM), Ramsay commenced four major studies during the year to investigate and benchmark patient outcomes after hospital admission in low back pain, cataract surgery and anxiety and depression. The Company also increased its resources and investment in other areas of research including clinical trials and antimicrobial stewardship.

"Our global footprint allows us to differentiate ourselves through research and international benchmarking. Innovation and investment in our facilities and research allows us to continuously improve the quality of the organisation and patient care."

<u>Operations</u>

During the year, Ramsay's Australian and Asian business achieved revenue growth of 8.8% and EBIT growth of 11.6% on the back of solid volume growth, brownfield developments and ongoing efficiencies.

"We had good growth in procedural volume in FY2016 throughout the region. We were also very pleased to win the exclusive contract to treat the New Caledonian medivac market (CAFAT) in our Sydney facilities, and to be announced as the provider of hospital services at the new Albury Wodonga Regional Cancer Centre which will open in September," Mr Rex said.

Ramsay's UK business delivered another good result with NHS admissions growing by 8% driven by record referrals. Operating margins (EBITDAR) remain high at 26.1% and EBIT increased 9.5% to £44.3 million.

In spite of further tariff decreases in France, Ramsay Générale de Santé hospitals continued to perform well achieving good volume growth across all major specialties and on the back of excellent growth in emergency presentations. Revenue increased by 27.3% and EBIT increased by 2.2%, benefitting from having an additional three months earnings from Ramsay Générale de Santé (acquired October 2014) and six months earnings from HPM which was acquired in December 2015. HPM has now been integrated into our French portfolio of hospitals and puts us in a leading position in this region.

Our Malaysian and Indonesian facilities (part of our joint venture with Sime Darby) recorded robust operational performances during the year.

Brownfields Capacity Expansion

Australia

In Australia during FY2016, Ramsay completed developments worth over $255 million including major developments at Hollywood Private Hospital in Perth (90 beds; six theatres), Cairns Private Hospital (56 beds), Joondalup Health Campus (a new 30 bed paediatric wing), Lake Macquarie Private Hospital (a new private emergency centre) and the new 151 bed hospital in Wollongong. New rehabilitation facilities were also opened in Melbourne and Wollongong.

In June 2016, St George Private Hospital in southern Sydney opened a new development including 35 beds and four operating theatres which is in ramp-up phase. In the next few months, developments at Peninsula Private in Melbourne; North Shore Private Hospital in Sydney and New Farm Clinic in Brisbane, will all come on stream.

During the year the Board approved over $200 million in brownfield developments across the country including a major new mental health hospital for northern Sydney. The $71 million relocation and expansion of Ramsay's 43 year old Northside Clinic will meet the growing demand for mental health services in Sydney.

Mental health services will also receive a boost in Melbourne and in Queensland with Ramsay committing $24 million to expand its premier Melbourne facility – Albert Road Clinic – and also opening The Southport Private Hospital – a new mental health facility on the Gold Coast in February next year.

In Queensland, a $64 million expansion of St Andrew's Private Hospital in the burgeoning south western corridor of Ipswich, will see it become the major private tertiary hospital in the region. The new development includes the opening of a private emergency centre at the hospital bringing a vital new service to Ipswich residents who will no longer have to travel to Brisbane private hospitals for this service.

UK

Ramsay UK opened three more operating theatres, a day chemotherapy unit and an outpatient department expansion in FY2016. A further four operating theatres were approved by the Board for development. We have been evolving a strategy to create a chain of day surgeries in major population centres specially designed to provide services for publically funded patients. The first of these new day surgeries will be based in Croyden with a number of others in the planning stage.

France

Major repositioning developments in Dijon, Lyon and Marseille continue to track well and will complete over the course of the next two years.

Acquisitions

Towards the end of December, Ramsay Générale de Santé completed the acquisition of the HPM Group, consisting of 9 hospitals in Lille, France.

With this acquisition, Ramsay Générale de Santé's expanded presence in the greater Lille area will now comprise 11 facilities with 2,180 employees, 700 doctors and is expected to treat approximately 160,000 patients per annum.

We continue to investigate opportunities in China which remains an attractive opportunity.

Balance Sheet and Cash Flow

Continuing strong and consistent operating cash flow and effective working capital management delivered a high cash conversion rate for the Group of operating profit (EBITDA) to gross operating cash flow. Ramsay's robust balance sheet and strong cash flow generation continues to provide us with the flexibility to fund the increasing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs.

Outlook

Mr Rex said all regions were experiencing ageing and growing populations, a proliferation of chronic disease and the emergence of medical innovation and targeted therapies for the most challenging diseases, and with that comes greater demand for healthcare.

"We continue to invest in our facilities and our people to ensure that we can meet the expectations of our patients and doctors. At the same time we are also looking towards the future and how we best support patients beyond our hospital walls. The pharmacy strategy will enable us to do that.

"We also continue to investigate other opportunities internationally to grow our business building on the success we have had thus far in the global healthcare marketplace.

"Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances, Ramsay is targeting Core NPAT and Core EPS growth for the Group of 10% to 12% for FY2017."

Contacts:

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Managing Director	Chief of Staff
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Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

	Year Ended 30 June $ millions		
	FY2016	**FY2015**	
	Group	**Group**	**% Increase**
Net Profit After Tax (NPAT)			
Operating revenue	8,684.1	7,355.5	18.1%
EBITDAR	1,669.4	1,412.0	18.2%
EBITDA	1,268.9	1,106.3	14.7%
EBIT	897.1	803.9	11.6%
Core NPAT attributable to members of the parent (1)	**481.4**	**412.1**	**16.8%**
Net non-core items, net of tax (3)	(31.1)	(26.6)	
Statutory Reported NPAT	450.3	385.5	16.8%
Earnings Per Share, (EPS) cents, attributable to members of the parent			
Core EPS (2)	**231.4**	**196.6**	**17.7%**
Statutory Reported EPS	216.1	183.5	17.8%
Dividends Per Share, cents			
Final dividend, fully franked	72.0	60.5	19.0%
Full-year dividend, fully franked	119.0	101.0	17.8%

Notes

(1) 'Core NPAT attributable to members of the parent' is before non-core items and from continuing operations. Générale de Santé has been consolidated from the acquisition date of 1 October 2014. The non-controlling interest's share of Générale de Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent.

(2) 'Core EPS' is derived from core net profit after CARES dividends.

(3) 'Net non-core items, net of tax', include the non-cash portion of rent expense of $15.9 million, net of tax, relating to the UK hospitals.

SECTION 2

FINANCIAL INFORMATION

FOR THE FULL YEAR ENDED

30 JUNE 2016

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

CONTENTS	**PAGE**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000
Revenue and other income			
Revenue from services	2	8,684,116	7,355,489
Interest income		7,081	5,290
Other income - income from the sale of development assets		2,153	1,621
Other income - net profit on disposal of non-current assets		4,201	4,123
Total revenue and other income		**8,697,551**	**7,366,523**
Employee benefits costs	3	(4,486,757)	(3,787,940)
Occupancy costs	3	(678,752)	(549,136)
Service costs		(303,720)	(296,822)
Medical consumables and supplies		(2,005,754)	(1,669,491)
Depreciation, amortisation and impairment	3	(384,074)	(305,941)
Cost of goods sold - book value of development assets sold		(1,026)	(834)
Total expenses, excluding finance costs		**(7,860,083)**	**(6,610,164)**
Share of profit of joint venture	14a	9,966	10,098
Profit before tax and finance costs		**847,434**	**766,457**
Finance costs	3	(138,498)	(126,155)
Profit before income tax		**708,936**	**640,302**
Income tax	13	(197,674)	(221,216)
Net profit for the year		**511,262**	**419,086**
Attributable to non-controlling interest		60,965	33,544
Attributable to owners of the parent		**450,297**	**385,542**
		511,262	**419,086**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	5	217.6	185.0
Diluted earnings per share			
Profit (after CARES dividend)	5	216.1	183.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	2016 $000	2015 $000
Net profit for the year	511,262	419,086
Items that will not be reclassified to net profit		
Actuarial gain / (loss) on defined benefit plans	5,528	(412)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
Loss taken to equity	(54,747)	(5,135)
Transferred to Income Statement	4,957	6,869
Net (loss) / gain on bank loan designated as a hedge of a net investment	(20,382)	15,373
Foreign currency translation	(14,825)	(2,667)
Income tax relating to components of other comprehensive income / (expense)	13,505	(1,041)
Other comprehensive (expense) / income for the year, net of tax	**(65,964)**	**12,987**
Total comprehensive income for the year	**445,298**	**432,073**
Attributable to non-controlling interests	50,264	35,486
Attributable to the owners of the parent	**395,034**	**396,587**
	445,298	**432,073**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 $000	2015 $000
ASSETS			
Current assets			
Cash and cash equivalents	7a	328,989	315,861
Trade and other receivables	8a	1,141,607	996,234
Inventories	8b	205,012	191,745
Income tax receivable	13	21,521	26,180
Prepayments		112,041	99,620
Other current assets		11,396	12,318
		1,820,566	1,641,958
Assets classified as held for sale		22,692	11,818
Total current assets		**1,843,258**	**1,653,776**
Non-current assets			
Other financial assets		31,516	26,596
Investments in joint venture	14a	210,765	211,573
Property, plant and equipment	10	3,860,184	3,591,806
Intangible assets	11	2,059,957	1,883,049
Deferred tax asset	13	199,726	204,977
Non-current prepayments		12,068	12,426
Derivative financial instruments	7c	-	5,933
Non-current receivables	8a	47,050	31,549
Total non-current assets		**6,421,266**	**5,967,909**
TOTAL ASSETS		**8,264,524**	**7,621,685**
LIABILITIES			
Current liabilities			
Trade and other payables	8c	1,726,832	1,610,417
Interest-bearing loans and borrowings	7b	117,927	425,198
Derivative financial instruments	7c	18,808	10,778
Provisions	14b	80,612	82,218
Income tax payable	13	49,560	42,021
Total current liabilities		**1,993,739**	**2,170,632**
Non-current liabilities			
Interest-bearing loans and borrowings	7b	3,326,821	2,724,071
Provisions	14b	476,327	492,255
Defined employee benefit obligation	14d	70,626	67,715
Derivative financial instruments	7c	44,710	9,442
Other creditors		10,110	9,572
Deferred tax liability	13	296,130	310,204
Total non-current liabilities		**4,224,724**	**3,613,259**
TOTAL LIABILITIES		**6,218,463**	**5,783,891**
NET ASSETS		**2,046,061**	**1,837,794**
EQUITY			
Issued capital	6	713,523	713,523
Treasury shares	6	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	6	252,165	252,165
Other reserves		(30,304)	23,926
Retained earnings		1,176,349	955,114
Parent interests		**2,022,889**	**1,864,538**
Non-controlling interests		**23,172**	**(26,744)**
TOTAL EQUITY		**2,046,061**	**1,837,794**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital (Note 6.1) $000	Treasury Shares (Note 6.2) $000	CARES (Note 6.3) $000	Other Reserves $000	Retained Earnings $000	Non-controlling interests $000	Total $000
As at 1 July 2014	**713,523**	**(50,330)**	**252,165**	**20,545**	**766,656**	**41,085**	**1,743,644**
Total Comprehensive Income	-	-	-	10,342	386,245	35,486	**432,073**
Dividends paid	-	-	-	-	(197,787)	(106,099)	**(303,886)**
Shares purchased for executive performance share plan	-	(53,338)	-	-	-	-	**(53,338)**
Treasury shares vesting to employees	-	23,478	-	(23,478)	-	-	**-**
Share based payment expense for employees	-	-	-	35,485	-	-	**35,485**
Acquisition of subsidiary/non-controlling interest	-	-	-	(18,968)	-	2,784	**(16,184)**
As at 30 June 2015	**713,523**	**(80,190)**	**252,165**	**23,926**	**955,114**	**(26,744)**	**1,837,794**
As at 1 July 2015	**713,523**	**(80,190)**	**252,165**	**23,926**	**955,114**	**(26,744)**	**1,837,794**
Total Comprehensive Income	-	-	-	(56,395)	451,429	50,264	**445,298**
Dividends paid	-	-	-	-	(230,194)	(4,503)	**(234,697)**
Shares purchased for executive performance share plan	-	(45,837)	-	-	-	-	**(45,837)**
Treasury shares vesting to employees	-	37,183	-	(37,183)	-	-	**-**
Share based payment expense for employees	-	-	-	39,348	-	-	**39,348**
Acquisition of subsidiary/non-controlling interest	-	-	-	-	-	4,155	**4,155**
As at 30 June 2016	**713,523**	**(88,844)**	**252,165**	**(30,304)**	**1,176,349**	**23,172**	**2,046,061**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers		8,575,325	7,280,444
Payments to suppliers and employees		(7,341,415)	(6,154,266)
Income tax paid		(197,871)	(204,028)
Finance costs		(131,070)	(175,915)
Net cash flows from operating activities	7a	**904,969**	**746,235**
Cash flows from investing activities			
Purchase of property, plant and equipment		(510,264)	(486,172)
Proceeds from sale of property, plant and equipment		2,249	27,157
Proceeds from sale of other assets		2,488	-
Interest received		7,081	5,290
Acquisition of business, net of cash received	9	(213,718)	(624,606)
Acquisition of non-controlling interest		-	(21,862)
Deferred payment on investment in joint venture	7a	(23,298)	(14,876)
Net cash flows used in investing activities		**(735,462)**	**(1,115,069)**
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(230,194)	(197,787)
Dividends paid to outside equity interest		(4,503)	(106,099)
Hospital infrastructure payments to be reimbursed		(9,431)	-
Repayment of principal to bondholders		(4,012)	(3,709)
Repayment of finance lease - principal		(67,278)	(17,732)
Purchase of ordinary shares		(45,837)	(53,338)
Proceeds from borrowings		866,710	1,360,473
Repayment of borrowings		(565,571)	(468,850)
Repayment of outside equity interest		(96,732)	-
Net cash flows (used in) / from financing activities		**(156,848)**	**512,958**
Net increase in cash and cash equivalents		12,659	144,124
Net foreign exchange differences on cash held		469	3,852
Cash and cash equivalents at beginning of year		315,861	167,885
Cash and cash equivalents at end of year	7a	**328,989**	**315,861**

OVERVIEW

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.

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments and the assets and liabilities recognised through business combinations which have been measured at fair value;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- discloses comparative information on a consistent basis and as used in the annual financial statements for the year ended 30 June 2015;
- presents all values as rounded to the nearest hundred thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- adopts all new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2015, all of which did not have a material impact on the financial statements; and
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

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

	2016 $000	2015 $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	450,297	385,542
Add/(less) non-core items:		
- Non-cash rent expense relating to leased UK hospitals *	21,871	22,168
- Non-cash unfavourable lease contracts expense	8,183	-
- Amortisation - service concession assets	3,139	2,927
- Net profit on disposal of non-current assets	(4,201)	(3,570)
- Income from the sale of development assets	(2,153)	(1,621)
- Book value of development assets sold	1,026	834
- Acquisition, disposal, and development costs	19,114	21,984
- Impairment of non-current assets	9,731	-
Income tax on non-core items	(28,437)	(11,453)
Non-controlling interest in non-core items net of tax	2,855	(4,722)
	31,128	26,547
Core profit (segment result) after tax	481,425	412,089
Core earnings per share		
Core profit after tax (above)	481,425	412,089
Less: CARES Dividend	(12,958)	(13,734)
Core profit after tax used to calculate core earnings per share	468,467	398,355
Weighted average number of ordinary shares adjusted for effect of dilution	202,415,611	202,598,503
Diluted core earnings per share	231.4c	196.6c
Weighted average number of ordinary shares	200,948,992	200,985,638
Basis core earnings per share	233.1c	198.2c

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

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

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

OVERVIEW (CONTINUED)

(a) Basis of preparation (continued)

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

	Statutory Consolidated Income Statement	Non-core items as listed at (a)(i)	Core (segment) Consolidated Income Statement
For the year ended 30 June 2016			
Revenue from services	8,684,116	-	8,684,116
Interest income	7,081	-	7,081
Other income - income from the sale of development assets	2,153	(2,153)	-
Other income - net profit on disposal of non-current assets	4,201	(4,201)	-
Total revenue and other income	**8,697,551**	**(6,354)**	**8,691,197**
Employee benefits costs	(4,486,757)	-	(4,486,757)
Occupancy costs	(678,752)	30,054	(648,698)
Service costs	(303,720)	19,114	(284,606)
Medical consumables and supplies	(2,005,754)	-	(2,005,754)
Depreciation, amortisation and impairment	(384,074)	12,870	(371,204)
Cost of goods sold - book value development assets sold	(1,026)	1,026	-
Total expenses, excluding finance costs	**(7,860,083)**	**63,064**	**(7,797,019)**
Share of profit of joint venture	9,966	-	9,966
Profit before tax and finance costs	**847,434**	**56,710**	**904,144**
Finance costs	(138,498)	-	(138,498)
Profit before income tax	**708,936**	**56,710**	**765,646**
Income tax	(197,674)	(28,437)	(226,111)
Net profit for the year	**511,262**	**28,273**	**539,535**
Attributable to non-controlling interest	60,965	(2,855)	58,110
Attributable to owners of the parent	**450,297**	**31,128**	**481,425**
	511,262	**28,273**	**539,535**
For the year ended 30 June 2015			
Revenue from services	7,355,489	-	7,355,489
Interest income	5,290	-	5,290
Other income - income from the sale of development assets	1,621	(1,621)	-
Other income - net profit on disposal of non-current assets	4,123	(3,570)	553
Total revenue and other income	**7,366,523**	**(5,191)**	**7,361,332**
Employee benefits costs	(3,787,940)	-	(3,787,940)
Occupancy costs	(549,136)	22,168	(526,968)
Service costs	(296,822)	21,984	(274,838)
Medical consumables and supplies	(1,669,491)	-	(1,669,491)
Depreciation, amortisation and impairment	(305,941)	2,927	(303,014)
Cost of goods sold - book value development assets sold	(834)	834	-
Total expenses, excluding finance costs	**(6,610,164)**	**47,913**	**(6,562,251)**
Share of profit of joint venture	10,098	-	10,098
Profit before tax and finance costs	**766,457**	**42,722**	**809,179**
Finance costs	(126,155)	-	(126,155)
Profit before income tax	**640,302**	**42,722**	**683,024**
Income tax	(221,216)	(11,453)	(232,669)
Net profit for the year	**419,086**	**31,269**	**450,355**
Attributable to non-controlling interest	33,544	4,722	38,266
Attributable to owners of the parent	**385,542**	**26,547**	**412,089**
	419,086	**31,269**	**450,355**

OVERVIEW (CONTINUED)

(b) Notes to the Financial Statements

In preparing the 2016 financial report, Ramsay has made changes to the presentation and layout of the notes to the financial statements. These changes have been made to enhance the disclosure of information required to understand the financial statements. The notes have been grouped into sections that are based on materiality and relevance to the financial position and performance of the Group. Where necessary, additional information has been provided to assist with understanding the Group's results.

(c) New Accounting Standards and Interpretations

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 (December 2014) is a new standard **which replaces AASB 139.** This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and **includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.** **AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.** **Classification and measurement** **AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.** The main changes are described below. ***Financial assets*** 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. ***Financial liabilities*** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. 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 AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI.	1 January 2018	The group is currently evaluating the impact of the new accounting standard.	1 July 2018

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

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 9 (cont'd)	*Financial Instruments (cont'd)*	These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. ***Impairment*** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. ***Hedge accounting*** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after **1 January 2015**.			
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016

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

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	**AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets*** both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (**Interpretation *13 Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate,* Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*)**. AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).**The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:** **(a) Step 1: Identify the contract(s) with a customer** **(b) Step 2: Identify the performance obligations in the contract** **(c) Step 3: Determine the transaction price** **(d) Step 4: Allocate the transaction price to the performance obligations in the contract** **(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation** AASB 2015-8 amended the **AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.** AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018	The group is currently evaluating the impact of the new accounting standard.	1 July 2018

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

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 *Financial Instruments: Disclosures:* • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134.	1 January 2016	The adoption of these new amendments will not have any material impact on the financial report.	1 July 2016

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

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 2015-1 (cont'd)	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (cont'd)	AASB 119 *Employee Benefits*: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 *Interim Financial Reporting:* Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.			
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The group is currently evaluating the impact of the new accounting standard.	1 July 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	1 January 2019	The group is currently evaluating the impact of the new accounting standard.	1 July 2019

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

OVERVIEW (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group*
AASB 16 (cont'd)	Leases (cont'd)	AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.			
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The adoption of this new amendment will not have any material impact on the financial report.	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The group is currently evaluating the impact of the new accounting standard.	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled	1 January 2018	The group is currently evaluating the impact of the new accounting standard.	1 July 2018

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

(d) Basis of consolidation

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

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

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

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

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

OVERVIEW (CONTINUED)

(d) Basis of consolidation (continued)

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

(e) Significant accounting judgements, estimates and assumptions

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

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

(f) Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period
- Held primarily for trading, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period
- Held primarily for trading, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

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

OVERVIEW (CONTINUED)

(h) 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 receivables. The Group determines the classification of its financial assets at initial recognition.

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

(iii) Financial liabilities

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

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

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

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

OVERVIEW (CONTINUED)

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

(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 2015 and 2016.

I. RESULTS FOR THE YEAR

1. SEGMENT INFORMATION

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

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

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

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

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

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

	Asia Pacific $000	UK $000	France $000	Total $000
Year ended 30 June 2016				
Revenue				
Revenue from services	4,413,623	873,839	3,396,654	8,684,116
Total revenue before intersegment revenue	4,413,623	873,839	3,396,654	8,684,116
Intersegment revenue	6,156	-	-	6,156
Total segment revenue	4,419,779	873,839	3,396,654	8,690,272
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**719,548**	**130,262**	**419,144**	**1,268,954**
Depreciation and amortisation	(137,143)	(39,399)	(194,662)	(371,204)
Loss on disposal of non-current assets	(687)	-	-	(687)
Earnings before interest and tax (EBIT) [2]	**581,718**	**90,863**	**224,482**	**897,063**
Interest				(131,417)
Income tax expense				(226,111)
Segment (core) net profit after tax [3]				**539,535**
Attributable to non-controlling interest				(58,110)
Segment (core) net profit after tax, attributable to owners of the parent [4]				**481,425**
Non-core items net of tax				(31,128)
Net profit attributable to owners of the parent				**450,297**

[1] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
[2] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
[3] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
[4] "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	Asia Pacific $000	UK $000	France $000	Total $000
Year ended 30 June 2015				
Revenue				
Revenue from services	4,055,508	781,962	2,518,019	7,355,489
Total revenue before intersegment revenue	4,055,508	781,962	2,518,019	7,355,489
Intersegment revenue	5,217	-	-	5,217
Total segment revenue	4,060,725	781,962	2,518,019	7,360,706
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**651,497**	**111,113**	**343,740**	**1,106,350**
Depreciation and amortisation	(130,671)	(35,508)	(136,835)	(303,014)
Profit on disposal of non-current assets	553	-	-	553
Earnings before interest and tax (EBIT) [2]	**521,379**	**75,605**	**206,905**	**803,889**
Interest				(120,865)
Income tax expense				(232,669)
Segment (core) net profit after tax [3]				**450,355**
Attributable to non-controlling interest				(38,266)
Segment (core) net profit after tax, attributable to owners of the parent [4]				**412,089**
Non-core items net of tax				(26,547)
Net profit attributable to owners of the parent				**385,542**

[1] "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
[2] "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
[3] "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
[4] "Segment (core) net profit after tax attributable to owners of the parents" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent

	Asia Pacific $000	UK $000	France $000	Adjustments & Eliminations $000	Total $000
As at 30 June 2016					
Assets & liabilities					
Segment assets	4,870,350	1,475,076	3,300,667	(1,381,569)	8,264,524
Segment liabilities	(2,436,835)	(733,101)	(3,048,527)	-	(6,218,463)
As at 30 June 2015					
Assets & liabilities					
Segment assets	4,586,448	1,587,173	2,945,334	(1,497,270)	7,621,685
Segment liabilities	(2,304,715)	(798,144)	(2,725,721)	44,689	(5,783,891)

2015 comparatives have been updated to reflect finalisation of Générale de Santé acquisition accounting.

	2016 $000	2015 $000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	8,690,272	7,360,706
Inter segment sales elimination	(6,156)	(5,217)
Interest income	7,081	5,290
Other income - income from the sale of development assets	2,153	1,621
Other income - profit on disposal of non-current assets	4,201	4,123
Total revenue and other income	8,697,551	7,366,523

(ii) Segment net profit after tax reconciliation to Income Statement

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

I. RESULTS FOR THE YEAR (CONTINUED)

2. REVENUE

	2016 $000	2015 $000
Revenue from patients	8,566,598	7,246,177
Rental income	36,493	35,972
Income from ancillary services	81,025	73,340
Revenue from services	**8,684,116**	**7,355,489**

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

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

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

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

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

Income from sale of development assets
Income from sale of development assets is recognised when the risks and rewards of ownership are transferred.

3. EXPENSES

	2016 $000	2015 $000
(a) Depreciation		
Depreciation - Plant and equipment	238,788	203,730
Depreciation - Buildings	112,535	85,769
Total depreciation	351,323	289,499
(b) Amortisation		
Service concession assets	6,533	6,310
Development cost	16,487	10,132
Total amortisation	23,020	16,442
(c) Impairment		
Impairment - Property, plant and equipment	2,499	-
Impairment – Land and buildings	7,232	-
Total impairment	9,731	-
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses	430,488	327,887

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*	(21,871)	(22,168)

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 2016 was lower than the rent expensed by $21,871,000 (2015: $22,168,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

I. RESULTS FOR THE YEAR (CONTINUED)

3. EXPENSES (CONTINUED)

	2016 $000	2015 $000
(e) Employee benefits cost		
Wages and salaries	3,676,679	3,149,711
Workers' compensation	23,168	16,346
Superannuation	155,036	142,578
Termination benefits	8,699	9,844
Social charges and contributions on wages and salaries	461,051	339,305
Other employment	125,882	99,419
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)	36,242	30,737
	4,486,757	3,787,940
(f) Finance costs		
Interest expense	129,652	121,435
Finance charges - Lease liability	9,686	4,821
	139,338	126,256
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	3,206	3,848
Finance costs capitalised	(4,046)	(3,949)
	138,498	126,155

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

4. DIVIDENDS PAID OR PROPOSED

	Parent	
	2016 $000	2015 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary (47.0 cents per share) (2015: 40.5 cents per share)	94,977	81,842
(ii) Previous year final dividend paid		
Franked dividends – ordinary (60.5 cents per share) (2015: 51.0 cents per share)	122,259	103,061
	217,236	184,903
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary (72.0 cents per share) (2015: 60.5 cents per share)	145,499	122,259
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	12,958	13,734
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	6,670	6,524

I. RESULTS FOR THE YEAR (CONTINUED)

4. DIVIDENDS PAID OR PROPOSED (CONTINUED)

	Parent	
	2016 $000	**2015 $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% (2015: 30%)	450,524	385,541
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	14,302	13,163
	464,826	398,704
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	(65,215)	(55,193)
	399,611	343,511

* 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% (2015: 30%). $152,169,000 (2015: $128,784,000) of the proposed dividends will be franked at the rate of 30% (2015: 30%).

5. EARNINGS PER SHARE

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

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

	2016 $000	**2015 $000**
Net profit for the year attributable to the owners of the parent	450,297	385,542
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(12,958)	(13,734)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	437,339	371,808

	2016 Number of Shares	**2015 Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	200,948,992	200,985,638
Effect of dilution – share rights not yet vested (a)	1,466,619	1,612,865
Weighted average number of ordinary shares adjusted for the effect of dilution	202,415,611	202,598,503

(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.

	2016 Cents per Share	**2015 Cents per Share**
Earnings per share		
- basic (after CARES dividend) for the year	217.6	185.0
- diluted (after CARES dividend) for the year	216.1	183.5

II. CAPITAL – FINANCING

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING

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

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

The Group's capital is comprised of equity plus net debt. Net debt is calculated as interest bearing liabilities plus derivatives relating to debt, less cash assets.

During 2016, dividends of $230,194,000 (2015: $198,637,000) were paid. For the year ended 30 June 2016 fully franked ordinary dividends of 119.0c (2015: 101.0c) per share were declared (Interim dividend of 47.0c, Final dividend of 72.0c). These dividends represented a payout ratio of approximately 51% of Core Earnings per Share of 231.4c. Management's target for dividends for 2017 - 2020, subject to ongoing cash needs of the business, are increased in line with the growth in Core Earnings per Share and management intends to maintain a dividend payout ratio of approximately 50% of Core Earnings per Share, subject to future funding requirements.

The group monitors its capital structure primarily by reference to its leverage ratio whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 2.5 times for the year ended 30 June 2016 (2015: 2.6 times).

The Group has committed senior debt funding until July 2018 and May 2020 (please refer to Note 7d for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

The wholly owned Subsidiaries of the Group (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.*

Details of Capital – Financing are as follows:

	Note	2016 $000	2015 $000
Equity	6	2,046,061	1,837,794
Net Debt	7	3,179,277	2,847,695
		5,225,338	4,685,489

6. EQUITY

	Note	2016 $000	2015 $000
Share capital	6.1	713,523	713,523
Treasury shares	6.2	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	6.3	252,165	252,165
Other reserves		(30,304)	23,926
Retained earnings		1,176,349	955,114
Non-controlling interests		23,172	(26,744)
		2,046,061	1,837,794

6.1 Ordinary Shares

(a) Issued and paid up capital

	2016 $000	2015 $000
202,081,252 ordinary shares fully paid (30 June 2015: 202,081,252 ordinary shares fully paid)	713,523	713,523

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.1 Ordinary Shares (Continued)

(b) Terms & conditions of issued capital

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

(c) Recognition and Measurement

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

6.2 Treasury Shares

	2016 $000	**2015 $000**
1,470,702 ordinary shares (30 June 2015: 1,534,880)	88,844	80,190

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

6.3 Convertible Adjustable Rate Equity Securities (CARES)

	2016 $000	**2015 $000**
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2015: 2,600,000 CARES shares fully paid)	252,165	252,165

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

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

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.

7. NET DEBT

	Note	2016 $000	2015 $000
Cash assets	7a	328,989	315,861
Interest bearing liabilities - current	7b	(117,927)	(425,198)
Interest bearing liabilities - non-current	7b	(3,326,821)	(2,724,071)
Derivative net assets / (liabilities) - debt related	7c	(63,518)	(14,287)
		(3,179,277)	(2,847,695)

II. CAPITAL – FINANCING (CONTINUED)

7a. CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Cash at bank and on hand	328,989	241,842
Short term deposits	-	74,019
Total cash and cash equivalents	328,989	315,861

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

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

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

	2016 $000	2015 $000
Cash at bank and on hand	328,989	315,861

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

	2016 $000	2015 $000
Net profit after tax for the year	511,262	419,086
Adjustments for:		
Share of profit of joint venture	(9,966)	(10,098)
Depreciation, amortisation and impairment	384,074	305,941
Interest received	(7,081)	(5,290)
Share based payments expense	36,242	30,737
Net gain on disposal of non-current assets	(4,641)	(4,910)
Changes in assets & liabilities		
Deferred tax	(5,541)	(10,724)
Receivables	(108,791)	(75,045)
Other assets	(3,878)	11,177
Creditors and accruals	127,960	57
Provisions	(8,832)	61,921
Inventory	(11,183)	(10,080)
Tax provisions	5,344	33,463
Net cash from operating activities	904,969	746,235

Disclosure of financing facilities
Refer to Note 7d.

Joint Venture

On 1 July 2013, Ramsay acquired a 50% equity ownership in a joint venture with Sime Darby Berhad (a Malaysian listed company) through the contribution of our Indonesian assets and cash payments to Sime Darby Berhad over 3 years. On 1 July 2015, $23 million (1 July 2014: $15 million) deferred payment was paid to Sime Darby Berhad. As at 30 June 2016, $30 million deferred payment remained and was payable on 1 July 2016.

Acquisition of Non-Controlling Interest - 2015

	$000
Cash payment in relation to subsequent purchase of non-controlling interest in Générale de Santé SA	16,049
Cash payment in relation to purchase of non-controlling interest in other entity	3,150
Total cash payments for acquisitions of non-controlling interests	19,199

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS

		2016 $000	2015 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	4,361	4,019
- Lease liabilities	(ii)	63,373	66,625
- Bank loan	(iii)	20,133	71,176
- Loan – subordinated bonds	(iv)	-	41,529
Unsecured liabilities:			
- Deferred consideration	(v)	30,060	23,263
- Other loan	(vi)	-	55,204
- Bank loan	(iii)	-	163,382
		117,927	425,198
Non-current			
Secured liabilities:			
- Loans – bondholders	(i)	4,897	9,251
- Lease liabilities	(ii)	196,114	220,446
- Bank loan	(iii)	1,461,332	959,920
Unsecured liabilities:			
- Deferred consideration	(v)	-	28,301
- Bank loan	(iii)	1,664,478	1,506,153
		3,326,821	2,724,071
Total		3,444,748	3,149,269

(i) Loan - bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government.
(ii) Lease liabilities are effectively secured by the leased asset. Further information is set out in Note 17.
(iii) Further information on bank loans is set out in Note 7d.
(iv) Loans - subordinated bonds. Further information is set out in Note 7d.
(v) Deferred consideration. These are deferred amounts payable to Sime Darby Berhad for Ramsay's 50% equity interest in the Ramsay Sime Darby Health joint venture. Further information is set out in Note 7a.
(vi) Other loan. This was a loan received from the Ramsay Santé outside equity interest to fund their share of the Medipsy acquisition.

Fair values

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

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 1.845% to 1.96% (2015: 2.04% to 2.15%) for Australia, 0.512% to 0.558% (2015: 0.508% to 0.579%) for UK and -0.364% to -0.286% (2015: -0.064% to -0.014%) for France respectively.

The fair value of the interest bearing loans and borrowings was estimated using the level 2 method valuation technique in which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable. Set out in the table below is a comparison by carrying amounts and fair value of the Group's Interest bearing loans and borrowings.

	2016		2015	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	3,145,943	3,205,134	2,700,631	2,749,791
Lease liabilities	259,487	279,998	287,071	314,321
Bondholders	9,258	9,732	13,270	14,330
Subordinated bonds	-	-	41,529	41,602
Deferred consideration	30,060	30,060	51,564	53,446
Outside equity interest loan	-	-	51,979	52,024
Other loan	-	-	3,225	3,225
	3,444,748	3,524,924	3,149,269	3,228,739

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

II. CAPITAL – FINANCING (CONTINUED)

7b. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 15.

Assets pledged as security

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

	2016 $000	2015 $000
Finance lease		
Leased assets	401,403	406,282
Fixed and floating charge		
Receivables	7,118	11,301
Bank loan	823,596	526,163
Total non-current assets pledged as security	1,232,117	943,746

Defaults & breaches

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

Subsequent Measurement

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

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

7c. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 $000	2015 $000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	-	5,933
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(18,808)	(9,663)
Forward exchange contracts – cash flow hedges	-	(1,115)
	(18,808)	(10,778)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(44,710)	(9,442)
	(44,710)	(9,442)

(i) Instruments used by the Group

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

(i) Interest rate swaps and forward foreign exchange contracts – cash flow hedges

Interest bearing loans in Australian Dollar of the Group currently bear an average variable interest rate of 1.955% (2015: 2.13%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.56% (2015: 0.53%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of -0.297% (2015: 0.00%).

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 78% (2015: 72%) of the principal outstanding.

Foreign exchange forward contracts measured at fair value through Other Comprehensive Income are designated as hedging instruments in cash flow hedges of forecast payment in MYR. The cash flow hedges of the expected future payments were assessed to be highly effective and an unrealised net loss of nil (2015: net loss $781,000) was included in Other Comprehensive Income in respect of these contracts.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Instruments used by the Group (continued)

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

(ii) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 15.

(iii) Credit risk

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

(iv) Recognition and Measurement

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income.

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 as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives 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.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Recognition and Measurement (continued)

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

(i) Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement as other operating expenses.

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

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in 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.

Subsequent Measurement

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

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

(v) Fair Value of Derivative Financial Instruments

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

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships.

Recognition and Measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

II. CAPITAL – FINANCING (CONTINUED)

7c. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(v) Fair Value of Derivative Financial Instruments (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the relevant notes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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:

	2016 $000	2015 $000
0-1 years	280,758	290,376
1-2 years	753,164	296,071
2-3 years	249,142	685,975
3-5 years	1,832,295	954,309
	3,115,359	2,226,731

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.

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2016 is a GBP borrowing of £117,000,000 (2015: £117,000,000) which has been designated as a hedge of the net investment in the UK subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the UK operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investment in the UK subsidiary. A net gain on the bank loan designated as a hedge of the net investment in a subsidiary of $29,477,000 (2015: net loss $26,365,000) was recognised in equity during the year.

Included in bank loans at 30 June 2016 is a Euro borrowing of €366,640,000 (2015: €444,640,000) which has been designated as a hedge of the net investment in the French subsidiary. It is being used to hedge the Group's exposure to changes in exchange rates on the value of its net investment in the French operations. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investment in the French subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of $51,797,000 (2015: net gain $41,738,000) was recognised in equity during the year.

Included in loans at 30 June 2016 is a borrowing of MYR 90,100,000 (2015: MYR 151,905,000) which has been designated as a hedge of the net investment in the Malaysian 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 Malaysian operations. A net gain on the MYR borrowing designated as a hedge of the net investment in the Malaysian operations of $808,000 (2015: net gain $1,130,000) was recognised in equity during the year.

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

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS

Terms & Conditions

Ramsay and its wholly owned subsidiaries

(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 SFA was amended on 9 December 2013 and again in March 2015 to extend its term and improve pricing. The SFA was also amended on 11 June 2014 to facilitate the funding of the acquisition of Générale de Santé, including execution of the 365 Day Facility (refer item (iii) below). On 11 August 2015, €35,000,000 outstanding under the 365 Day Facility was converted and included as a facility in the SFA, please refer below for details.

The current SFA consists of:

- a three year revolving facility - with total commitments of $400,000,000, £86,666,667 and €100,000,000;
- a five year revolving facility - with total commitments of $800,000,000, £93,333,333 and €298,504,000; and
- a revolving facility, maturing in May 2020 – with total commitments of €35,000,000 – commenced on 11 August 2015. The balance outstanding on the 365 Day Facility (refer to item (iii) below) was converted into this facility. This facility has the same terms and conditions as the five year revolving facility.

The total amounts drawn down under the SFA as at 30 June 2016 was $920,000,000, £117,000,000 and €366,640,000 (30 June 2015: $790,000,000, £124,000,000 and €331,640,000).

The three year revolving facility matures in July 2018 and the five year revolving facility matures in May 2020.

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 capital with a limit of $10,500,000 and £10,000,000. The NAB bilateral facility includes 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 2016 the total outstanding was $12,714,734 (2015: $14,719,286) and £3,590,968 (2015: £3,550,968).

(iii) 365 Day Facility

In June 2014 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement - 365 Day Facility (**365 Day Facility**). The initial purpose of the 365 Day Facility was to provide additional funding in connection with the acquisition of Générale de Santé.

On 6 July 2015, an amount of € 78,000,000, being monies received as a result of the repayment of subordinated bonds and shareholder loans issued by Ramsay Santé, was used to repay the 365 Day Facility and the facility limit was permanently reduced from €133,000,000 to € 35,000,000.

On 11 August 2015, the € 35,000,000 outstanding under the 365 day Facility was converted into a revolving facility maturing in May 2020, with terms and conditions consistent with the 5 year senior debt revolving facility (refer item (i) above).

Ramsay Générale de Santé and controlled entities

Senior Debt Facility

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

- Refinance existing RGdS debt and overdraft facilities;
- Provide the Group with additional liquidity to support its capital requirements ;
- Fund the special dividend paid on 4 December 2014;
- Refinance Ramsay Santé's existing indebtedness upon the merger of Ramsay Santé and Générale de Santé. The merger was completed on 1 July 2015;
- Fund future working capital requirements; and
- Fund future capital requirements and acquisitions.

II. CAPITAL – FINANCING (CONTINUED)

7d. BORROWINGS (CONTINUED)

Senior Debt Facility (continued)

The debt facility was underwritten by three French trading banks and two international investment banks and was subsequently fully syndicated.

The debt facilities limits total €1,045,000,000 (2015: €1,075,000,000) comprising:

(i) Term Loan B facilities totalling €870,000,000 (2015: €900,000,000). In April 2015, an amount of €30,000,000 was used to repay and permanently cancel the Term Loan B facility limit from €900,000,000 to €870,000,000;
(ii) a revolving working capital facility of €100,000,000 (2015: €100,000,000); and
(iii) a capex / acquisition facility of €75,000,000 (2015: €75,000,000).

The total amount drawn under the debt facilities as at 30 June 2016 was €910,000,000 (2015: €660,000,000).

The debt facilities have a maturity of six years and are repayable as a bullet on maturity. The lenders to these debt facilities only have recourse to RGdS and certain RGdS controlled entities. The debt facilities are secured by first ranking pledges over Material Companies, granted only by RGdS and certain RGdS controlled entities. Guarantees have also been provided and are provided only by RGdS and certain RGdS controlled entities.

Other Interest Bearing Loans

At 30 June 2016 a loan to bondholders of $9,251,181 (2015: $13,270,099) 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 8a).

III. ASSETS AND LIABILITIES OPERATING AND INVESTING

HOW THE GROUP MANAGES ITS OVERALL FINANCIAL POSITION

The Group manages its overall financial position by segregating its balance sheet into two categories; Assets and Liabilities – Operating and Investing and Capital – Financing. Assets and Liabilities – Operating and Investing is managed at both the site and group level while Capital – Financing (refer to section II) is managed centrally.

Details of Assets and Liabilities – Operating and Investing are as follows:

	Note	2016 $000	2015 $000
Working Capital	8	(380,213)	(422,438)
Property, plant and equipment	10	3,860,184	3,591,806
Intangible assets	11	2,059,957	1,883,049
Current and deferred tax assets/(liabilities)	13	(124,443)	(121,068)
Other assets/(liabilities)		(190,147)	(245,860)
		5,225,338	4,685,489

8. WORKING CAPITAL

	Note	2016 $000	2015 $000
Trade and other receivables (current)	8a	1,141,607	996,234
Inventories	8b	205,012	191,745
Trade and other payables	8c	(1,726,832)	(1,610,417)
		(380,213)	(422,438)

8a. TRADE AND OTHER RECEIVABLES

	2016 $000	2015 $000
Current		
Trade and other receivables	1,169,222	1,025,064
Allowances for impairment loss	(27,615)	(28,830)
	1,141,607	996,234
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	6,801	8,552
Rental property bonds receivable	33,032	19,872
Other	7,217	3,125
	47,050	31,549
Total	1,188,657	1,027,783

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8a. RECEIVABLES (CONTINUED)

(i) Allowances for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Movements in the provision for impairment loss were as follows:

	2016 $000	2015 $000
At 1 July	(28,830)	(25,633)
Charge for the year (included in service costs)	(6,423)	(6,764)
Acquisition of subsidiary	(1,260)	(8,892)
Foreign exchange translation	6	(657)
Amounts written off	8,892	13,116
At 30 June	(27,615)	(28,830)

(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
2016	1,216,272	815,044	113,465	116,882	100,118	43,148	27,615
2015	1,056,613	623,875	145,484	118,802	107,612	32,010	28,830

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $373,613,000 (2015: $403,908,000). Payment terms on these amounts have not been re-negotiated as based on the credit history of receivables past due not considered impaired, management believes that these amounts will be fully recovered. This is due to the fact that the Group mainly deals with the Government and creditworthy Health Funds.

(iii) Related party receivables

For terms and conditions of related party receivables refer to Note 19.

(iv) Fair value

Due to the short term nature of the current receivables, the carrying value approximates fair value. The carrying values of the discounted non-current receivables approximates their fair values.

(v) Credit risk

The maximum exposure to credit risk for current receivables is their 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. The majority of the non-current receivables are assessed as low risk.

(vi) Foreign exchange & interest rate risk

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

(vii) 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.

(vii) Impairment of Financial Assets

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.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8b. INVENTORIES

	2016 $000	2015 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	183,848	169,071
Development assets to be sold that are currently under construction – at cost	21,164	22,674
	205,012	191,745

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2016 totalled $2,005,754,000 (2015: $1,669,491,000) 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 2016 totalled $1,026,000 (2015: $834,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

(ii) Recognition and Measurement

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

Inventories include medical 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.

8c. TRADE AND OTHER PAYABLES

	2016 $000	2015 $000
Trade payables	787,534	721,860
Sundry creditors and accrued expenses	300,898	306,199
Employee and Director entitlements	637,265	580,837
Other payables	1,135	1,521
	1,726,832	1,610,417

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

(ii) Interest rate, foreign exchange & liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk exposure are set out in Note 15.

9. BUSINESS COMBINATIONS

Other Acquisitions – 2016

Ramsay has acquired other businesses within the healthcare sector. The amounts recognised for these business combinations in the financial statements for the year ended 30 June 2016 have been determined on a provisional basis only.

	$000
Fair value of identifiable net assets	2,902
Non-controlling interest	(40)
Goodwill arising on acquisition	16,785
Acquisition date fair value of consideration transferred	19,647
The cash outflow on acquisition is as follows	
Cash paid	(19,647)

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

HPM – 2016

In December 2015 and January 2016, Ramsay Générale de Santé acquired 99.69% of the share capital of Hôpital Privé Métropole (HPM). Ramsay Générale de Santé has provisionally recognised the fair values of the identifiable assets and liabilities of HPM as follows, based upon the best information available as of the reporting date. The diligences underpinning this accounting are substantially complete as at 30 June 2016, however, as they remain formally open, the amounts recognised for the HPM business combination in the financial statements for the year ended 30 June 2016 have been determined on a provisional basis only. Ramsay has until the end of the measurement period to obtain and consider the information necessary about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognition and measurement of the amounts recognised as of that date for the HPM business combination, in order to retrospectively adjust the provisional amounts recognised:

	$000
Cash	12,750
Accounts Receivable	28,836
Inventory	2,481
Corporate tax receivable	2,121
Other assets	3,916
Property, plant and equipment	112,785
Intangible assets	4,402
Other financial assets	3,974
Creditors and accruals	(54,387)
Interest-bearing liabilities	(53,828)
Provisions and other liabilities	(8,240)
Deferred income tax liability	(22,378)
Fair value of identifiable net assets	**32,432**
Non-controlling interest	(4,114)
Goodwill arising on acquisition	178,503
	206,821
Acquisition date fair value of consideration transferred	
Cash paid	206,821
	206,821
Direct costs relating to the acquisition - included within service costs	2,447
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	12,750
Cash paid	(206,821)
Net consolidated cash outflow	(194,071)

The goodwill of $178,503,000 comprises the value of synergies expected to be achieved as a result of combining HPM with the rest of the Group, as well as intangible assets that do not qualify for separate recognition.

This acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy and enables the Group to reinforce its market leadership in the Lille metropolitan area in France. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to the parent only.

The Group has elected to measure the non-controlling interests in the acquiree at their proportionate share in the recognised amounts of the acquiree's identifiable net assets. The non-controlling interests in the acquiree at the time of the business combination represent 0.31% of the share capital of HPM and other non-controlling interests within the HPM group.

The fair value of the acquired receivables amounts to $28,836,000. The gross contractual amount receivable is $30,096,000, however only the fair value amount of $28,836,000 is expected to be collected.

The results of HPM from acquisition to 30 June 2016 are not material and therefore have not been disclosed separately.

The revenue and results of the total Group for the year ended 30 June 2016, though HPM was acquired on 1 July 2015, would not be significantly different to the Group results as reported.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Générale de Santé - 2015

On 1st October 2014, Ramsay acquired a controlling interest in Générale de Santé, a leading private hospital operator and healthcare services group in France listed on the Euronext Paris Eurolist, thereby significantly enlarging and enhancing its operations in that geographic segment.

The primary reason for the business combination is the acquisition of a controlling interest in Générale de Santé. Ramsay has entered into a shareholders' agreement with Predica in order to organise their future relationships as shareholders of Générale de Santé of which they together hold 83.43% of the shares and 75.72% of the theoretical voting rights upon completion of the acquisition transaction. The shareholders' agreement provides for the composition of the board of directors and other corporate governance undertakings. Ramsay has obtained control of Générale de Santé by virtue of the provisions of the shareholders' agreement entered into with Predica, together with the acquisition of 47.55% of the share capital and 43.16% of the theoretical voting rights of Générale de Santé.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Générale de Santé as at the date of acquisition are as follows:

	$000
Accounts receivable	341,670
Inventory	54,809
Corporate tax receivable	22,180
Property, plant and equipment	1,268,693
Intangible assets	23,639
Financial assets	20,698
Other assets	81,991
Bank overdraft	(76,815)
Creditors and accruals	(569,491)
Interest-bearing liabilities	(855,994)
Provisions and other liabilities	(147,358)
Deferred income tax liability	(183,201)
Fair value of identifiable net liabilities	**(19,179)**
Non-controlling interests	(5,565)
Goodwill arising on acquisition	644,994
	620,250
Acquisition date fair value of consideration transferred	
Cash paid	620,250
	620,250
Direct costs relating to the acquisition - included within service costs	
Expensed in the year ended 30 June 2014	9,775
Expensed in the year ended 30 June 2015	2,829
	12,604
The cash outflow on acquisition is as follows:	
Cash paid	(620,250)
Net consolidated cash outflow	(620,250)

The goodwill of $644,994,000 comprises the value of synergies expected to be achieved as a result of combining Générale de Santé with the rest of the Group, as well as intangible assets that do not qualify for separate recognition. Goodwill has been allocated to the UK and Australia to the extent they are expected to benefit from this acquisition. This acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy and enables the Group to become the leader in private hospitals in France with significant market share. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to the parent only.

The Group has elected to measure the non-controlling interests in the acquiree at their proportionate share in the recognised amounts of the acquiree's identifiable net liabilities. The non-controlling interests in the acquiree at the time of the business combination represent 52.42% of the share capital of Générale de Santé.

The fair value of the acquired receivables amounts to $341,670,000. The gross contractual amount receivable is $350,562,000, however only the fair value amount of $341,670,000 is expected to be collected.

From the date of acquisition through to 30 June 2015, Générale de Santé has contributed $1,933,775,000 of revenue and $88,188,000 to the Group profit before income tax from continuing operations for the year ended 30 June 2015. If Générale de Santé had been acquired on 1 July 2014, the revenue for the Group for the year ended 30 June 2015 would have been $7,911,557,000 and the profit before income tax from continuing operations for the Group for the year ended 30 June 2015 would not have been significantly different to the Group profit before tax as reported for the year ended 30 June 2015.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Générale de Santé - 2015 (continued)

Acquisition of additional interest in Générale de Santé

On 7 and 13 of November 2014, the Group acquired a total additional 1.24% interest in the voting shares of Générale de Santé, increasing its ownership interest to 48.80%. Cash consideration of $16,049,000 was paid to non-controlling shareholders.

	$000
Cash consideration paid to non-controlling shareholders	16,049
Carrying value of the additional interest acquired in Générale de Santé	486
Difference recognised in acquisition of non-controlling interests reserve within equity	16,535

Other Acquisitions – 2015

In 2015, Ramsay has acquired other businesses within the healthcare sector. The amounts recognised for these business combinations in the financial statements for the year ended 30 June 2015 are as follows:

	$000
Fair value of identifiable net assets	414
Goodwill arising on acquisition	3,942
Acquisition date fair value of consideration transferred	4,356
The cash outflow on acquisition is as follows	
Cash paid	(4,356)

Recognition and Measurement

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the 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.

Key Estimates and Assumptions

The Group recognises the identifiable assets and liabilities of acquired businesses at their acquisition date fair values. Where a significant amount of land and buildings are recognised in the acquired business, the fair value will be determined by an external valuer using an approach relevant to the private healthcare market in that country.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Assets Under Construction $000	Total $000
Cost				
At 30 June 2014	**1,956,586**	**1,396,768**	**117,799**	**3,471,153**
Additions	57,671	209,647	188,503	455,821
Acquisition of subsidiary	995,487	273,284	-	1,268,771
Disposals	(10,563)	(31,198)	-	(41,761)
Transferred from assets under construction	109,519	62,524	(172,043)	-
Exchange Differences	22,247	40,116	-	62,363
At 30 June 2015	**3,130,947**	**1,951,141**	**134,259**	**5,216,347**
Additions	34,378	165,105	318,399	517,882
Acquisition of subsidiary	80,264	31,852	623	112,739
Disposals	(7,219)	(109,056)	-	(116,275)
Assets reclassified as held for sale	(22,823)	-	-	(22,823)
Transferred from assets under construction	158,788	22,584	(181,372)	-
Exchange Differences	9,732	(25,271)	(7,604)	(23,143)
At 30 June 2016	**3,384,067**	**2,036,355**	**264,305**	**5,684,727**
Depreciation and Impairment				
At 30 June 2014	**(386,913)**	**(939,021)**	**-**	**(1,325,934)**
Depreciation charge for the year	(85,769)	(203,730)	-	(289,499)
Disposals	2,483	16,244	-	18,727
Exchange Differences	(6,070)	(21,765)	-	(27,835)
At 30 June 2015	**(476,269)**	**(1,148,272)**	**-**	**(1,624,541)**
Depreciation charge for the year	(112,535)	(238,788)	-	(351,323)
Disposals	4,533	109,056	-	113,589
Assets reclassified as held for sale	9,104	-	-	9,104
Impairment	(7,232)	(2,499)	-	(9,731)
Exchange Differences	10,021	28,338	-	38,359
At 30 June 2016	**(572,378)**	**(1,252,165)**	**-**	**(1,824,543)**
Net Book Value				
At 30 June 2016	**2,811,689**	**784,190**	**264,305**	**3,860,184**
At 30 June 2015	**2,654,678**	**802,869**	**134,259**	**3,591,806**

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2016 is $401,403,000 (2015: $406,282,000).

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

(a) Recognition and Measurement

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

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Recognition and Measurement (continued)

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

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

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

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

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

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

(b) Key Estimates and Assumptions

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs^ $000	Total $000
Cost				
At 30 June 2014	**1,099,279**	**84,137**	**46,388**	**1,229,804**
Additions	-	9,993	13,743	23,736
Disposals	-	-	(74)	(74)
Acquisition of a subsidiary	648,936	-	23,639	672,575
Exchange differences	31,406	-	18	31,424
At 30 June 2015	**1,779,621**	**94,130**	**83,714**	**1,957,465**
Additions	-	593	26,699	27,292
Disposals	-	-	(242)	(242)
Acquisition of a subsidiary	195,288	-	5,884	201,172
Exchange differences	(27,341)	-	(934)	(28,275)
At 30 June 2016	**1,947,568**	**94,723**	**115,121**	**2,157,412**
Amortisation and Impairment				
At 30 June 2014	**-**	**(22,002)**	**(35,901)**	**(57,903)**
Amortisation charge for the year	-	(6,310)	(10,132)	(16,442)
Disposals	-	-	59	59
Exchange differences	-	-	(130)	(130)
At 30 June 2015	**-**	**(28,312)**	**(46,104)**	**(74,416)**
Amortisation charge for the year	-	(6,533)	(16,487)	(23,020)
Disposals	-	-	79	79
Exchange differences	-	-	(98)	(98)
At 30 June 2016	**-**	**(34,845)**	**(62,610)**	**(97,455)**
Net Book Value				
At 30 June 2016	**1,947,568**	**59,878**	**52,511**	**2,059,957**
At 30 June 2015	**1,779,621**	**65,818**	**37,610**	**1,883,049**

^ *Mainly internally generated software costs*

(ii) Goodwill – Recognition and Measurement

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The key factor contributing to the goodwill relates to the synergies existing within the acquired businesses and also expected to be achieved as a result of combining these facilities with the rest of the Group.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is determined to have an indefinite life.

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

(ii) Goodwill – Recognition and Measurement (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

(iii) Intangible assets – Recognition and Measurement

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

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

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

	Service Concession Assets	**Development Costs (mainly internally developed software costs)**
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the lease	Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

(iv) Service concession assets – Recognition and Measurement

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

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

(v) Key Estimates and Assumptions

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

12. IMPAIRMENT TESTING OF GOODWILL

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

Goodwill acquired through business combinations has been allocated in part to individual cash generating units and part to segments as synergies are achieved from the larger Group. Management assess goodwill by aggregating cash generating units to the level of the segment for purposes of impairment testing because the goodwill relates to synergies existing within the acquired business and synergies achieved from combining acquired facilities with the rest of the Group. This is tested for impairment on an annual basis.

Goodwill has been allocated to the Australian business, the UK business and the French business as follows:

	Australia		UK		France		Total	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Carrying amount of goodwill	1,031,256	1,014,948	268,350	306,170	647,962	458,503	1,947,568	1,779,621

2015 comparatives have been updated to reflect finalisation of Générale de Santé acquisition accounting.

(ii) Key Estimates and Assumptions

The recoverable amount of the Australian business, the UK business and the French business has been determined based on a value in use calculation using cash flow projections as at 30 June 2016 based on financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculations are as follows:

	Australia %	UK %	France %
Extrapolated growth factor (Year 5+)			
2016	3.0	2.0	1.0
2015	3.0	2.0	1.5
Pre-tax discount rate			
2016	11.0	6.5	8.7
2015	11.5	6.7	9.1

Key inputs in value in use calculations are:

- Budgeted margins – the basis used to determine the value assigned to the budgeted margins is the average margin achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus values assigned to margins reflects past experience and expected efficiency improvements. The margins are driven by consideration of future admissions and occupancy case mix across all facilities within the Group based on past experiences and management's assessment of growth.
- Tax rates have been estimated at 30% for Australian operations, and 19% - 34.4% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES

	2016 $000	2015 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	225,202	223,351
Adjustments in respect of previous years	(7,837)	4,817
Deferred income tax		
Relating to origination and reversal of temporary differences	(28,474)	(5,031)
Adjustments in respect of deferred income tax of previous years	8,783	(1,921)
Income tax expense reported in the Income Statement	197,674	221,216

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

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

	2016 $000	2015 $000
Accounting profit before tax	708,936	640,302
At the Parent Entity's statutory income tax rate of 30% (2015: 30%)	212,681	192,091
Expenditure not allowable for income tax purposes	4,757	9,550
Amounts not assessable for income tax purposes	(17,692)	(14,471)
Impact of change in tax rates on deferred tax balances	(13,540)	-
Other French income tax expense	18,245	24,796
Foreign tax rate adjustment	7,750	3,753
Other	(14,527)	5,497
	197,674	221,216
Income tax expense reported in the consolidated Income Statement	197,674	221,216

(c) Recognised tax assets and liabilities

	2016 $000 Current income tax	2016 $000 Deferred income tax	2015 $000 Current income tax	2015 $000 Deferred income tax
Opening balance	(15,841)	(105,227)	(6,455)	67,049
(Charged)/ credited to income	(217,365)	19,691	(228,168)	6,952
Credited to equity	-	17,353	-	5,321
Payments	201,477	-	197,000	-
Exchange differences	1,569	(5,843)	(398)	(1,348)
Acquisition of subsidiary	2,121	(22,378)	22,180	(183,201)
Closing balance	(28,039)	(96,404)	(15,841)	(105,227)

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(c) Recognised tax assets and liabilities (continued)

	Statement of Financial Position 2016 $000	2015 $000
Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:		
(i) Deferred tax liabilities		
Inventory	(14,597)	(13,049)
Recognition of revenue	(14,962)	(49,323)
Depreciable assets	(223,119)	(209,233)
Other	(9,889)	(16,208)
Provisions and lease liabilities	(95,807)	(75,408)
Gross deferred tax liabilities	(358,374)	(363,221)
Set-off of deferred tax assets	62,244	53,017
Net deferred tax liabilities	(296,130)	(310,204)
(ii) Deferred tax assets		
Employee provisions	175,296	116,899
Other provisions and lease liabilities	40,809	102,931
Unearned income	9,912	11,332
Other	1,863	6,529
Losses	14,765	16,582
Derivatives	19,325	3,721
Gross deferred tax assets	261,970	257,994
Set-off of deferred tax assets	(62,244)	(53,017)
Net deferred tax assets	199,726	204,977

(d) Tax consolidation

Ramsay Health Care Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective 1 July 2003. Ramsay Health Care Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax 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 $28,565,852 (2015: increased by $29,262,294). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 23.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. TAXES (CONTINUED)

(e) Income Tax - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

(f) Other taxes – Recognition and Measurement

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

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

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

(g) Key Estimates and Assumptions

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

Tax losses

At 30 June 2016, there is $5,726,854 (2015: $5,726,854) of capital losses carried forward for which a deferred tax asset has not been recognised. As it is not probable they will be used in the foreseeable future, they have not been recognised.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14a. INVESTMENT IN JOINT VENTURE

The Group has a 50% interest in Ramsay Sime Darby Health Care Sdn Bhd (RSDH), a joint venture involved in operating hospitals and day surgery facilities across Malaysia and Indonesia. The Group's interest in RSDH is accounted for using the equity method in the consolidated financial statements.

	2016 $000	2015 $000
Investment in joint venture at beginning of period	211,573	192,815
Share of profit of joint venture	9,966	10,098
Foreign currency translation and other equity movements	(10,774)	8,660
	210,765	211,573

Recognition and Measurement

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS

	2016 $000	2015 $000
Current		
Restructuring provision	4,764	7,104
Unfavourable contracts	10,244	12,225
Insurance provision	13,152	16,733
Legal and compliance provision	38,699	36,706
Deferred lease provision	300	300
Other provisions	13,453	9,150
	80,612	82,218
Non-current		
Non-current employee and Director entitlements	31,522	28,609
Deferred lease provision	254,886	267,853
Unfavourable contracts	27,909	26,468
Insurance provision	114,556	113,950
Restructuring provision	12,515	20,677
Legal and compliance provision	22,261	14,964
Other provisions	12,678	19,734
	476,327	492,255
Total	556,939	574,473

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

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

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

(ii) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Legal and compliance $000	Other provision $000	Total $000
At 30 June 2015	268,153	27,781	130,683	38,693	51,670	28,884	545,864
Arising during the year	21,871	3,450	8,272	12,720	17,589	6,497	70,399
Utilised during the year	(325)	(6,785)	(8,189)	(12,546)	(5,518)	(2,534)	(35,897)
Exchange differences	(34,513)	845	(285)	(714)	1,276	4,189	(29,202)
Unused amounts reversed	-	(8,012)	(2,773)	-	(4,057)	(11,462)	(26,304)
Discount rate adjustment	-	-	-	-	-	557	557
At 30 June 2016	255,186	17,279	127,708	38,153	60,960	26,131	525,417
Current 2016	300	4,764	13,152	10,244	38,699	13,453	80,612
Non-current 2016	254,886	12,515	114,556	27,909	22,261	12,678	444,805
	255,186	17,279	127,708	38,153	60,960	26,131	525,417
Current 2015	300	7,104	16,733	12,225	36,706	9,150	82,218
Non-current 2015	267,853	20,677	113,950	26,468	14,964	19,734	463,646
	268,153	27,781	130,683	38,693	51,670	28,884	545,864

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14b. PROVISIONS (CONTINUED)

(iii) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to the purchase of acquisitions in the prior years. The restructuring plan was drawn up and announced to the employees during the year of acquisition;
- restructuring of entities with the Group, announced prior to acquisition; and
- land rich duties payable.

Insurance provision

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

(i) Key Estimates and Assumptions
This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 10% - 20% of the estimated Ramsay claim cost.

Employee leave benefits

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

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

Deferred lease provision

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

Unfavourable contracts

Ramsay holds contracts with various lessors for up to twenty one years. 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.

Legal and compliance provision

The legal and compliance provision primarily relates to amounts provided for litigation that is currently in the court process or a matter under review by a relevant authority.

14c. SUPERANNUATION COMMITMENTS

The Group contributes to industry and individual superannuation funds established for the provision of benefits to employees of entities within the economic entity on retirement, death or disability. Benefits provided under these plans are based on contributions for each employee and for retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life insurance companies. The entity contributes to the funds at various agreed contribution levels, which are not less than the statutory minimum.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION

The Group has a defined employee benefit obligation in France as required to be paid under local legislation.

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

	2016 $000	2015 $000	2014 $000	2013 $000	2012 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(75,635)	(72,595)	(21,269)	(10,833)	(23,773)
Fair value of plans assets	5,009	4,880	-	-	5,631
Net (liability) - non-current	(70,626)	(67,715)	(21,269)	(10,833)	(18,142)

	Defined Employee Benefit Obligation 2016 $000	2015 $000
Net benefit expense (Note 3) (recognised in superannuation expenses)	5,338	3,857

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

	Defined Employee Benefit Obligation 2016 $000	2015 $000
Opening defined benefit obligation	72,595	21,269
Acquisition balances	3,961	49,036
Current service cost	4,460	1,860
Interest cost	932	2,188
Benefits paid	(2,079)	(2,192)
Actuarial (gains) / losses on obligation	(6,512)	518
Exchange differences on foreign plans	2,278	(84)
Closing defined benefit obligation	75,635	72,595

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

Opening fair value of plans assets	4,880	-
Acquisition balances	-	4,791
Expected return	53	-
Contributions by employer	-	191
Actuarial losses	(79)	(106)
Exchange differences on foreign plans	155	4
Fair value of plans assets	5,009	4,880
Actuarial return on plan assets	-	-

Plan assets consist of 100% of investment in bonds. The overall expected rate of return on assets is determined based on the market prices prevailing on the date applicable to the period over which the obligation is to be settled.

The Group expects to contribute $ nil to its defined benefit obligations in 2017.

	Defined Employee Benefit Obligation 2016 $000	2015 $000
Actuarial (gains) / losses recognised in the Statement of Comprehensive Income	(6,433)	412
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	894	7,327

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14d. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

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

	Defined Employee Benefit Obligation 2016 (%)	2015 (%)
Discount rate	1.2	2.0 – 2.3
Future salary increases	1.0	1.5

Recognition and Measurement

The Group has a defined employee benefit obligation in France arising from local legislative requirements.

The cost of providing benefits under this obligation is determined using the projected unit credit method using actuarial valuations. Actuarial gains and losses for the defined obligation are recognised in full in the period in which they occur in Other Comprehensive Income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

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

The defined benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds) less unrecognised past service costs.

Key Estimates and Assumptions

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rates, the interest rates of corporate bonds in France are considered. The mortality rate is based on publicly available mortality rates for France. Future salary increases are based on expected future inflation rates in France.

IV. RISK MANAGEMENT

15. FINANCIAL RISK MANAGEMENT

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

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

The Group manages its exposure to key financial risks, including market risk (interest rate and foreign currency risk), credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swap contracts and foreign exchange forward contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

(a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The level of debt is disclosed in Note 7d.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (continued)

At reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2016 $000	2015 $000
Financial Assets		
Cash and cash equivalents	328,989	315,861
Financial Liabilities		
Bank Loans	(680,007)	(757,406)
Net exposure	(351,018)	(441,545)

Interest rate derivatives contracts are outlined in Note 7c, with a net negative fair value of $63,518,000 (2015: negative: $13,172,000) 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 2016, after taking into account the effect of interest rate swaps, approximately 78% (2015: 72%) of the Group's borrowings are at a fixed rate of interest.

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

Interest rate sensitivity

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2016 $000	2015 $000	2016 $000	2015 $000
AUD				
+ 120 basis points (2015: + 80 basis points)	(1,872)	(575)	17,588	7,546
- 120 basis points (2015: - 80 basis points)	1,872	575	(18,520)	(7,722)
GBP				
+ 70 basis points (2015: + 55 basis points)	(98)	(160)	2,318	1,471
- 70 basis points (2015: - 55 basis points)	98	160	(1,956)	(1,497)
EUR				
+ 20 basis points (2015: + 35 basis points)	(355)	(658)	80,701	11,779
- 20 basis points (2015: - 35 basis points)	355	658	4,241	(11,498)

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 2016, comparing to 2015, is due to the increase in hedging from 72% in 2015 to 78% in 2016 and the increased interest rate volatility in 2016.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk

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

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

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

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

Foreign currency sensitivity

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

British Pound (GBP)

	Change in GBP rate	Effect on Post Tax Profit Higher/ (Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		$000	$000
2016	+25%	(218)	(102,268)
	-25%	272	127,827
2015	+20%	(13)	(67,752)
	-20%	15	81,255

- At reporting date, the Group had GBP exposure of £285,961,000 (2015: £284,635,000) that is not designated in a net investment hedge.
- The Group has a GBP borrowing of £117,000,000 (2015: £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 7c.

Euro (EUR)

	Change in EUR rate	Effect on Post Tax Profit Higher/ (Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		$000	$000
2016	+20%	(216)	(35,095)
	-20%	260	42,091
2015	+20%	(165)	(7,747)
	-20%	198	9,300

- At reporting date, the Group had Euro exposure of €141,185,000 (2015: €45,927,000) that is not designated in a net investment hedge.
- The Group has a Euro borrowing of €366,640,000 (2015: €444,640,000) that is designated as a hedge of the net investment in the French operation. Further information on the hedge is set out in Note 7c.

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Foreign currency risk (continued)

Malaysian Ringgit (MYR)

	Change in MYR rate	Effect on Post Tax Profit Higher/ (Lower)	Effect on Other Comprehensive Income Higher/(Lower)
		$000	$000
2016	+20%	(3,509)	(30,118)
	-20%	4,211	36,144
2015	+15%	(2,125)	(14,532)
	-15%	2,444	16,710

- At reporting date, the Group had MYR exposure of MYR 541,648,000 (2015: MYR 462,491,000) that is not designated in net investment hedge.
- The Group has a MYR borrowing of MYR 90,100,000 (2015: MYR 151,905,000) that is designated as a hedge of the net investment in the Malaysian operations. Further information on the hedge is set out in Note 7c.

The movement in the post-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in foreign currencies, where the functional currency of the entity is a currency other than the above currencies. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in equity arises from changes in the borrowings (net of cash and cash equivalents) in the hedge of net investments in overseas operations (UK, France and Malaysia) and cash flow hedges. These movements will off-set the translation of the overseas operations' net assets in Australian dollar.

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

Trade receivables

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The majority of transactions are with the Governments and Health Funds.

The Group's credit policy requires all debtors to pay in accordance with agreed terms. The payment terms for the major debtors range from 15 days to 30 days.

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

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

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

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Financial instruments and cash deposits

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

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

(d) Liquidity risk

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

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

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

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

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

	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Year ended 30 June 2016						
Trade and other payable	-	(1,713,298)	-	-	-	(1,713,298)
Interest-bearing loans and borrowings	-	(26,012)	(86,983)	(3,344,599)	(21,791)	(3,479,385)
Deferred consideration	-	(30,060)	-	-	-	(30,060)
Financial derivatives	-	(4,559)	(14,369)	(46,883)	-	(65,811)
	-	(1,773,929)	(101,352)	(3,391,482)	(21,791)	(5,288,554)
Year ended 30 June 2015						
Trade and other payable	-	(1,596,582)	-	-	-	(1,596,582)
Interest-bearing loans and borrowings	-	(249,705)	(35,437)	(1,693,476)	(16,224)	(1,994,842)
Sub-ordinated bonds	-	(41,529)	-	-	-	(41,529)
Outside equity interest loan	-	(51,979)	-	-	-	(51,979)
Deferred consideration	-	(23,263)	-	(31,204)	-	(54,467)
Financial derivatives	-	(2,778)	(8,889)	(9,062)	-	(20,729)
	-	(1,965,836)	(44,326)	(1,733,742)	(16,224)	(3,760,128)

IV. RISK MANAGEMENT (CONTINUED)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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 2016	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	3,260	9,249	31,171	-	43,680
Outflows	-	(7,819)	(23,618)	(78,054)	-	(109,491)
Net	-	(4,559)	(14,369)	(46,883)	-	(65,811)
Discounted at the applicable interbank rates	-	(2,881)	(14,307)	(46,330)	-	(63,518)
Year ended 30 June 2015						
Inflows	-	3,370	10,031	25,264	-	38,665
Outflows	-	(6,148)	(18,920)	(34,326)	-	(59,394)
Net	-	(2,778)	(8,889)	(9,062)	-	(20,729)
Discounted at the applicable interbank rates	-	(2,331)	(8,448)	(9,441)	-	(20,220)

V. OTHER INFORMATION

16. SHARE BASED PAYMENT PLANS

Executive performance rights plan (equity)

An executive performance rights scheme was established in January 2004 where Ramsay Health Care Limited may, at the discretion of the Board, grant rights over the ordinary shares of Ramsay Health Care Limited to executives of the consolidated entity. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Ramsay Health Care Limited. The rights cannot be transferred and will not be quoted on the ASX. Non-executive directors are not eligible for this plan.

Information with respect to the number of rights granted under the executive performance rights plan is as follows:

	2016		2015	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	2,055,000		2,068,000	
- granted	644,743	$55.47	698,000	$44.70
- vested	(717,536)	$20.82	(671,000)	$15.99
- forfeited	-	-	(40,000)	$26.23
Balance at end of year	1,982,207		2,055,000	
Exercisable at end of year	-		-	

The following table summarises information about rights held by participants in the executive performance rights plan as at 30 June 2016:

Number of Rights	Grant Date	Vesting Date [(1)]	Weighted Average Fair Value [(2)]
307,170	14-Nov-13	31-Aug-16	$25.08
355,830	14-Nov-13	31-Aug-16	$36.22
313,169	13-Nov-14	31-Aug-17	$38.58
366,831	13-Nov-14	31-Aug-17	$49.95
279,512	13-Nov-15	31-Aug-18	$46.98
359,695	13-Nov-15	31-Aug-18	$61.96
1,982,207			

[(1)] The vesting date shown is the most likely vesting date subject to full satisfaction of the respective performance conditions.
[(2)] Fair value at grant date

V. OTHER INFORMATION (CONTINUED)

16. SHARE BASED PAYMENT PLANS (CONTINUED)

Key Estimates and Assumptions

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

The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 14 November 2013, 13 November 2014 and 13 November 2015.

	Granted 13-Nov-15	Granted 13-Nov-14	Granted 14-Nov-13
Dividend yield	1.83%	1.91%	2.08%
Expected volatility	22.5%	22.5%	22.5%
Historical volatility	21.2%	21.7%	22.3%
Risk-free interest rate	2.2%	2.9%	3.0%
Effective life of incentive right	3 years	3 years	3 years

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

Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS

	Note	2016 $000	2015 $000
(i) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		61,746	74,937
- After one year but not more than five years		142,475	204,625
- After more than five years		81,839	49,857
Total minimum lease payments		286,060	329,419
- Less: future finance charges		(26,573)	(42,348)
- Present value of minimum lease payments		259,487	287,071
Total lease liability accrued for:			
Current			
- Finance leases	7b	63,373	66,625
Non-current			
- Finance leases	7b	196,114	220,446
		259,487	287,071

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 six years and the average discount rate implicit in the leases is between 2.5% to 6.5% (2015: 2.5% to 6.5%). The security over finance leases is disclosed in Note 7b.

(ii) Lease expenditure commitments – Group as lessee

	Note	2016 $000	2015 $000
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		332,726	309,455
- After one year but not more than five years		1,109,241	1,121,861
- After more than five years		2,884,821	3,035,087
Aggregate lease expenditure contracted for at reporting date		4,326,788	4,466,403
Amounts provided for:			
- deferred lease - current	14b	300	300
- deferred lease - non- current	14b	254,886	267,853
- unfavourable contract - current	14b	10,244	12,225
- unfavourable contract – non-current	14b	27,909	26,448
		293,339	306,826
Amounts not provided for:			
- rental commitments		4,033,449	4,159,577

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

(iii) Group as lessee – Recognition and Measurement

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

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

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

Onerous/Unfavourable lease
A lease whereby the carrying value 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.

V. OTHER INFORMATION (CONTINUED)

17. EXPENDITURE COMMITMENTS (CONTINUED)

(iv) Group as lessor – Recognition and Measurement

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

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

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

18. AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	1,796,254	1,817,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	482,551	720,000
Assurance related	40,000	5,000
Other	661,807	39,000
	2,980,612	2,581,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	1,031,959	930,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	266,172	134,000
Other	-	89,000
	4,278,743	3,734,000
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- Audit or review of the financial report	2,888,000	3,452,000
- Taxation services	10,000	9,000
- Other non-audit services	81,000	-
	2,979,000	3,461,000

19. RELATED PARTY TRANSACTIONS

Transactions with Directors of Ramsay Health Care Limited and the Group

Entities associated with Mr Siddle, Mr Clark and Mr Evans

Paul Ramsay Holdings Pty Limited granted a licence to the economic entity to occupy office space at a commercial arms-length licence fee which expired on 30 September 2015. In addition, any expenditure incurred by the economic entity on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2016 is nil (2015: nil).

During the year costs of $24,317 (2015: $30,799) were charged to and an amount of $24,317 (2015: $55,727) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $88,257 (2015: $17,853) were charged by and an amount of $101,989 (2015: $36,901) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2016 costs of $10,067 (2015: $17,125) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

20. SUBSEQUENT EVENTS

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

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest 2016	2015
RHC Nominees Pty Limited ^	Australia	100%	100%
RHC Developments Pty Limited ^	Australia	100%	100%
Ramsay Health Care Investments Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings Pty Limited ^	Australia	100%	100%
Ramsay Hospital Holdings (Queensland) Pty Limited ^	Australia	100%	100%
Ramsay Finance Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Holdings Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited ^	Australia	100%	100%
Linear Medical Pty Limited ^	Australia	100%	100%
Newco Enterprises Pty Limited ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^	Australia	100%	100%
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Donvale Private Hospital Pty Limited ^	Australia	100%	100%
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%
Benchmark – Surrey Pty Limited ^	Australia	100%	100%
Benchmark – Peninsula Pty Limited ^	Australia	100%	100%
Benchmark – Donvale Pty Limited ^	Australia	100%	100%
Benchmark – Windermere Pty Limited ^	Australia	100%	100%
Benchmark – Beleura Pty Limited ^	Australia	100%	100%
Beleura Properties Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Australia Pty Limited ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited ^	Australia	100%	100%
Votraint No. 664 Pty Limited ^	Australia	100%	100%
Votraint No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
AME Properties Pty Limited ^	Australia	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited ^	Australia	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited ^	Australia	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited	Australia	100%	100%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%

^ *Entities included in the deed of cross guarantee as required for the class order*

V. OTHER INFORMATION (CONTINUED)

21. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest 2016	2015
HOAIF Pty Limited ^	Australia	100%	100%
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1988 Pty Limited ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Pindara) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Pharmacy Retail Services Pty Limited^	Australia	100%	100%
Ramsay International Holding Company Pty Limited	Australia	100%	-
Ramsay Professional Services Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 1) Pty Limited ^	Australia	100%	100%
Ramsay Diagnostics (No. 2) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (UK) Limited	UK	100%	100%
Ramsay Health Care UK Finance Limited	UK	100%	100%
Ramsay Health Care Holdings UK Limited	UK	100%	100%
GHG 2008 10A (BVI Property Holdings) Limited	British Virgin Islands	100%	100%
Ramsay UK Properties Limited	UK	100%	100%
Independent British Healthcare (Doncaster) Limited	UK	100%	100%
Ramsay Diagnostics UK Limited	UK	100%	100%
Ramsay Health Care UK Operations Limited	UK	100%	100%
Ramsay Health Care Leasing UK Limited	Guernsey	100%	100%
Ramsay Santé SA*	France	-	57%
Ramsay Générale de Santé SA* (formerly Générale de Santé SA)	France	50.9%	48.8%

^ *Entities included in the deed of cross guarantee as required for the class order*
* *Ramsay Générale de Santé and Ramsay Santé SA own a number of subsidiaries, none of which are individually material to the Group*

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to the entities in the table of subsidiaries in Note 21, (identified by ^) from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the 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, 24 June 2011, 20 October 2015 and 17 December 2015. The effect of the deed is that Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Ramsay Health Care Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

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

	Closed Group	
	2016	2015
Consolidated Income Statement	$000	$000
Profit from operations before income tax	519,737	461,541
Income tax expense	(150,440)	(135,865)
Net profit for the year	369,297	325,676
Attributable to non-controlling interest	743	-
Attributable to owners of the parent	368,554	-
Retained earnings at the beginning of the year	839,848	711,959
Retained earnings adjustments for additions of entities into the class order	1,625	-
Dividends provided for or paid	(230,194)	(197,787)
Retained earnings at the end of the year	979,833	839,848
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	101,596	72,095
Trade receivables	570,547	473,968
Inventories	104,175	100,956
Prepayments	18,415	18,311
Other current assets	6,091	3,709
Total Current Assets	**800,824**	**669,039**
Non-current Assets		
Other financial assets	627,068	627,288
Investments in joint ventures	210,765	211,573
Goodwill and intangibles	1,102,735	1,093,632
Deferred tax asset	112,355	102,232
Property, plant and equipment	1,987,361	1,834,718
Non-current prepayments	12,068	12,426
Other non-current assets	6,490	3,541
Total Non-current Assets	**4,058,842**	**3,885,410**
TOTAL ASSETS	**4,859,666**	**4,554,449**
LIABILITIES		
Current Liabilities		
Trade and other payables	857,831	808,886
Interest-bearing loans and borrowings	30,129	23,297
Provisions	35,496	20,268
Derivative financial instruments	10,377	9,985
Income tax payable	18,357	21,824
Total Current Liabilities	**952,190**	**884,260**
Non-current Liabilities		
Interest-bearing loans and borrowings	1,345,962	1,265,412
Provisions	170,978	167,245
Derivative financial instruments	23,561	8,892
Total Non-current Liabilities	**1,540,501**	**1,441,549**
TOTAL LIABILITIES	**2,492,691**	**2,325,809**
NET ASSETS	**2,366,975**	**2,228,640**

V. OTHER INFORMATION (CONTINUED)

22. CLOSED GROUP (CONTINUED)

	Closed Group	
EQUITY	**2016 $000**	**2015 $000**
Issued capital	713,523	713,523
Treasury shares	(88,844)	(80,190)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	979,833	839,848
Other reserves	509,555	503,294
Non-controlling interest	743	-
TOTAL EQUITY	**2,366,975**	**2,228,640**

23. PARENT ENTITY INFORMATION

Information relating to Ramsay Health Care Limited	**2016 $000**	**2015 $000**
Current assets	1,115,045	1,123,740
Total assets	1,256,564	1,265,649
Current liabilities	(21,631)	(24,518)
Total liabilities	(21,631)	(24,518)
Issued capital	(713,523)	(713,523)
Other equity	(521,410)	(527,608)
Total shareholders' equity	(1,234,933)	(1,241,131)
Net profit for the year after tax	193,409	172,909

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

24. MATERIAL PARTLY- OWNED SUBSIDIARIES

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

This entity represents the French segment for management and segment reporting.

Financial information in relation to the NCI is provided below:

(a) Proportion of equity interest and voting rights held by non- controlling interests
Refer to Note 21 which discloses the equity interest held by the Ramsay Group. The remaining equity interest is held by the non-controlling interest.
Voting rights for Ramsay Générale de Santé (formerly Générale de Santé) at 30 June 2016 are 50.3% (2015: 45.7%). The remaining interest is held by the non-controlling interest.

(b) Accumulated balances of non-controlling interests
Refer to the Consolidated Statement of Changes in Equity

(c) Profit allocated to non-controlling interests
Refer to the Consolidated Income Statement

(d) Summarised Statement of Profit or Loss and Statement of Financial Position for 2016 and 2015
Refer to Note 1. The French segment consists only of this subsidiary that has a material non-controlling interest.

(e) Summarised cash flow information

	2016 $000	**2015 $000**
Operating	232,117	246,862
Investing	(354,245)	(95,268)
Financing	88,285	64,137
Net increase/(decrease) in cash and cash equivalents	(33,843)	215,731

SECTION 3

STATUS OF AUDIT

FOR THE YEAR ENDED 30 JUNE 2016

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.