RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 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

		6 months ended 31/12/2016 $000	6 months ended 31/12/2015 $000	% increase/ (decrease)
Revenue and other income (Core)	**(3)**	4,319,236	4,177,797	3.4%
Revenue from services		4,318,738	4,173,139	3.5%
Profit before disposal of assets, finance costs, tax, depreciation, amortisation and non-core items (Core EBITDA)		648,879	606,702	7.0%
Profit before finance costs, tax and non-core items (Core EBIT)		463,526	425,907	8.8%
Core net profit after tax attributable to owners of the parent	**(1),(3)**	**267,824**	**237,442**	12.8%
Non-core items after tax, attributable to owners of the parent	**(3)**	(11,879)	(12,594)	(5.7)%
Net profit after tax for the period attributable to owners of the parent *		**255,945**	**224,848**	13.8%

Earnings per share (cents per share)

Diluted Core EPS	**(1),(2),(3)**	**128.9c**	**114.1c**	13.0%
Diluted Statutory EPS		**123.0c**	**107.9c**	14.0%

* 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 of the Consolidated Half Year Financial Statements for further information.

1.2 EARNINGS PER SHARE

	6 months ended 31/12/2016 $000	6 months ended 31/12/2015 $000
Net profit after tax for the period attributable to the owners of the parent	255,945	224,848
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(6,670)	(6,524)
Profit used in calculating basic and diluted earnings per share (after CARES dividend)	249,275	218,324
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	201,380,948	201,124,324
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,585,184	202,397,968

Earnings per share	Cents per share 6 months ended 31/12/2016	Cents per share 6 months ended 31/12/2015	% increase/ (decrease)
- basic (after CARES dividend)	**123.8**	**108.6**	**14.0%**
- diluted (after CARES dividend)	**123.0**	**107.9**	**14.0%**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year - Interim dividend	53.0 c	53.0 c
Previous corresponding period - Interim dividend	47.0 c	47.0 c
Record date for determining entitlements to the interim dividend	8 March 2017	
Date the interim current year dividend is payable	29 March 2017	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES interim dividend	3 April 2017
Date the interim CARES dividend is payable	20 April 2017

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 31 December 2016 is $1.26 (June 2016: $0.41).

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**	
	6 months ended 31/12/2016 $000	**6 months ended 31/12/2015 $000**	**As at 31/12/2016**	**As at 31/12/2015**
Equity accounted joint venture entity Ramsay Sime Darby Health Care Sdn Bhd	6,865	4,418	50%	50%
Total share of after tax profits of equity accounted investments	**6,865**	**4,418**		

1.6 COMMENTARY ON RESULTS

Commentary on results follows

People caring for people

ASX ANNOUNCEMENT

23 February 2017

RAMSAY HEALTH CARE REPORTS A 13.0% RISE IN FIRST HALF YEAR CORE EPS AND A 12.8% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 12.8% to $267.8 million
- Core earnings per share[2] (Core EPS) up 13.0% to 128.9 cents
- Group:
    - Revenue up 3.5% to $4.3 billion (up 7.6% in constant currency)
    - EBIT up 8.8% to $463.5 million
- Australia/Asia:
    - Australia Revenue up 8.8% to $2.4 billion
    - Australia EBIT up 15% to $348.1 million
    - Equity accounted share of Asia joint venture net profits up 55.4% to $6.9 million
- United Kingdom:
    - Revenue up 6.8% to £217.3 million
    - EBITDAR up 2.4% to £51.7 million
- France:
    - Revenue up 6.1% to €1.1 billion
    - EBITDAR up 6.5% to €206.1 million
- Interim dividend 53.0 cents fully franked, up 12.8% on the previous corresponding period

Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Group Core Net Profit After Tax (Core NPAT) of $267.8 million for the six months to 31 December 2016, a 12.8% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 128.9 cents for the half year, an increase of 13.0% on the 114.1 cents recorded in the previous corresponding period.

The Company's reported net profit after tax (after adjusting for net non-core items after tax) of $255.9 million, was up 13.8% on the prior half.

Directors are pleased to announce a fully-franked interim dividend of 53.0 cents, up 12.8% on the previous corresponding period. The dividend Record Date is 8 March 2017 with payment on 29 March 2017.

Strategy

Ramsay Health Care Managing Director Mr Chris Rex said solid half year-on-half year admissions growth in the Company's major markets had contributed to the excellent first half result.

"Global demand for healthcare driven by an ageing and growing population, clinical innovation and increasing consumer expectations, drove strong first half volumes," said Mr Rex.

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

“Our strategically located, well-diversified business in Australia continues to experience strong admissions growth which underpins the need for ongoing brownfield investment.

“In our international markets, both the UK and France also experienced strong volume growth with Ramsay UK recording its highest month ever for NHS admissions in November 2016.”

He said the Company’s long-term focused strategy, its unique global footprint, mix of public and private payers and strategically located quality assets, meant it was well-placed for future growth.

He said the Company’s global procurement strategy was beginning to deliver substantial savings in supply costs after securing improved commercial terms with major international supply companies.

During the period, Ramsay progressed its strategy of establishing a network of pharmacies with the aim of providing care to patients beyond the hospital walls. Significant opportunities to grow this franchise network are currently being assessed.

Operations

During the half year, Ramsay’s Australian business achieved revenue growth of 8.8% and EBIT growth of 15% on the previous corresponding period, primarily driven by strong admissions growth.

Mr Rex said despite some volatility in the Australian market, Ramsay achieved an excellent result in the period.

“Factors unique to the Group including the overall strength and attractiveness of our hospital portfolio, our geographical and casemix diversity, the public/private payer mix, our ability to negotiate appropriate funding outcomes and the successful delivery of our global procurement strategy, which is forecast to deliver over $40 million of savings over the full year, combined to drive the good result. Driven by these and other factors Australian hospital EBITDA margins increased by 70 basis points to 20% in the period.”

The majority of Ramsay’s hospital funding arrangements in Australia were renewed throughout the course of 2016, with outcomes satisfactory to the Company, and with an average of three year terms.

“The new Federal Health Minister, appointed in January 2017, has made clear his support for the role of the private sector in achieving a balanced healthcare system for Australia. Following a period of self-generated uncertainty in the market it is hoped the change will lead to a more stable situation.”

Ramsay’s UK business recorded pleasing revenue growth in the first half on the back of strong growth in NHS admissions of 6.2%. EBITDAR increased 2.4% to £51.7 million, on the previous corresponding period.

Mr Rex said the overall outcome for the period was negatively impacted by the ongoing shortage of nursing staff in the country and the associated need to use agency staff at a significantly greater cost than employed personnel. “We anticipate this situation will ease over the course of the next six to twelve months” said Mr Rex.

“With regard to Brexit it is still difficult to predict if there will be any impact, but we are monitoring progress and will ensure we manage this effectively.”

In France, Ramsay Générale de Santé (GdS), had a resilient first half generating an increase in EBITDAR over the corresponding period of 6.5% to €206.1 million despite two years of tariff reduction.

“The good result in France was driven by the contribution of the HPM hospitals (acquired in December 2015), overall admissions growth, and strong cost management.

“In order to bolster its cluster strategy, Ramsay GdS continues to examine acquisition opportunities as well as some small divestments where appropriate.”

Strategic Developments

Ramsay Health Care opened $142M of brownfield developments in the six months to December 2016 including 166 beds, 6 operating theatres and 2 emergency centres. Major developments opened during the half year included expansions at New Farm Clinic (Brisbane), Peninsula Private (Melbourne), North Shore Private (Sydney) and Waverley Private Hospital (Melbourne).

The Ramsay Board approved a further $90M in new brownfield developments during the period.

In addition, several major projects are currently under development including St Andrew's Private Hospital in Ipswich, Brisbane's fastest growing region and at Ramsay's flagship mental health facilities in Sydney (Northside Clinic) and Melbourne (Albert Road Clinic).

As announced in 2016, Ramsay Health Care has commenced its retail pharmacy strategy in Australia with plans to establish an extensive network of retail pharmacy franchises throughout the country, providing a base for the provision of pharmacy and associated services.

The Ramsay Pharmacy retail portfolio now includes 22 pharmacies with the expectation that this network will rapidly expand during the balance of this year and beyond.

Balance Sheet, Cash Flow & Refinancing

Ramsay's robust balance sheet and strong cash flow generation continue~~s~~ to provides us with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. As at 31 December 2016, the Group Consolidated Leverage Ratio was 2.3 times, well within our internal parameters.

In November 2016, Ramsay and its wholly owned subsidiaries refinanced their existing senior debt facilities. The new Syndicated Debt Facility Agreements comprise A$, GBP and Euro debt facilities, governed by a single Common Terms Deed Poll. The new documents provide Ramsay with significantly improved terms and conditions, particularly lower margins and extended maturity in respect of the GBP and Euro debt facilities, increased flexibility to fund future growth initiatives, improved access to offshore debt markets and access to additional debt, provided financial and other undertakings are satisfied.

Outlook

Mr Rex said the fundamentals of the industry remain strong for the long term. "Demand for healthcare continues to be driven by an ageing and growing population, clinical innovation and increasing consumer expectations," he said.

"With its unique global footprint, mix of public and private payers, and strategically located quality assets, Ramsay is well placed for future growth.

"Our global procurement strategy is beginning to deliver substantial savings in supply costs, the benefit of which is expected to grow over forthcoming years.

"We continue to canvas opportunities for hospitals in new and existing markets and our franchise retail pharmacy network will position us to provide integrated care services to patients in addition to chronic disease management and other low cost care healthcare provision in the future.

"Based on strength of the first half results and the continuation of robust growth across all our operations and barring unforeseen circumstances, Ramsay upgrades guidance of Core NPAT and Core EPS growth to 12% to 14% for full FY 2017 (previously 10% to 12%)."

Contacts:

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Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

	Half Year Ended 31 December $ 000's		
	1st Half FY2017	**1st Half FY2016**	
	Group	**Group**	**% Increase**
Net Profit After Tax (NPAT)			
Operating revenue	4,318,738	4,173,139	3.5%
EBITDA	648,879	606,702	7.0%
EBIT	463,526	425,907	8.8%
Core NPAT attributable to members of the parent (1)	**267,824**	**237,442**	**12.8%**
Net non-core items, net of tax (3)	(11,879)	(12,594)	
Reported NPAT	255,945	224,848	13.8%
Earnings Per Share, (EPS) cents			
Core EPS (2)	**128.9**	**114.1**	**13.0%**
Reported EPS	123.0	107.9	14.0%
Dividends Per Share, cents			
Interim dividend, fully franked	53.0	47.0	12.8%

Notes

(1) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Générale de Santé has been consolidated from 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 $6.4 million, net of tax, relating to the UK hospitals.

SECTION 2

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CONTENTS	**PAGE**

DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2016.

DIRECTORS

The names of the company's directors in office during the half year are as set out below. Directors were in office for this entire period unless otherwise stated.

Names

M. Siddle - Non-Executive Chairman
P. Evans - Non-Executive Deputy Chairman
C. Rex - Managing Director
B. Soden - Group Finance Director
A. Clark AM - Non-Executive Director (retired 9/11/2016)
I. Grier AM - Non-Executive Director
R. McGeoch AO - Non-Executive Director
K. Roxburgh - Non-Executive Director
P. Akopiantz – Non-Executive Director
M. Seale - Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated entity during the half year were the owning and operating of private hospitals and managing of public hospitals through "private / public collaborations". There were no significant changes in the nature of these activities during the half year.

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated statutory revenue and earnings is set out below for the six months ended 31 December 2016.

Summary of statutory earnings	**2016 $000**	**2015 $000**	**% Change**
Revenue from services	4,318,738	4,173,139	3.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	656,747	590,662	11.2%
Earnings before interest and tax (EBIT)	468,631	408,490	14.7%
Net profit attributable to owners of the parent	255,945	224,848	13.8%

	2016	**2015**	**% Change**
Basic earnings per share (after CARES dividend)	123.8c	108.6c	14.0%
Diluted earnings per share (after CARES dividend)	123.0c	107.9c	14.0%

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Financial highlights

Ramsay's statutory net profit attributable to the owners of the parent for the half year ended 31 December 2016 was $256 million, a 13.8% increase on the previous corresponding period. Diluted earnings per share were 123.0 cents for the half year, a 14.0% increase.

The result was driven by solid half on half admissions growth in Ramsay's major markets.

During the half year, Ramsay's Australian business achieved revenue growth of 8.8% and EBIT growth of 15% driven by strong admissions growth.

Ramsay's UK business recorded strong revenue growth of 6.8%, to £217 million, on the back of strong growth in NHS admissions of 6.2%. EBITDAR increased by 2.4% to £51.7 million, on the previous corresponding period.

Ramsay's French business, Ramsay Générale de Santé, had an impressive first half, generating an increase in EBITDAR over the corresponding period of 6.5% to €206.1 million, despite two years of tariff reduction. The good result in France was driven by the extra contribution of HPM hospitals (acquired in December 2015), overall admissions growth and strong cost management.

AUDITOR'S INDEPENDENCE DECLARATION

The written Auditor's Independence Declaration in relation to the review of the half year financial report has been included at page 14, and forms part of this report.

ROUNDING

The amounts contained in this report and in the half year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

M.S. Siddle
Chairman

C.P. Rex
Managing Director

Sydney, 23 February 2017

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Auditor's Independence Declaration to the Directors of Ramsay Health Care Limited

As lead auditor for the review of Ramsay Health Care Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ramsay Health Care Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Douglas Bain

Douglas Bain
Partner
23 February 2017

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	2016 $000	2015 $000
Revenue from services		4,318,738	4,173,139
Interest income		498	4,640
Other Income – income from the sale of development assets		-	1,806
Other Income – net profit on disposal of non-current assets		21,715	1,618
Total revenue and other income		**4,340,951**	**4,181,203**
Employee benefit and contractor costs		(2,255,341)	(2,176,248)
Occupancy costs		(324,238)	(325,099)
Service costs		(107,877)	(135,220)
Medical consumables and supplies		(1,003,115)	(952,894)
Depreciation, amortisation and impairment		(188,116)	(182,172)
Cost of goods sold – book value of development assets sold		-	(858)
Total expenses, excluding finance costs		**(3,878,687)**	**(3,772,491)**
Share of profit of joint venture		6,865	4,418
Profit before tax and finance costs		**469,129**	**413,130**
Finance costs		(74,994)	(70,959)
Profit before income tax		**394,135**	**342,171**
Income tax		(111,674)	(102,464)
Net profit for the period		**282,461**	**239,707**
Attributable to non-controlling interests		26,516	14,859
Attributable to owners of the parent		**255,945**	**224,848**
		282,461	**239,707**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	3	123.8	108.6
Diluted earnings per share			
Profit (after CARES dividend)	3	123.0	107.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	2016 $000	2015 $000
Net profit for the period	**282,461**	**239,707**
Items that will not be reclassified to net profit		
Actuarial gain/(loss) on defined benefits plan	217	(28)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
Gain/(Loss) taken to equity	22,686	(21,485)
Transferred to Income Statement	4,839	2,985
Net loss on bank loan designated as a hedge of a net investment	(3,294)	(15,554)
Foreign currency translation	(15,849)	3,108
Income tax relating to components of other comprehensive (expense)/ income	(8,646)	6,346
Other comprehensive expense for the period, net of tax	**(47)**	**(24,628)**
Total comprehensive income for the period	**282,414**	**215,079**
Attributable to non-controlling interests	30,661	6,585
Attributable to the owners of the parent	**251,753**	**208,494**
	282,414	**215,079**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	As at 31/12/2016 $000	As at 30/06/2016 $000
ASSETS			
Current assets			
Cash and cash equivalents	4	409,226	328,989
Trade and other receivables		1,060,372	1,141,607
Inventories		217,015	205,012
Income tax receivable		58,137	21,521
Prepayments		92,981	112,041
Other current assets		17,546	11,396
		1,855,277	1,820,566
Assets classified as held for sale		13,121	22,692
Total current assets		**1,868,398**	**1,843,258**
Non-current assets			
Other financial assets		32,714	31,516
Investment in joint venture		204,675	210,765
Property, plant and equipment		3,817,688	3,860,184
Intangible assets		2,011,237	2,045,657
Deferred tax asset		194,376	200,254
Prepayments		11,911	12,068
Derivative financial instruments	8	1,753	-
Receivables		45,560	47,050
Total non-current assets		**6,319,914**	**6,407,494**
TOTAL ASSETS		**8,188,312**	**8,250,752**
LIABILITIES			
Current liabilities			
Trade and other payables		1,596,421	1,726,832
Interest-bearing loans and borrowings	5	127,443	117,927
Derivative financial instruments	8	16,363	18,808
Provisions		88,246	80,612
Income tax payable		66,730	49,560
Total current liabilities		**1,895,203**	**1,993,739**
Non-current liabilities			
Interest-bearing loans and borrowings	5	3,289,133	3,326,821
Provisions		443,699	476,327
Defined employee benefit obligation		69,450	70,626
Derivative financial instruments	8	21,244	44,710
Other creditors		9,558	10,110
Deferred tax liability		269,128	282,358
Total non-current liabilities		**4,102,212**	**4,210,952**
TOTAL LIABILITIES		**5,997,415**	**6,204,691**
NET ASSETS		**2,190,897**	**2,046,061**
EQUITY			
Issued capital		713,523	713,523
Treasury shares		(43,420)	(88,844)
Convertible Adjustable Rate Equity Securities (CARES)		252,165	252,165
Other reserves		(62,190)	(30,304)
Retained earnings		1,280,342	1,176,349
Parent interests		**2,140,420**	**2,022,889**
Non-controlling interests		**50,477**	**23,172**
TOTAL EQUITY		**2,190,897**	**2,046,061**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Treasury Shares	CARES	Other Reserves	Retained Earnings	Non-controlling interests	Total
	$000	$000	$000	$000	$000	$000	$000
As at 1 July 2015	**713,523**	**(80,190)**	**252,165**	**23,926**	**955,114**	**(26,744)**	**1,837,794**
Total Comprehensive (Expense)/Income	-	-	-	(16,341)	224,835	6,585	**215,079**
Dividends paid	-	-	-	-	(128,783)	(730)	**(129,513)**
Shares purchased for executive performance share plan	-	(22,837)	-	-	-	-	**(22,837)**
Treasury shares vesting to employees	-	35,248	-	(35,248)	-	-	**-**
Share based payment expense for employees	-	-	-	15,882	-	-	**15,882**
Acquisition of subsidiary/non-controlling interest	-	-	-	-	-	12,325	**12,325**
As at 31 December 2015	**713,523**	**(67,779)**	**252,165**	**(11,781)**	**1,051,166**	**(8,564)**	**1,928,730**
As at 1 July 2016	**713,523**	**(88,844)**	**252,165**	**(30,304)**	**1,176,349**	**23,172**	**2,046,061**
Total Comprehensive (Expense)/Income	-	-	-	(4,409)	256,162	30,661	**282,414**
Dividends paid	-	-	-	-	(152,169)	(3,356)	**(155,525)**
Treasury shares vesting to employees	-	45,424	-	(45,424)	-	-	**-**
Share based payment expense for employees	-	-	-	17,947	-	-	**17,947**
As at 31 December 2016	**713,523**	**(43,420)**	**252,165**	**(62,190)**	**1,280,342**	**50,477**	**2,190,897**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	2016 $000	2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,390,331	4,262,628
Payments to suppliers and employees		(3,729,573)	(3,733,488)
Income tax paid		(142,844)	(100,110)
Finance costs		(60,731)	(65,308)
Net cash flows from operating activities		**457,183**	**363,722**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(199,969)	(241,988)
Proceeds from sale of businesses		47,449	-
Interest received		498	4,640
Acquisition of business, net of cash received	6	(8,683)	(189,694)
Deferred payment on investment in joint venture	4	(29,874)	(23,298)
Net cash flows used in investing activities		**(190,579)**	**(450,340)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to ordinary shareholders of the parent entity		(152,169)	(128,783)
Dividends paid to outside equity interest		(3,356)	(730)
Hospital infrastructure payments to be reimbursed		(8,938)	(18,442)
Repayment of principal to bondholders		(2,226)	(1,969)
Repayment of finance lease - principal		(31,673)	(33,387)
Proceeds of borrowings		892,727	640,710
Repayment of borrowings		(867,779)	(357,054)
Costs of refinancing		(6,738)	-
Purchase of ordinary shares		-	(22,837)
Repayment of outside equity interests		-	(96,732)
Net cash flows used in financing activities		**(180,152)**	**(19,224)**
Net increase/(decrease) in cash and cash equivalents		86,452	(105,842)
Net foreign exchange differences on cash held		(6,215)	6,044
Cash and cash equivalents at beginning of period		328,989	315,861
Cash and cash equivalents at end of period	4	**409,226**	**216,063**

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.

The nature of operations of the Group is described in the Directors' Report.

The financial report of Ramsay Health Care Limited and controlled entities (the 'Group' or the 'Consolidated Entity') for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on the 23 February 2017.

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, including AASB134 "Interim Financial Reporting", other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001. It does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report;
- 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;
- should be read in conjunction with the annual financial report of Ramsay Health Care Limited as at 30 June 2016, together with any public announcements made by Ramsay Health Care Limited and its controlled entities during the half year ended 31 December 2016;
- presents all values as rounded to the nearest 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 2016, 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, provide 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	**255,945**	**224,848**
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals*	8,003	11,753
- Amortisation - service concession assets	1,653	1,359
- Net profit on disposal of non-current assets	(21,715)	(1,600)
- Impairment of non-current asset	1,110	-
- Borrowing costs associated with refinancing	11,743	-
- Income from the sale of development assets	-	(1,806)
- Book value of development assets sold	-	858
- Acquisition, disposal, and development costs	5,844	6,853
Income tax on non-core items	(5,188)	(4,076)
Non-controlling interests in non-core items net of tax	10,429	(747)
	11,879	12,594
Core profit (segment result) after tax attributable to owners of the parent	**267,824**	**237,442**
Core earnings per share		
Core profit after tax (above)	267,824	237,442
Less: CARES dividend	(6,670)	(6,524)
Core profit after tax used to calculate core earnings per share	261,154	230,918
Weighted average number of ordinary shares adjusted for effect of dilution	202,585,184	202,397,968
Diluted core diluted earnings per share	128.9c	114.1c
Weighted average number of ordinary shares	201,380,948	201,124,324
Basic core earnings per share	129.7c	114.8c

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

NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

OVERVIEW (CONTINUED)

(a) Basis of preparation (continued)

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

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

	Statutory consolidated Income Statement $000	Non-core items as listed at (a)(i) $000	Core (segment) consolidated Income Statement $000
Six months ended 31 December 2016			
Revenue from services	4,318,738	-	4,318,738
Interest income	498	-	498
Other income - net profit on disposal of non-current assets	21,715	(21,715)	-
Total revenue and other income	**4,340,951**	**(21,715)**	**4,319,236**
Employee benefit and contractor costs	(2,255,341)	-	(2,255,341)
Occupancy costs	(324,238)	8,003	(316,235)
Service costs	(107,877)	5,844	(102,033)
Medical consumables and supplies	(1,003,115)	-	(1,003,115)
Depreciation, amortisation and impairment	(188,116)	2,763	(185,353)
Total expenses, excluding finance costs	**(3,878,687)**	**16,610**	**(3,862,077)**
Share of profit of joint venture	6,865	-	6,865
Profit before tax and finance costs	**469,129**	**(5,105)**	**464,024**
Finance costs	(74,994)	11,743	(63,251)
Profit before income tax	**394,135**	**6,638**	**400,773**
Income tax	(111,674)	(5,188)	(116,862)
Net profit for the period	**282,461**	**1,450**	**283,911**
Attributable to non-controlling interests	26,516	(10,429)	16,087
Attributable to owners of the parent	**255,945**	**11,879**	**267,824**
	282,461	**1,450**	**283,911**
Six months ended 31 December 2015			
Revenue from services	4,173,139	-	4,173,139
Interest income	4,640	-	4,640
Other income - income from the sale of development assets	1,806	(1,806)	-
Other income – net profit on disposal of non-current assets	1,618	(1,600)	18
Total revenue and other income	**4,181,203**	**(3,406)**	**4,177,797**
Employee benefit and contractor costs	(2,176,248)	-	(2,176,248)
Occupancy costs	(325,099)	11,753	(313,346)
Service costs	(135,220)	6,853	(128,367)
Medical consumables and supplies	(952,894)	-	(952,894)
Depreciation, amortisation and impairment	(182,172)	1,359	(180,813)
Cost of goods sold – book value of development assets sold	(858)	858	-
Total expenses, excluding finance costs	**(3,772,491)**	**20,823**	**(3,751,668)**
Share of profit of joint venture	4,418	-	4,418
Profit before tax and finance costs	**413,130**	**17,417**	**430,547**
Finance costs	(70,959)	-	(70,959)
Profit before income tax	**342,171**	**17,417**	**359,588**
Income tax	(102,464)	(4,076)	(106,540)
Net profit for the period	**239,707**	**13,341**	**253,048**
Attributable to non-controlling interests	14,859	747	15,606
Attributable to owners of the parent	**224,848**	**12,594**	**237,442**
	239,707	**13,341**	**253,048**

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
Six months ended 31 December 2016				
Revenue				
Revenue from services	2,382,160	368,077	1,568,501	4,318,738
Total revenue before intersegment revenue	2,382,160	368,077	1,568,501	4,318,738
Intersegment revenue	1,526	-	-	1,526
Total segment revenue	2,383,686	368,077	1,568,501	4,320,264
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**429,138**	**47,491**	**172,250**	**648,879**
Depreciation and amortisation	(74,150)	(16,894)	(94,309)	(185,353)
Earnings before interest and tax (EBIT) [2]	**354,988**	**30,597**	**77,941**	**463,526**
Interest				(62,753)
Income tax expense				(116,862)
Segment (core) net profit after tax [3]				**283,911**
Attributable to non-controlling interest				(16,087)
Segment (core) net profit after tax, attributable to owners of the parent [4]				**267,824**
Non-core items net of tax, attributable to owners of the parent				(11,879)
Net profit attributable to owners of the parent				**255,945**

[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

NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

1. SEGMENT INFORMATION (CONTINUED)

	Asia Pacific $000	UK $000	France $000	Total $000
Six months ended 31 December 2015				
Revenue				
Revenue from services	2,188,779	431,840	1,552,520	4,173,139
Total revenue before intersegment revenue	2,188,779	431,840	1,552,520	4,173,139
Intersegment revenue	4,627	-	-	4,627
Total segment revenue	2,193,406	431,840	1,552,520	4,177,766
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**374,213**	**55,569**	**176,920**	**606,702**
Depreciation and amortisation	(67,073)	(19,430)	(94,310)	(180,813)
Profit on disposal of non-current assets	18	-	-	18
Earnings before interest and tax (EBIT) [2]	**307,158**	**36,139**	**82,610**	**425,907**
Interest				(66,319)
Income tax expense				(106,540)
Segment (core) net profit after tax [3]				**253,048**
Attributable to non-controlling interest				(15,606)
Segment (core) net profit after tax, attributable to owners of the parent [4]				**237,442**
Non-core items net of tax, attributable to owners of the parent				(12,594)
Net profit attributable to owners of the parent				**224,848**

[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

Assets & liabilities

	Asia Pacific $000	UK $000	France $000	Adjustments & Eliminations $000	Total $000
As at 31 December 2016					
Segment assets	4,941,867	1,437,303	3,124,197	(1,315,055)	8,188,312
Segment liabilities	(2,397,350)	(702,337)	(2,897,728)	-	(5,997,415)
As at 30 June 2016					
Segment assets	4,870,350	1,475,076	3,286,895	(1,381,569)	8,250,752
Segment liabilities	(2,436,835)	(733,101)	(3,034,755)	-	(6,204,691)

1. SEGMENT INFORMATION (CONTINUED)

	2016 $000	2015 $000
i) Segment revenue reconciliation to Income Statement		
Total segment revenue	4,320,264	4,177,766
Inter - segment sales elimination	(1,526)	(4,627)
Interest income	498	4,640
Other income – Income from the sale of development assets	-	1,806
Other income – Profit on the disposal of non-current assets	21,715	1,618
Total revenue and other income per Income Statement	4,340,951	4,181,203

ii) Segment net profit after tax reconciliation to Income Statement

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

2. DIVIDENDS PAID

	As at 31/12/2016 $000	As at 31/12/2015 $000
(a) Dividends declared and paid during the period on ordinary shares:		
Previous year final dividend paid		
Franked dividends - ordinary		
(72.0 cents per share) (2015: 60.5 cents)	145,499	122,259
(b) Dividends proposed and not recognised as a liability on ordinary shares:		
Interim dividend proposed		
Franked dividends - ordinary		
(53.0 cents per share) (2015: 47.0 cents)	107,103	94,978
(c) Dividends declared and paid during the period on CARES:		
Previous year final dividend paid		
Franked dividends - CARES	6,670	6,524
(d) Dividends proposed and not recognised as a liability on CARES:		
Interim dividend proposed		
Franked dividends – CARES	6,207	6,433

The tax rate at which paid dividends have been franked is 30% (2015: 30%). 100% of the proposed dividends will be franked at the rate of 30% (2015: 30%).

3. EARNINGS PER SHARE

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

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

	As at 31/12/2016 $000	As at 31/12/2015 $000
Net profit for the period attributable to the owners of the parent	255,945	224,848
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(6,670)	(6,524)
Profit used in calculating basic and diluted for profit (after CARES dividend) earnings per share	249,275	218,324

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,380,948	201,124,324
Effect of dilution – share rights not yet vested *(a)*	1,204,236	1,273,644
Weighted average number of ordinary shares adjusted for the effect of dilution	202,585,184	202,397,968

(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.

	As at 31/12/2016 Cents per Share	As at 31/12/2015 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the period	123.8	108.6
- diluted (after CARES dividend) for the period	123.0	107.9

4. CASH AND CASH EQUIVALENTS

	As at 31/12/2016 $000	As at 31/12/2015 $000
For the purpose of the half year consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank	409,226	216,063

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 2016, $30 million (2015: $23 million) deferred payment was paid to Sime Darby Berhad and, as at 31 December 2016, no outstanding deferred payment remained.

5. INTEREST BEARING LOANS AND BORROWING

Ramsay and its wholly owned subsidiaries

Refinancing of senior debt facilities

In November 2016, Ramsay and its wholly owned subsidiaries (except some dormant and special purpose subsidiaries) (**Ramsay Funding Group**) refinanced the Syndicated Facility Agreement, which was entered into in November 2011 and subsequently amended in December 2013, June 2014 and March 2015 (**Previous SFA**).

This refinancing also involved the Ramsay Funding Group entering into a Common Terms Deed Poll (**CTDP**), governed under English law, which contains the covenant package, group guarantee and other common terms and conditions for all of Ramsay Funding Group's senior debt facilities and bilateral facilities.

Ramsay refinanced the A$ senior debt tranches in the Previous SFA, via a "migration", into a new senior debt facility agreement and refinanced in full, the senior debt £ and € tranches in the Previous SFA. A description of each facility is provided at point (ii) below.

Set out below is a summary of key changes to the Previous SFA terms and conditions:

(i) **Key changes to terms and conditions**

The terms and conditions in the CTDP, senior debt facilities and bilateral facilities provide significant enhancements compared to those in the Previous SFA and bilateral facilities.

Terms and conditions that were significantly improved are detailed below:

- ***Funding flexibility for growth strategy*** – debt funding all or some of Ramsay's growth strategy is permitted provided the financial and other undertakings stipulated in the CTDP continue to be fully satisfied. This provides greater flexibility, speed and optionality to debt fund all or some of Ramsay's growth strategy, particularly acquisitions to be made through future joint ventures or franchise agreements.

- ***"Financial accommodation"*** - more flexibility around monies that may be loaned to non- wholly owned subsidiaries, provided the financial and other undertakings stipulated in the CTDP continue to be fully satisfied

- ***Tenor*** - tenor on the previous £ and € debt facilities was refreshed and extended to 5 years, i.e., November 2021. (Under the Previous SFA one third of these facilities matured in 3 years, i.e., July 2018 and the remainder matured in 5 years, i.e., May 2020)

- ***Pricing*** - the margins on the new £ and € debt facilities are significantly lower than the margins payable under the Previous SFA. The Commitment fee rate payable is also lower than the rate that was payable under the Previous SFA

- ***Access to offshore debt markets*** - the CTDP is governed under English law. This allows the Ramsay Funding Group to access the more liquid and deeper offshore debt markets, particularly the UK and European debt markets. The new £ and € debt facilities were funded by banks out of the UK, Europe, Asia and Australia

- ***Upsizing and / or accessing additional senior debt facilities and bilateral facilities*** The Ramsay Funding Group is able to use the terms and conditions negotiated and documented in the CTDP, to either upsize existing senior debt and bilateral facilities or obtain new additional senior debt and bilateral facilities, provided the financial and other undertakings stipulated in the CTDP continue to be fully satisfied. Consequently the Ramsay Funding Group does not have to re-negotiate terms and conditions with the existing lenders in order to obtain additional senior debt facilities and bilateral facilities, (provided the financial and other undertakings stipulated in the CTDP continue to be fully satisfied).

(ii) Senior debt facilities

a) A$ 1,200,000,000 Syndicated Facility Agreement

- the 3 year A$ 400,000,000 revolving tranche under the Previous SFA ; and

- the 5 year A$ 800,000,000 revolving tranche under the Previous SFA were "migrated" into a new Ramsay A$ syndicated facility agreement.

5. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Ramsay and its wholly owned subsidiaries (continued)

Whilst there were changes to certain salient terms and conditions, as detailed at (iii) below, there were no changes to the Previous SFA tranche limits, maturity dates or pricing (margins and commitment fees), nor to the banking syndicate providing those A$ facilities.

The "migrated" 3 year A$ revolving tranche and the 5 year A$ revolving tranche will continue to mature in July 2018 and May 2020 respectively.

The total drawn under the "migrated" Ramsay A$ facility agreement, as at 31 December 2016, was $940,000,000 (30 June 2016: $920,000,000 (amount drawn under Previous SFA)).

The "migrated" Ramsay A$ Facility is unsecured, relying on negative pledges and guarantees given by the Ramsay Funding Group. This facility continues to be governed by New South Wales law.

b) £395,000,000 Syndicated Facility Agreement

This Agreement refinanced and cancelled in full the following £ tranches under the Previous SFA:

- 3 year £86,666,667 revolving tranche ; and
- 5 year £93,333,333 revolving tranche

The total amounts drawn under the £395,000,000 Syndicated Facility Agreement as at 31 December 2016 was £294,361,193 (30 June 2016: £ 117,000,000 (amount drawn under Previous SFA)).

The £395,000,000 Syndicated Facility Agreement was entered into with a new banking syndicate. This agreement is a 5 year revolving facility maturing in November 2021.

The £395,000,000 Syndicated Facility Agreement is unsecured, relying on negative pledges and guarantees given by the Ramsay Funding Group. This Agreement is governed by English law.

c) €225,000,000 Syndicated Facility Agreement

Drawn amounts under this Agreement, together with additional funds drawn down under the £395,000,000 Syndicated Facility Agreement and converted to €, were used to refinance and cancel in full, the following Previous SFA € tranches:

- 3 year € 100,000,000 revolving facility ; and
- 5 year € 298,504,000 revolving facility

The total amounts drawn under the €225,000,000 Syndicated Facility Agreement as at 31 December 2016 was €160,700,000 (30 June 2016: €366,640,000 (amount drawn under Previous SFA)).

The €225,000,000 Syndicated Facility Agreement was entered into with a new banking syndicate. This agreement is a 5 year revolving facility maturing in November 2021.

The €225,000,000 Syndicated Facility Agreement is unsecured, relying on negative pledges and guarantees given by the Ramsay Funding Group. This Agreement is governed by English law.

(iii) Bilateral facilities

There were no changes to the previous Bilateral facilities' limits, maturity dates and pricing (margins and commitment fees), except certain terms and conditions on which they were provided, were amended to be consistent with the CTDP.

Under the bilateral facilities, as at 31 December 2016, the total outstandings were $12,651,714 (30 June 2016: $ 12,714,734) and £40,000 (30 June 2016: £3,590,968).

Ramsay Générale de Santé (RGDS) and controlled entities

The RGDS senior debt facilities were not refinanced and therefore there are no changes to any of the terms and conditions governing these debt facilities.

Other Interest Bearing Loans

Other interest bearing loans were not refinanced and therefore there are no changes to any of the terms and conditions governing these loans.

6. BUSINESS COMBINATIONS

Other Acquisitions - 2017

Over the past six months, Ramsay has acquired other businesses within the healthcare sector. The amounts recognised for these business combinations in the financial statements for the half year ended 31 December 2016 have been determined on a provisional basis only.

	$000
Fair value of identifiable net assets	682
Goodwill arising on acquisition	8,001
Acquisition date fair value of consideration transferred	8,683
The cash outflow on acquisition is as follows	
Cash paid	(8,683)

Other Acquisitions - 2016

In the six months to 31 December 2015, Ramsay acquired other businesses within the healthcare sector. The amounts recognised for these business combinations in the financial statements for the half year ended 31 December 2015 are as follows:

	$000
Fair value of identifiable net assets	2,399
Goodwill arising on acquisition	8,255
Acquisition date fair value of consideration transferred	10,654
The cash outflow on acquisition is as follows	
Cash paid	(10,654)

HPM - 2016

In December 2015 and January 2016, Ramsay Générale de Santé acquired 99.69% of the share capital of Hôpital Privé Métropole (HPM). The fair values of the identifiable assets and liabilities of HPM as at the date of the acquisition are as follows:

	$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	(7,809)
Fair value of identifiable net assets	**47,001**
Non-controlling interest	(4,114)
Goodwill arising on acquisition	163,934
	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)

6. BUSINESS COMBINATIONS (CONTINUED)

HPM – 2016 (continued)

The goodwill of $163,934,000 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 31 December 2015 were not material and therefore were not disclosed separately.

The revenue and results of the total Ramsay Group, for the half-year ended 31 December 2015, as though HPM was acquired on 1 July 2015, would not be significantly different to the Group results as reported.

7. FAIR VALUES

Unless disclosed below, the carrying amount of the Group's financial assets and liabilities approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates depending on the type of borrowings. At reporting date, the market interest rates vary from 1.64% to 1.815% (June 2016: 1.845% to 1.96%) for Australia, 0.256% to 0.367% (June 2016: 0.512% to 0.558%) for UK, and -0.368% to -0.319% (June 2016: -0.364% to -0.286%) for France respectively.

	As at 31/12/2016		As at 30/06/2016	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	3,161,677	3,203,596	3,145,943	3,205,134
Lease liabilities	247,774	271,275	259,487	279,998
Bondholders	7,125	7,369	9,258	9,732
Deferred consideration	-	-	30,060	30,060
	3,416,576	3,482,240	3,444,748	3,524,924

8. DERIVATIVE FINANCIAL INSTRUMENTS

Instruments used by the Group

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

Fair value

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

Level 1 the fair value is calculated using quoted prices in active markets.
Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.
The fair value of the financial instruments was estimated using the level 2 method valuation technique and is summarised in the table below.

	As at 31/12/2016 $000	As at 30/06/2016 $000
Financial assets		
Derivative instruments – interest rate swaps	1,753	-
Financial liabilities		
Derivative instruments – interest rate swaps	(37,607)	(63,518)

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

Transfer between categories

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial information and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:
  (i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half year ended on that date of the consolidated entity; and
  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

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

On behalf of the Board

M.S. Siddle Chairman	C.P. Rex Managing Director

Sydney, 23 February 2017

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To the members of Ramsay Health Care Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ramsay Health Care Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ramsay Health Care Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ramsay Health Care Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
23 February 2017