RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2014

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

		2014 $000	2013 $000	% increase/ (decrease)
Revenue and other income from continuing operations	(3)	4,911,720	4,181,138	17.5%
Revenue from services		4,909,314	4,174,535	17.6%
Profit from continuing operations before profit on disposal of assets, finance costs, tax, depreciation, amortisation and non-core items (Core EBITDA)		746,935	627,691	19.0%
Profit from continuing operations before finance costs, tax and non-core items (Core EBIT)		580,368	485,302	19.6%
Core profit after tax from continuing operations attributable to owners of the parent	**(1),(3)**	**346,150**	**290,872**	**19.0%**
Non-core items after tax attributable to owners of the parent	(3)	(42,391)	(24,468)	73.3%
Net profit after tax for the period attributable to owners of the parent *		**303,759**	**266,404**	**14.0%**

Earnings per share (cents per share)

Core EPS - Continuing operations	**(1),(2),(3)**	**163.9**	**135.9**	**20.6%**
Diluted Statutory EPS - Continuing operations		**143.0**	**123.9**	**15.4%**

* Inclusive of the dividends payable to holders of Convertible Adjustable Rate Equity Securities (CARES)

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

1.2 EARNINGS PER SHARE

	Full year ended 30/06/2014 $000	Full year ended 30/06/2013 $000
Net profit for the period attributable to the owners of the parent	303,759	266,404
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(13,898)	(15,508)
Profit used in calculating basic and diluted for profit (after CARES dividend) earnings per share from continuing operations	289,861	250,896
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	201,087,847	200,538,313
Weighted average number of ordinary shares used in calculating diluted earnings per share	202,687,965	202,569,630
Earnings per share	**Cents per share**	
- basic (after CARES dividend)	**144.1**	**125.1**
- diluted (after CARES dividend)	**143.0**	**123.9**
- basic (after CARES dividend) from continuing operations	**144.1**	**125.1**
- diluted (after CARES dividend) from continuing operations	**143.0**	**123.9**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	**Amount per security**	**Franked amount per security**
Current year		
- Interim dividend	34.0¢	34.0¢
- Final proposed dividend	51.0¢	51.0¢
Total dividend	85.0¢	85.0¢
Previous corresponding period		
- Interim dividend	29.0¢	29.0¢
- Final proposed dividend	41.5¢	41.5¢
Total dividend	70.5¢	70.5¢
Record date for determining entitlements to the ordinary dividend	10 September 2014	
Date the current year ordinary dividend is payable	24 September 2014	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES interim dividend	3 October 2014
Date the interim CARES dividend is payable	20 October 2014

The proposed interim ordinary and CARES dividends will be franked at the rate of 30% (2013: 30%).

1.4 NET TANGIBLE ASSETS

	30/06/2014	**30/06/2013**
Net tangible assets per ordinary share	$2.48	$2.46

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 30/06/2014 $000	**Full year ended 30/06/2013 $000**	**As at 30/06/2014**	**As at 30/06/2013**
Equity accounted joint venture entity				
Ramsay Sime Darby Health Care Sdn Bhd	3,181	-	50%	-
Total share of after tax profits of equity accounted investments	**3,181**	**-**		

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.6 DETAILS OF ENTITY OVER WHICH CONTROL HAS BEEN LOST

Control over PT Affinity Health Indonesia was lost on 1 July 2013 as a consequence of entering into a joint venture agreement with Sime Darby Berhad (a Malaysian listed company). PT Affinity Health Indonesia's contribution to the Group's net profit was not material in the previous corresponding period and has therefore not been disclosed separately.

1.7 COMMENTARY ON RESULTS

Commentary on results follows.

RAMSAY HEALTH CARE

ASX ANNOUNCEMENT

28 August 2014

RAMSAY HEALTH CARE REPORTS A 20.6% RISE IN FULL YEAR CORE EPS AND A 19.0% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] up 19.0% to $346.2 million
- Core earnings per share[2] up 20.6% to 163.9 cents
- Group:
  - Revenue up 17.6% to $4.9 billion
  - EBIT up 19.6% to $580.4 million
- Australia/Asia:
  - Revenue up 10.5% to $3.8 billion
  - EBIT up 14.8% to $480.2 million
- Europe:

  UK
  - Revenue up 4.7% to £382.7 million
  - EBIT up 11.1% to £35.3 million

  France
  - Revenue up 85.6% to €323.5 million
  - EBIT up 85% to €26.2 million
- Final dividend 51.0 cents fully franked, up 22.9% on the previous corresponding period, bringing the full-year dividend to 85.0 cents fully franked, up 20.6%
- Targeting Core NPAT and Core EPS growth for the Group of 14%-16% in FY15 (assuming 9 months of Générale de Santé)

Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Group Core Net Profit After Tax (Core NPAT) of $346.2 million for the year ended 30 June 2014, a 19.0% increase on the previous corresponding period.

Group Core NPAT delivered Core Earnings Per Share (Core EPS) of 163.9 cents for the year, a 20.6% increase on the 135.9 cents recorded a year ago and ahead of the upgraded guidance announced to the market in February 2014.

The Company's reported net profit after tax (after deducting non-core items) of $303.8 million was up 14.0% on the prior year.

Directors are pleased to announce a fully-franked final dividend of 51.0 cents, up 22.9% on the previous corresponding period, taking the full year dividend to 85.0 cents fully franked, up 20.6% on the prior year. The dividend Record Date is 10 September 2014 with payment on 24 September 2014. The Dividend Reinvestment Plan will remain suspended.

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[1] *Before non-core items*

[2] *Core net profit after CARES dividends*

50th Year Landmark

2014 marks the 50 year anniversary of Ramsay Health Care which was established by Paul Ramsay in Sydney and today is one of the largest private hospital operators in the world.

Ramsay Health Care Managing Director Chris Rex said the Company's achievements over the 50 years could be attributed to its focused strategy, management philosophy, people and culture.

"We recognise that our people are our most important asset and in acknowledgement of the important contribution they make to the Company we were delighted to launch a free share plan in July 2013," Mr Rex said.

"This share plan is designed to give employees the opportunity to have an ownership interest in our Company and, at the same time, to recognise the vital role they play in our organisation."

He paid tribute to founder and Chairman Paul Ramsay who passed away in May 2014.

"Paul will forever be remembered for his major contribution to healthcare in Australia and the legacy he has left, which will be of enduring benefit to the Australian community through the Paul Ramsay Foundation.

"It is pleasing that it is the intention of the Paul Ramsay Foundation to remain a significant long term shareholder of Ramsay Health Care and that the Directors of this Foundation are aligned with Ramsay's growth strategy.

"Under Paul's guidance Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to *The Ramsay Way* culture that he established. We will continue to operate the Company according to these values."

Strategy & Operations

Mr Rex said the outstanding results, achieved in the 50th year of the Company's operations, were a reflection of the strength of its growth strategy.

"We are successfully delivering on our stated growth strategy - focusing on hospitals; reinvesting in our facilities; pursuing public/private opportunities; and making prudent acquisitions," Mr Rex said.

"Ramsay Health Care is now a truly global operator with a geographically diverse portfolio of hospitals across five countries and the impending acquisition of Générale de Santé (GdS) cements our position in the top five private hospital operators in the world."

He said while the Company had successfully delivered on its growth strategy it had remained focused on its existing business and ongoing investment in its Australian hospitals through its capacity expansion programme which continued to produce strong results.

During the year, Ramsay's Australian and Asian business achieved outstanding revenue growth of 10.5% and EBIT growth of 14.8%. Operating margins for the Australian business continue to grow.

Ramsay's European operations were solid contributors to the overall Company performance in 2014.

Ramsay's UK business performed strongly with EBIT growing 11.1% to £35.3 million. NHS admissions continue to grow and costs have been managed well as is evidenced again by the increase in EBITDAR margins from 25.5% to 25.7%.

In France, Ramsay Santé had an excellent year with EBIT increasing by 85% to €26.2 million due to the continued improvement of the existing operations coupled with the contribution from the Clinique de l'Union (acquired in June 2013) and the Medipsy psychiatric facilities (acquired mid December 2013).

"Both of these results demonstrate clearly the excellent growth opportunities that exist in European markets for experienced hospital operators."

Acquisitions

On 1 July 2013 Ramsay commenced its joint venture with Sime Darby Berhad. The new joint venture which combines Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, has been successfully integrated.

In a major development for the Company, Ramsay Health Care announced it had acquired a controlling interest in Générale de Santé (GdS) in June 2014 which, when completed, will significantly expand Ramsay's French portfolio.

"The acquisition of GdS and its 61 hospitals (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) will make us the largest private hospital operator in France and will positively contribute to future earnings growth for the Company," Mr Rex said.

"This acquisition will make us the leading player in a country that has a strong, well-respected health system with a growing demand for health care services."

Ramsay will debt fund its equity interest in GdS and the transaction is expected to be EPS accretive immediately.

Brownfields Capacity Expansion

In the last financial year Ramsay Health Care approved a further $172 million for capacity expansions in Australia.

In particular, brownfield developments approved at major hospitals including St George, Lake Macquarie, Pindara, Beleura and Peninsula Private Hospitals, are expected to drive admissions growth in these key strategically located hospitals into the future.

"We have a quality portfolio of hospitals that are strategically located in high growth areas and over the past decade, we have demonstrated our success in expanding these hospitals to meet demand.

"We anticipate ongoing growth in demand will continue to drive substantial capital investment in these facilities well into the future."

In FY14 Ramsay opened the Sunshine Coast University Private Hospital which has a public services contract for five years with Queensland Health. In its first six months of operation the hospital admitted over 8,000 patients.

"During the year, we recontracted with the Victorian State government to operate the Mildura Base Hospital until 2020 and we tendered for the Northern Beaches Hospital with the NSW government.

"Peel Health Campus, a public hospital in WA purchased in June 2013, has been successfully integrated into the Group and we are looking forward to further development of both public and private facilities at this campus in the near future."

Balance Sheet and Cash Flow

Continuing strong operating cash flow and effective working capital management delivered a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

During the year Ramsay took the opportunity to access favourable debt markets and is pleased to have executed an extension of the existing debt facilities to 1 July 2017 and 1 May 2019 (for the 3 and 5 year facilities respectively) with improved pricing and terms.

Ramsay's strong balance sheet and strong cash flow generation provides us with the flexibility to fund the increasing brownfield capacity expansion programme, future acquisitions and ongoing working capital needs.

Outlook

Brownfield developments and prudent acquisitions, the hallmarks of Ramsay's growth strategy, will remain a priority for the Company in FY15 while it maintains focus on improving performance at its existing hospitals.

"With the finalisation of the GdS acquisition expected in late September 2014, we look forward to becoming the premier private operator in France and integrating GdS into our global operations," Mr Rex said.

"Ramsay Health Care has now established a strong position in a number of overseas markets. Our ability to manage hospitals across borders and cultures has been well demonstrated and this expertise is invaluable as we continue to canvas further opportunities in new and existing markets.

"We also look forward to producing increased benefits from our successful capacity expansion programme in Australia given the continuing strong demand for health services in this country.

"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 14% to 16% for FY15 (assuming 9 months of Générale de Santé)."

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Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

	Year Ended 30 June $ 000's				
	FY2014			**FY2013**	
	Australia/Asia	**Europe**	**Group**	**Group**	**% Increase**
Net Profit After Tax (NPAT)					
Operating revenue	3,749,352	1,159,962	4,909,314	4,174,535	17.6%
EBITDA	595,847	151,088	746,935	627,691	19.0%
EBIT	480,237	100,131	580,368	485,302	19.6%
Core NPAT (1)			**346,150**	**290,872**	**19.0%**
Non-core items, net of tax (3)			(42,391)	(24,468)	
Reported NPAT			303,759	266,404	14.0%
Earnings Per Share, (EPS) cents					
Core EPS (2)			**163.9**	**135.9**	**20.6%**
Reported EPS			143.0	123.9	15.4%
Dividends Per Share, cents					
Final dividend, fully franked			51.0	41.5	22.9%
Full-year dividend, fully franked			85.0	70.5	20.6%

Notes

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

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

(3) 'Non-core items, net of tax', include the non-cash portion of rent expense of $17.4 million, net of tax, relating to the UK hospitals.

SECTION 2

FINANCIAL INFORMATION

FOR THE FULL YEAR ENDED

30 JUNE 2014

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Revenue and other income			
Revenue from services	4	4,909,314	4,174,535
Interest income		2,053	4,257
Revenue - income from the sale of development assets		5,389	2,844
Other income - net profit on disposal of non-current assets	4	15,513	2,346
Total revenue and other income		**4,932,269**	**4,183,982**
Employee benefits costs	5	(2,511,982)	(2,066,031)
Occupancy costs	5	(314,497)	(260,972)
Service costs		(229,601)	(203,110)
Medical consumables and supplies		(1,180,337)	(1,048,837)
Depreciation, amortisation and impairment	5	(176,462)	(147,006)
Cost of goods sold - book value of development assets sold		(2,696)	(1,677)
Total expenses, excluding finance costs		**(4,415,575)**	**(3,727,633)**
Share of profit of joint venture	16	3,181	-
Profit from continuing operations before tax and finance costs		**519,875**	**456,349**
Finance costs	5	(77,135)	(69,695)
Profit before income tax from continuing operations		**442,740**	**386,654**
Income tax	6	(132,676)	(118,279)
Net profit for the year		**310,064**	**268,375**
Attributable to non-controlling interest		6,305	1,971
Attributable to owners of the parent		303,759	266,404
		310,064	**268,375**
Earnings per share (cents per share)			
Basic earnings per share			
Profit (after CARES dividend)	7	144.1	125.1
Profit (after CARES dividend) from continuing operations	7	144.1	125.1
Diluted earnings per share			
Profit (after CARES dividend)	7	143.0	123.9
Profit (after CARES dividend) from continuing operations	7	143.0	123.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Net profit for the year		310,064	268,375
Items that will not be reclassified to net profit			
Actuarial loss on defined benefit plans	28	(1,166)	(1,481)
Items that may be subsequently reclassified to net profit			
Cash flow hedges			
(Loss)/Gain taken to equity	24	(6,229)	1,653
Transferred to Income Statement	24	8,223	9,424
Net loss on bank loan designated as a hedge of a net investment		(12,231)	(15,202)
Foreign currency translation		11,327	35,110
Income tax relating to components of other comprehensive income	6(g)	(633)	(3,327)
Other comprehensive income for the year, net of tax		**(709)**	**26,177**
Total comprehensive income for the year		**309,355**	**294,552**
Attributable to non-controlling interests		4,784	5,801
Attributable to the owners of the parent		304,571	288,751
		309,355	294,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $000	2013 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	167,230	272,251
Trade receivables	13	543,090	482,843
Inventories	14	124,005	112,565
Other current assets	15	55,983	39,606
		890,308	907,265
Assets classified as held for sale	11	-	73,100
Total current assets		**890,308**	**980,365**
Non-current assets			
Other financial assets		2,319	1,952
Investments in joint venture	16	192,815	-
Property, plant and equipment	17	2,144,837	1,970,127
Goodwill and intangible assets	18	1,175,009	986,661
Deferred tax asset	6	99,469	87,501
Non-current prepayments		12,876	10,653
Derivative financial instruments	24	536	2,270
Non-current receivables	13	32,630	24,223
Total non-current assets		**3,660,491**	**3,083,387**
TOTAL ASSETS		**4,550,799**	**4,063,752**
LIABILITIES			
Current liabilities			
Trade and other payables	20	833,473	643,997
Interest-bearing loans and borrowings	22	34,207	18,693
Derivative financial instruments	24	10,237	12,869
Provisions	21	40,097	38,839
Income tax payable	6	4,561	34,835
		922,575	749,233
Liabilities directly associated with assets classified as held for sale	11	-	46,068
Total current liabilities		**922,575**	**795,301**
Non-current liabilities			
Interest-bearing loans and borrowings	22	1,333,708	1,242,076
Provisions	21	484,769	431,017
Defined employee benefit obligation	28	21,204	10,833
Derivative financial instruments	24	6,202	7,296
Other creditors		5,805	5,446
Deferred tax liability	6	32,892	29,968
Total non-current liabilities		**1,884,580**	**1,726,636**
TOTAL LIABILITIES		**2,807,155**	**2,521,937**
NET ASSETS		**1,743,644**	**1,541,815**
EQUITY			
Issued capital	23	713,523	713,523
Treasury shares	23	(50,330)	(49,684)
Convertible Adjustable Rate Equity Securities (CARES)	23	252,165	252,165
Cash flow hedges	24	(10,914)	(12,255)
Share based payment reserve		48,276	33,026
Vested employee equity		(16,469)	(12,238)
Other reserves		(348)	(8,707)
Retained earnings		766,656	629,742
Parent interests		**1,702,559**	**1,545,572**
Non-controlling interests		**41,085**	**(3,757)**
TOTAL EQUITY		**1,743,644**	**1,541,815**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Changes in Equity for the Year to 30 June 2014								
	Balance at 1 July 2013 $000	**Dividends $000**	**Shares purchased for executive performance share plan $000**	**Treasury shares vesting to employees in the year $000**	**Share based payment reserve $000**	**Share capital issue-Ramsay Santé $000**	**Acquisition/ Disposal of subsidiary/non-controlling interest $000**	**Total comprehensive income for the year, net of tax $000**	**Balance at 30 June 2014 $000**
Issued capital	713,523	-	-	-	-	-	-	-	713,523
Treasury shares	(49,684)	-	(30,596)	29,950	-	-	-	-	(50,330)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	-	252,165
Share based payment reserve	33,026	-	-	(25,719)	40,969	-	-	-	48,276
Cash flow hedges	(12,255)	-	-	-	-	-		1,341	(10,914)
Bank loan designated as a hedge of a net investment in a subsidiary	73,533	-	-	-	-	-	-	(12,231)	61,302
Foreign currency translation	(82,240)	-	-	-	-	-	8,215	12,375	(61,650)
Retained earnings	629,742	(166,172)	-	-	-	-	-	303,086	766,656
Vested employee equity	(12,238)	-	-	(4,231)	-	-	-	-	(16,469)
Owners of the parent	**1,545,572**	**(166,172)**	**(30,596)**	**-**	**40,969**	**-**	**8,215**	**304,571**	**1,702,559**
Non-controlling interests	**(3,757)**	**-**	**-**	**-**	**-**	**39,027**	**1,031**	**4,784**	**41,085**
Total equity	**1,541,815**	**(166,172)**	**(30,596)**	**-**	**40,969**	**39,027**	**9,246**	**309,355**	**1,743,644**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Changes in Equity for the Year to 30 June 2013

	Balance at 1 July 2012 $000	Dividends $000	Shares purchased for executive performance share plan $000	Treasury shares vesting to employees in the year $000	Share based payment reserve $000	Acquisition of Non-controlling Interest $000	Total comprehensive income for the year, net of tax $000	Balance at 30 June 2013 $000
Issued capital	713,523	-	-	-	-	-	-	713,523
Treasury shares	(23,259)	-	(32,305)	5,880	-	-	-	(49,684)
Convertible preference shares - CARES	252,165	-	-	-	-	-	-	252,165
Share based payment reserve	23,101	-	-	(3,026)	12,951	-	-	33,026
Cash flow hedges	(19,972)	-	-	-	-	-	7,717	(12,255)
Bank loan designated as a hedge of a net investment in a subsidiary	88,735	-	-	-	-	-	(15,202)	73,533
Foreign currency translation	(113,425)	-	-	-	-	-	31,185	(82,240)
Retained earnings	508,044	(143,353)	-	-	-	-	265,051	629,742
Vested employee equity	(9,384)	-	-	(2,854)	-	-	-	(12,238)
Owners of the parent	**1,419,528**	**(143,353)**	**(32,305)**	**-**	**12,951**	**-**	**288,751**	**1,545,572**
Non-controlling interests	**(13,327)**	**-**	**-**	**-**	**-**	**3,769**	**5,801**	**(3,757)**
Total equity	**1,406,201**	**(143,353)**	**(32,305)**	**-**	**12,951**	**3,769**	**294,552**	**1,541,815**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		4,874,853	4,129,637
Payments to suppliers and employees		(4,075,765)	(3,487,609)
Income tax paid		(164,158)	(121,109)
Finance costs		(73,418)	(70,510)
Net cash flows from operating activities	9	**561,512**	**450,409**
Cash flows from investing activities			
Purchase of property, plant and equipment		(245,664)	(265,574)
Proceeds from sale of property, plant and equipment		1,414	11,013
Interest received		2,053	4,257
Acquisition of investment in joint venture	9	(72,425)	-
Acquisition of business, net of cash received	10	(227,294)	(91,080)
Net cash flows used in investing activities		**(541,916)**	**(341,384)**
Cash flows from financing activities			
Dividends paid		(166,172)	(143,353)
Repayment of principal to bondholders		(3,423)	(3,160)
Repayment of finance lease - principal		(2,330)	(3,809)
Purchase of ordinary shares		(30,596)	(32,305)
(Repayment)/Proceeds of borrowings		(17,143)	164,189
Proceeds from outside equity interest loan		52,895	-
Proceeds from issue of shares to outside equity interest		39,027	-
Net cash flows used in financing activities		**(127,742)**	**(18,438)**
Net (decrease)/increase in cash and cash equivalents		(108,146)	90,587
Net foreign exchange differences on cash held		3,125	8,246
Cash and cash equivalents at beginning of year		272,251	173,418
Cash and cash equivalents at end of year	9	**167,230**	**272,251**

1. CORPORATE INFORMATION

Ramsay Health Care Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of the Group are described in the Directors' Report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Comparatives have been disclosed on a consistent basis and as used in the annual financial statements for the year ended 30 June 2013.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

	2014 $000	2013 $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	303,759	266,404
Add/(less) non-core items:		
- Non-cash portion of rent expense relating to leased UK hospitals [(a)]	22,910	21,640
- Amortisation - service concession assets	2,800	2,271
- Net profit on disposal of non-current assets	(15,160)	-
- Income from the sale of development assets	(5,389)	(2,844)
- Book value of development assets sold	2,696	1,677
- Acquisition, disposal, and development costs	33,880	10,466
- Impairment of non-current assets	6,742	-
- Introduction of employee share plan costs	14,067	-
- (Gain)/loss on interest rate hedge	-	(67)
Income tax on non-core items	(18,115)	(8,014)
Non-controlling interest in non-core items net of tax	(2,040)	(661)
	42,391	24,468
Core profit (segment result) after tax from continuing operations	346,150	290,872
Core earnings per share from continuing operations		
Core profit after tax from continuing operations (above)	346,150	290,872
Less: CARES Dividend	(13,898)	(15,508)
Core profit after tax from continuing operations used to calculate core earnings per share from continuing operations	332,252	275,364
Weighted average number of ordinary shares adjusted for effect of dilution	202,687,965	202,569,630
Core earnings per share from continuing operations	163.9c	135.9c

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

	2014 $000 Statutory consolidated Income Statement	2014 $000 Non-core items as listed at 2(a)(i)	2014 $000 Core (segment) consolidated Income Statement
Revenue and other income			
Revenue from services	4,909,314	-	4,909,314
Interest income	2,053	-	2,053
Revenue - income from the sale of development assets	5,389	(5,389)	-
Other income - net profit on disposal of non-current assets	15,513	(15,160)	353
Total revenue and other income	**4,932,269**	**(20,549)**	**4,911,720**
Employee benefits costs	(2,511,982)	14,067	(2,497,915)
Occupancy costs	(314,497)	22,910	(291,587)
Service costs	(229,601)	33,880	(195,721)
Medical consumables and supplies	(1,180,337)	-	(1,180,337)
Depreciation, amortisation and impairment	(176,462)	9,542	(166,920)
Cost of goods sold - book value development assets sold	(2,696)	2,696	-
Total expenses, excluding finance costs	**(4,415,575)**	**83,095**	**(4,332,480)**
Share of profit of joint venture	3,181	-	3,181
Profit from continuing operations before tax and finance costs	**519,875**	**62,546**	**582,421**
Finance costs	(77,135)	-	(77,135)
Profit before income tax from continuing operations	**442,740**	**62,546**	**505,286**
Income tax	(132,676)	(18,115)	(150,791)
Net profit for the year	**310,064**	**44,431**	**354,495**
Attributable to non-controlling interest	6,305	2,040	8,345
Attributable to owners of the parent	303,759	42,391	346,150
	310,064	**44,431**	**354,495**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Compliance with IFRS

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

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretation as of 1 July 2013:

- AASB 10 - *Consolidated Financial Statements*
- AASB 11 - *Joint Arrangements*
- AASB 12 - *Disclosure of Interests in Other Entities*
- AASB 13 - *Fair Value Measurement*
- AASB 119 - *Employee Benefits*
- AASB 2012 - 5 *Amendments to Australian Accounting Standards Arising from Annual Improvements 2009 - 2011 Cycle*
- AASB 2012 - 2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*
- AASB 2012 - 10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*
- AASB 2011 - 4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]
- AASB 2013 - 3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (Early Adoption)

The adoption of these Australian Accounting Standards and AASB Interpretations is described below.

AASB 10 Consolidated Financial Statements
This standard establishes a new control model that applies to all entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations. The adoption of this new standard did not have a material impact on the financial position or performance of the Group.

AASB 11 Joint Arrangements
This standard uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. The adoption of this new standard did not have an impact on the financial position or performance of the Group.

AASB 12 – Disclosure of Interests in Other Entities
This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of this new standard did not have an impact on the financial position or performance of the Group. Additional disclosure has been included on information relating to subsidiaries.

AASB 13 – Fair Value Measurement
This standard establishes a single source of guidance on how to determine fair value of assets and liabilities when, fair value is required or permitted. The adoption of this new standard did not have a material impact on the financial position or performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

(i) Changes in accounting policy (continued)

AASB 119 – Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard also changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The amendment has had no impact on the financial position or performance of the Group.

AASB 2012 - 5 Amendments to Australian Accounting Standards Arising from Annual Improvements 2009 - 2011 Cycle

This amendment makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: (1) Repeat application of AASB 1 is permitted and (2) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). This amendment has had no impact on the financial position or performance of the Group.

AASB 2012 - 10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

This amendment amends the following standards:

- AASB 10 Consolidation and related standards - clarifies the transition guidance, in particular that the assessment of control is to be made at the beginning of the period AASB 10 is adopted rather that prior periods;
- AASB 10 and related standards to defer the mandatory application by not-for-profit entities to annual reporting periods beginning on or after 1 January 2014; and
- Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 Service Concession Arrangements, to reflect changes made to the text of IFRSs by the IASB

This amendment did not have a material impact on the financial position or performance of the Group.

AASB 2011 - 4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The adoption of this amendment did not have any impact on the financial position or performance of the Group. Disclosures on individual KMP's equity holdings have been removed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss. 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 caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. 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.	1 January 2018	The Group is currently evaluating the impact of the new standard.	I July 2018

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	The adoption of this new amendment will not have any impact on the financial report.	1 July 2014
IFRS 15	Revenue from Contracts with Customers	The core principle of IFRS 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	1 January 2017	The Group is currently evaluating the impact of the new standard.	1 July 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 -Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 -Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 -Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. ► IAS 16 & IAS 38 -Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 -Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The adoption of the annual improvements to IFRS will not have any impact on the financial report.	1 July 2014
Annual Improvements 2011-2013 Cycle	Annual Improvements to IFRS 2011-2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 -Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ► IAS 40 -Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	The adoption of the annual improvements to IFRS will not have any impact on the financial report.	1 July 2014

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ramsay Health Care Limited and its subsidiaries ('**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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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 statement of comprehensive income 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.

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:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(e) Significant accounting judgements, estimates & assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Taxation

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

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

(ii) Significant accounting estimates & assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in Note 19.

Share – based payment transactions

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

Medical malpractice provision

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

Defined employee benefit obligation

The cost of defined employee benefit obligations are determined using actuarial valuations. 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 rate management considers the interest rates of corporate bonds in the respective country. The mortality rate is based on publicly available mortality tables for the specific country.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 as 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 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 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.

(h) Property, plant & equipment

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant & equipment (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 those expense categories consistent with the function of the impaired asset.

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

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

(i) Finance costs

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

(j) Goodwill

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill (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.

(k) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

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

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, such financial assets are subsequently measured at amortised cost using the effective interest 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 other operating expenses for receivables.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 30 June 2014 and 2013.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

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

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group has not offset any financial assets and liabilities for the years ended 30 June 2013 and 2014.

(v) Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

(l) Inventories

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

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

(m) Cash & cash equivalents

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

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

(n) Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share-based payment transactions

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

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

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

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

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

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

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

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

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

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

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

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

(p) Leases

(i) Group as lessee

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

(ii) Group as lessor

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 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.

(q) Revenue

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

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

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

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

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

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

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

(r) Income tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

- 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.

(s) Other taxes

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

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

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

(t) Derivative financial instruments & hedging

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivative financial instruments & hedging (continued)

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.

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.

(u) Investment in a joint venture

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Investment in a joint venture (continued)

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 a 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.

(v) Intangible assets

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

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

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

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

	Service Concession Assets	**Development Costs**
Useful lives	Finite	Finite
Amortisation method used	Amortised over the period of the lease	Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.	Annually for assets not yet available for use. The amortisation method is reviewed at each financial year end.

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

(w) Service concession assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee leave benefits

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

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

(y) Insurance

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

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

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

(z) Contributed equity

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

(aa) Business combinations

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Other post-employment benefits

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. 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.

(ac) Fair value 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 to 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.

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 notes: 13, 20, 22 and 24.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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.

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

(a) Interest rate risk
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 30.

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

	2014 $000	2013 $000
Financial Assets		
Cash and cash equivalents	167,230	272,251
Financial Liabilities		
Bank Loans	(409,030)	(395,783)
Net exposure	(241,800)	(123,532)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Interest rate derivatives contracts are outlined in Note 24, with a net negative fair value of $12,460,000 (2013: negative: $17,895,000) 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 2014, after taking into account the effect of interest rate swaps, approximately 65% (2013: 67%) of the Group's borrowings are at a fixed rate of interest.

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

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2014	2013	2014	2013
	$000	$000	$000	$000
AUD				
+ 60 basis points (2013: + 120 basis points)	(955)	(2,513)	7,059	20,183
- 60 basis points (2013: - 120 basis points)	949	2,512	(7,177)	(21,096)
GBP				
+ 70 basis points (2013: + 60 basis points)	(507)	(244)	1,554	2,617
- 70 basis points (2013: - 60 basis points)	483	244	(1,546)	(2,647)
IDR				
+ 100 basis points (2013: + 100 basis points)	-	(15)	-	-
- 100 basis points (2013: - 100 basis points)	-	15	-	-
EUR				
+ 30 basis points (2013: + 40 basis points)	(189)	(150)	726	228
- 30 basis points (2013: - 40 basis points)	113	150	(674)	(229)

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 2014, comparing to 2013 is due to the decrease in hedging from 67% in 2013 to 65% in 2014 and the decreased interest rate volatility in 2014.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (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.

The Group hedges its exposure to fluctuations on the translation into Australian dollar of its foreign operations by utilising currency swaps and forwards.

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**
2014	+15%	(17)	(23,395)
	-15%	19	26,901
2013	+15%	(23)	(20,529)
	-15%	26	23,594

- At reporting date, the Group had the GBP exposure of £98,844,000 (2013: £94,595,000) that is not designated in a net investment hedge.
- The Group has a GBP borrowing of £117,000,000 (2013: £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 24.

Euro (EUR)

	Change in EUR rate	**Effect on Post Tax Profit Higher/ (Lower)**	**Effect on Other Comprehensive Income Higher/(Lower)**
		$000	**$000**
2014	+15%	(6)	(4,641)
	-15%	7	5,336
2013	+20%	(12)	(9,505)
	-20%	14	11,406

- At reporting date, the Group had the Euro exposure of €24,508,000 (2013:€40,098,000) that is not designated in a net investment hedge.
- The Group has a Euro borrowing of €80,000,000 (2013: Nil) that is designated as a hedge of the net investment in the French operation. Further information on the hedge is set out in Note 24.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (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
2014	+15%	(1,358)	(6,741)
	-15%	1,562	7,752
2013	+5%	(2,131)	-
	-5%	2,239	-

- At reporting date, the Group had the MYR exposure of MYR 156,407,000 (2013: Nil) that is not designated in net investment hedge.
- The Group has a MYR borrowing of MYR 185,273,000 (2013: Nil) that is designated as a hedge of the net investment in the Malaysian operations. Further information on the hedge is set out in Note 24.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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.

Year ended 30 June 2014	**On demand $000**	**Less than 3 months $000**	**3 to 12 months $000**	**1 to 5 years $000**	**> 5 years $000**	**Total $000**
Trade and other payable	-	(823,468)	-	-	-	(823,468)
Interest-bearing loans and borrowings	-	(26,022)	(32,420)	(1,374,391)	-	(1,432,833)
Sub-ordinated bonds	-	-	-	(68,286)	-	(68,286)
Outside equity interest loan	-	-	-	-	(64,819)	(64,819)
Deferred consideration	-	(14,868)	-	(52,105)	-	(66,973)
Financial derivatives	-	(3,473)	(8,692)	(5,483)	-	(17,648)
	-	(867,831)	(41,112)	(1,500,265)	(64,819)	(2,474,027)

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2014	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Inflows	-	4,196	11,553	21,680	-	37,429
Outflows	-	(7,669)	(20,245)	(27,163)	-	(55,077)
Net	-	(3,473)	(8,692)	(5,483)	-	(17,648)
Discounted at the applicable interbank rates	-	(2,175)	(8,217)	(6,047)	-	(16,439)

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

4. REVENUE

(a) Revenue from services

	2014 $000	2013 $000
Revenue from patients	4,814,867	4,081,267
Rental income - Other persons/corporations	33,082	40,471
Income from ancillary services	61,365	52,797
Revenue from services	4,909,314	4,174,535

(b) Other income – profit on disposal of non-current assets

Other income - net profit on disposal of non-current assets	15,513	2,346

5. EXPENSES

Expenses from Continuing Operations

(a) Depreciation included in Income Statement		
Depreciation - Plant and equipment	110,446	103,081
Depreciation - Buildings	50,389	37,650
Total depreciation	160,835	140,731
(b) Amortisation included in Income Statement		
Service concession assets	5,271	2,834
Development cost	3,614	3,441
Total amortisation	8,885	6,275
(c) Impairment included in Income Statement		
Impairment - Property, plant and equipment	6,742	-
Total impairment	6,742	-
(d) Operating lease costs and incentive		
Lease costs included in occupancy costs expenses in the Income Statement	164,847	109,082

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*	(22,910)	(21,640)

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 2014 was lower than the rent expensed by $22,910,000 (2013: $21,640,000). The ongoing effect of the difference between cash rent paid and rent expense will be separately identified at each period.

5. EXPENSES (CONTINUED)

	2014 $000	2013 $000
(e) Employee benefits cost		
Wages and salaries	2,219,575	1,863,167
Workers' compensation	20,429	16,210
Superannuation	128,545	110,321
Termination benefits	3,911	2,700
Other employment	101,581	62,406
Share-based payments (including expenses arising from transactions accounted for as equity-settled share-based payment transactions)	37,941	11,227
	2,511,982	2,066,031
(f) Finance costs		
Interest expense - Other persons/corporations	75,551	75,947
Finance charges - Lease liability	1,454	1,631
Finance charges - Gain on interest rate hedge	-	(67)
	77,005	77,511
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	3,913	-
Finance costs capitalised	(3,783)	(7,816)
	77,135	69,695

6. INCOME TAX

	2014 $000	2013 $000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	136,563	131,894
Adjustments in respect of previous years	549	3,205
Deferred income tax		
Relating to origination and reversal of temporary differences	(3,306)	(15,080)
Adjustments in respect of deferred income tax of previous years	(1,130)	(1,740)
Income tax expense reported in the Income Statement	132,676	118,279

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

	2014 $000	2013 $000
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	442,740	386,654
At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	132,822	115,996
Expenditure not allowable for income tax purposes	(1,197)	3,343
Foreign tax rate adjustment	(420)	(1,159)
Other	1,471	99
	132,676	118,279
Income tax expense reported in the consolidated Income Statement attributable to continuing operations	132,676	118,279

(c) Amounts charged or credited directly to equity

	2014 $000	2013 $000
Deferred income tax related to items charged or credited directly to equity		
Net unrealised gains	(833)	(3,376)
Actuarial gain/loss on defined benefit plans	-	120
Treasury shares	4,413	1,724
	3,580	(1,532)

6. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities

	2014 $000 Current income tax	2014 $000 Deferred income tax	2013 $000 Current income tax	2013 $000 Deferred income tax
Opening balance	(34,835)	57,533	(37,512)	51,236
(Charged)/ credited to income	(137,112)	4,436	(135,099)	16,820
Credited/(charged) to equity	-	3,580	-	(1,532)
Transfer to liabilities held for resale	-	-	922	2,113
Payments	164,863	-	119,450	-
Exchange differences	(226)	(423)	313	(1,178)
Acquisition of subsidiary	2,749	1,451	17,091	(9,926)
Closing balance	(4,561)	66,577	(34,835)	57,533

Amounts recognised in the Statement of Financial Position

	2014	2013
Deferred tax asset	99,469	87,501
Deferred tax liability	(32,892)	(29,968)
Net deferred income tax	66,577	57,533

	Statement of Financial Position 2014 $000	2013 $000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Inventory	(14,617)	(13,502)
Recognition of revenue	(11,594)	(11,599)
Depreciable assets	(54,163)	(57,505)
Other	(3,245)	(862)
Other provisions and lease liabilities	(21,113)	(20,051)
Gross deferred tax liabilities	(104,732)	(103,519)
Set-off of deferred tax assets	71,840	73,551
Net deferred tax liabilities	(32,892)	(29,968)
(ii) Deferred tax assets		
Employee provisions	91,870	80,770
Other provisions and lease liabilities	55,223	49,004
Unearned income	9,717	7,622
Other	7,254	7,773
Losses	2,480	10,487
Derivatives	4,765	5,396
Gross deferred tax assets	171,309	161,052
Set-off of deferred tax assets	(71,840)	(73,551)
Net deferred tax assets	99,469	87,501

6. INCOME TAX (CONTINUED)

(e) Tax losses

At 30 June 2014, there is $9,816,053 (2013: $9,810,484) of unrecognised deferred income tax assets in relation to capital losses carried forward. As it is not probable they will be used in the foreseeable future, they have not been recognised.

(f) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

As a result of tax consolidation, intercompany assets of Ramsay Health Care Limited have increased by $5,915,000 (2013: increased $40,843,000). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 35.

(g) Tax relating to other comprehensive income

	2014 $000	2013 $000
Disclosure of tax effects relating to each component of other comprehensive income		
- Cashflow hedges taken to equity	1,869	(496)
- Cashflow hedges transferred to the Income Statement	(2,502)	(2,831)
	(633)	(3,327)

7. EARNINGS PER SHARE

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

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

7. EARNINGS PER SHARE (CONTINUED)

	2014 $000	2013 $000
Net profit for the year attributable to the owners of the parent	303,759	266,404
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(13,898)	(15,508)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share from continuing operations	289,861	250,896

	2014 Number of Shares	2013 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	201,087,847	200,538,313
Effect of dilution – share rights not yet vested (a)	1,600,118	2,031,317
Weighted average number of ordinary shares adjusted for the effect of dilution	202,687,965	202,569,630

(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.

	2014 Cents per Share	2013 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	144.1	125.1
- diluted (after CARES dividend) for the year	143.0	123.9
- basic (after CARES dividend) from continuing operations	144.1	125.1
- diluted (after CARES dividend) from continuing operations	143.0	123.9

8. DIVIDENDS PAID OR PROPOSED

	Parent	
	2014 $000	2013 $000
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary		
(34.0 cents per share) (2013: 29.0 cents per share)	68,708	58,604
(ii) Previous year final dividend paid		
Franked dividends – ordinary		
(41.5 cents per share) (2013: 34.5 cents per share)	83,864	69,718
	152,572	128,322
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary		
(51.0 cents per share) (2013: 41.5 cents per share)	103,061	83,864
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	13,898	15,508
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	6,846	7,088

8. DIVIDENDS PAID OR PROPOSED

(e) Franking credit balance

	Parent 2014 $000	Parent 2013 $000
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% (2013: 30%)	323,514	238,852
- franking credits that will arise from the payment of income tax payable as at the end of the financial year *	11,111	31,029
	334,625	269,881
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	(47,103)	(38,979)
	287,522	230,902

* 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% (2013: 30%). $109,907,000 (2013: $90,952,000) of the proposed dividends will be franked at the rate of 30% (2013: 30%).

9. CASH AND CASH EQUIVALENTS

	2014 $000	2013 $000
Cash at bank and on hand	167,230	272,251
Reconciliation to Statement of cash flows		
For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and on hand	167,230	272,251
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax for the year	310,064	268,375
Adjustments for:		
Share of profit of joint venture	(3,181)	-
Depreciation, amortisation and impairment	176,462	147,006
Interest received	(2,053)	(4,257)
Changes in assets & liabilities		
Deferred tax	(8,246)	(3,320)
Receivables	(42,871)	(50,508)
Other assets	4,650	25,297
Creditors and accruals	124,032	39,036
Provisions	39,494	34,869
Inventory	(9,191)	(5,106)
Tax provisions	(27,648)	(983)
Net cash from operating activities	561,512	450,409

Disclosure of financing facilities
Refer to Note 30.

Acquisition of investment in 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. As at 30 June 2014, a total of $64.4 million has been paid to Sime Darby Berhad and an investment in the joint venture of $195,720,000 was recorded at acquisition. A reconciliation between the cash payments to Sime Darby Berhad and the investment in the joint venture recorded at acquisition is as follows:

9. CASH AND CASH EQUIVALENTS (continued)

	Note	$000
Cash payment to Sime Darby Berhad		64,361
Cash in relation to Indonesian operations contributed to joint venture		8,064
Net cash outflow		72,425
Deferred payment to Sime Darby payable within 1 year		15,301
Deferred payments to Sime Darby payable within 3 years		44,237
Value of Indonesian operations contributed to joint venture		63,757
Total investment in joint venture	16	195,720

10. BUSINESS COMBINATIONS

Medipsy – 2014

On 16 December 2013, Ramsay Santé acquired 100% of the share capital of Medipsy and 66.67% of the share capital of a related entity. Ramsay Santé has provisionally recognised the fair values of the identifiable assets and liabilities of Medipsy based upon the best information available as of the reporting date. Ramsay Santé will over the coming months 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 Medipsy business combination, in order to retrospectively adjust the provisional amounts recognised. Provisional business combination accounting is as follows:

	$000
Cash	2,517
Accounts Receivable	20,725
Inventory	586
Other current assets	16,762
Corporate tax receivable	2,749
Property, plant and equipment	90,783
Other non-current assets	3,055
Intangible assets	1,037
Deferred income tax asset	1,451
Creditors and accruals	(67,436)
Intercompany loan	(123,799)
Interest bearing liabilities	(2,681)
Provisions and other liabilities non-current	(9,000)
Fair value of identifiable net liabilities	(63,251)
Non-controlling interest in identifiable acquired net liabilities	(2,424)
Intercompany debt eliminated on consolidation	123,799
Goodwill arising on acquisition	171,687
	229,811
Acquisition date fair value of consideration transferred	
Cash paid	229,811
	229,811
Direct costs relating to the acquisition - included within service costs	5,112
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	2,517
Cash paid	(229,811)
Net consolidated cash outflow	(227,294)

The value of the non-controlling interest was recorded at the fair value as at the acquisition date.

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

Key factors contributing to the $171,687,000 million of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Medipsy facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Medipsy from acquisition to 30 June 2014 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2014, as though Medipsy was acquired on 1 July 2013, would not be significantly different to the Group results as reported.

10. BUSINESS COMBINATIONS (CONTINUED)

Clinique de l'Union – 2013

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

	$000
Cash overdraft	(4,770)
Accounts Receivable	14,083
Inventory	1,969
Other current assets	12,219
Property, plant and equipment	4,724
Intangible assets	79
Deferred income tax asset	3,906
Creditors and accruals	(23,960)
Interest bearing liabilities	(14,627)
Provisions and other liabilities non-current	(5,025)
Fair value of identifiable net liabilities	(11,402)
Non-controlling interest in identifiable acquired net liabilities	(3,739)
Goodwill arising on acquisition	44,400
	29,259
Acquisition date fair value of consideration transferred	
Cash paid	29,259
	29,259
Direct costs relating to the acquisition - included within service costs	1,293
The cash outflow on acquisition is as follows:	
Net cash overdraft acquired with the subsidiary	4,770
Cash paid	29,259
Net consolidated cash outflow	34,029

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

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

Key factors contributing to the $44,400,000 of goodwill are the synergies existing within the acquired business and the synergies expected to be achieved as a result of combining the Clinique de l'Union and Le Marquisat facilities with the rest of the Group. The goodwill balance represents goodwill attributed to both the parent and the non-controlling interest. This acquisition provides a number of benefits for the Group.

The results of Clinique de l'Union and Le Marquisat from acquisition to 30 June 2013 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2013, as though Clinique de l'Union and Le Marquisat were acquired on 1 July 2012, would not be significantly different to the Group results as reported.

10. BUSINESS COMBINATIONS (CONTINUED)

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

	$000
Accounts Receivable	587
Prepayments	924
Inventory	1,198
Service concession asset	42,000
Property, plant and equipment	450
Deferred income tax liability	(13,832)
Provisions	(5,130)
Fair value of identifiable net assets	26,197
Goodwill arising upon acquisition pursuant to accounting standards	22,197
	48,394
Acquisition date fair value of consideration transferred	
Cash paid/to be paid	65,051
Less: tax effect	(16,657)
	48,394
Direct costs relating to the acquisition - included with service costs	65
The cash outflow/(inflow) on acquisition is as follows:	
Cash paid	57,051
Tax receivable	(16,657)
Deferred contingent purchase consideration	8,000
Net consolidated cash outflow	48,394

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

Key factors contributing to the $22,197,000 of goodwill arising upon acquisition are synergies expected to be achieved as a result of combining the Peel Health Campus with the Group.

The results of Peel Health Campus from acquisition to 30 June 2013 are not material and therefore have not been disclosed separately.

The revenue and results of the total Ramsay Group, for the year ended the 30 June 2013, as though Peel Health Campus was acquired on 1 July 2012, would not be significantly different to the Group results as reported.

11. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

	2014 $000	2013 $000
Assets		
Trade and other receivables	-	12,300
Inventories	-	2,654
Other assets	-	2,852
Property, plant and equipment	-	32,049
Goodwill and intangible assets	-	23,245
Assets classified as held for sale	-	73,100
Liabilities		
Trade and other payables	-	(10,382)
Interest-bearing loans and borrowings	-	(20,262)
Provisions	-	(12,389)
Income tax payable	-	(922)
Deferred tax liabilities	-	(2,113)
Liabilities directly associated with assets classified as held for sale	-	(46,068)
Net assets directly associated with held for sale operations	**-**	**27,032**

12. SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on the country in which the service is provided, as this is the Group's major risk and has the most effect on the rate of return, due to differing currencies and differing health care systems in the respective countries. The Group has 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 in Note 2 to the accounts and in prior periods.

	Total and continuing operations			
	Asia Pacific $000	**UK $000**	**France $000**	**Total $000**
Year ended 30 June 2014				
Revenue				
Revenue from services	3,749,352	679,318	480,644	4,909,314
Total revenue before intersegment revenue	3,749,352	679,318	480,644	4,909,314
Intersegment revenue	5,403	-	-	5,403
Total segment revenue	3,754,755	679,318	480,644	4,914,717
Results				
Segment net profit after tax	305,718	32,986	15,791	354,495
Interest	(40,800)	(18,233)	(16,049)	(75,082)
Income tax expense	(133,719)	(9,873)	(7,199)	(150,791)
Depreciation and amortisation	(115,963)	(31,893)	(19,064)	(166,920)

Assets & liabilities	**Asia Pacific $000**	**UK $000**	**France $000**	**Adjustments & Eliminations**	**Total $000**
Segment assets	3,673,231	809,697	673,026	(605,155)	4,550,799
Segment liabilities	(1,953,500)	(424,377)	(498,253)	68,975	(2,807,155)

12. SEGMENT INFORMATION (CONTINUED)

	Total and continuing operations			
	Asia Pacific $000	UK $000	France $000	Total $000
Year ended 30 June 2013				
Revenue				
Revenue from services	3,393,637	559,582	221,316	4,174,535
Total revenue before intersegment revenue	3,393,637	559,582	221,316	4,174,535
Intersegment revenue	4,175	-	-	4,175
Total segment revenue	3,397,812	559,582	221,316	4,178,710
Results				
Segment net profit after tax	268,219	22,069	584	290,872
Interest	(34,071)	(18,678)	(12,756)	(65,505)
Income tax expense	(115,931)	(8,194)	(2,168)	(126,293)
Depreciation and amortisation	(107,972)	(25,936)	(10,827)	(144,735)

Assets & liabilities	Asia Pacific $000	UK $000	France $000	Adjustments & Eliminations	Total $000
Segment assets	3,526,599	700,568	383,742	(547,157)	4,063,752
Segment liabilities	(1,922,271)	(347,295)	(315,015)	62,644	(2,521,937)

	2014 $000	2013 $000
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	4,914,717	4,178,710
Inter segment sales elimination	(5,403)	(4,175)
Interest income	2,053	4,257
Revenue - income from the sale of development assets	5,389	2,844
Other income - profit on disposal of non-current assets	15,513	2,346
Total revenue and other income - Income Statement	4,932,269	4,183,982

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

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

13. RECEIVABLES

	2014 $000	2013 $000
Current		
Trade and other debtors	568,723	499,402
Allowances for impairment loss	(25,633)	(16,559)
	543,090	482,843
Non-current		
Receivable from the Government in respect of the availability charge for the operation of a privately operated public hospital	22,957	18,150
Rental property bonds receivables	9,107	5,383
Other	566	690
	32,630	24,223
Total	575,720	507,066

13. 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. An impairment loss of $25,633,000 (2013: $16,559,000) has been recognised by the Group, in the current year. These amounts have been included in the service costs item, in the income statement.

Movements in the provision for impairment loss were as follows:

	2014 $000	2013 $000
At 1 July	(16,559)	(8,185)
Charge for the year (included in service costs)	(9,602)	(9,788)
Acquisition of subsidiary	(952)	(435)
Transfer to assets held for sale	-	1,069
Foreign exchange translation	(242)	(457)
Amounts written off	1,722	1,237
At 30 June	(25,633)	(16,559)

(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
2014	601,353	507,989	40,928	18,410	3,725	4,668	25,633
2013	523,625	438,467	46,331	14,622	3,278	4,368	16,559

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $67,731,000 (2013: $68,599,000). 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 31.

(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. As the majority of the non-current receivables are receivable from the Government, this is assessed as low risk.

(vi) Foreign exchange & interest rate risk

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

(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.

14. INVENTORIES

	2014 $000	2013 $000
Amount of medical and food supplies to be consumed in providing future patient services – at cost	101,379	94,478
Development assets to be sold that are currently under construction – at cost	22,626	18,087
	124,005	112,565

(i) Inventory expense

Medical and food inventories recognised as an expense for the year ended 30 June 2014 totalled $1,180,337,000 (2013: $1,048,837,000) 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 2014 totalled $2,696,000 (2013: $1,677,000) for the Group. This expense has been included in Cost of goods sold – book value of development assets sold in the Income Statement.

15. OTHER CURRENT ASSETS

	2014 $000	2013 $000
Prepayments	51,237	38,713
GST receivable	3,954	-
Other current assets	792	893
	55,983	39,606

16. INVESTMENT IN 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 the Group's Indonesian assets and cash payments to Sime Darby Berhad of approximately $120 million over 3 years. The new joint venture combined Sime Darby Berhad's portfolio of health care assets in Malaysia (three hospitals and a nursing and health science college) with Ramsay's three Indonesian hospitals under the new jointly-owned company, Ramsay Sime Darby Health Care Sdn Bhd.

The new joint venture will provide a platform for expansion and further acquisitions in the Asian health care sector.

The investment in the joint venture is accounted for using the equity method and comprises the following:

	Note	2014 $000	2013 $000
Investment in joint venture at beginning of period		-	-
Additions	9	195,720	-
Share of profit of joint venture		3,181	-
Foreign currency translation		(6,086)	-
		192,815	-

17. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $000	Plant & Equipment $000	Total $000
Cost			
At 1 July 2012	1,798,674	1,159,369	2,958,043
Additions	156,987	111,410	268,397
Acquisition of subsidiary	1,182	3,992	5,174
Disposals	(14,262)	(39,059)	(53,321)
Transfer to assets held for sale	(29,536)	(38,899)	(68,435)
Exchange Differences	26,172	42,653	68,825
At 30 June 2013	**1,939,217**	**1,239,466**	**3,178,683**
Additions	138,754	100,740	239,494
Acquisition of subsidiary	76,807	13,976	90,783
Disposals	(2,834)	(71,611)	(74,445)
Exchange Differences	10,089	26,167	36,256
At 30 June 2014	**2,162,033**	**1,308,738**	**3,470,771**
Depreciation and Impairment			
At 1 July 2012	(300,755)	(810,829)	(1,111,584)
Depreciation charge for the year	(37,650)	(103,081)	(140,731)
Disposals	4,129	38,356	42,485
Transfer to assets held for sale	8,424	27,962	36,386
Exchange Differences	(7,573)	(27,539)	(35,112)
At 30 June 2013	**(333,425)**	**(875,131)**	**(1,208,556)**
Depreciation charge for the year	(50,389)	(110,446)	(160,835)
Disposals	948	68,550	69,498
Impairment	(1,500)	(5,242)	(6,742)
Exchange Differences	(2,547)	(16,752)	(19,299)
At 30 June 2014	**(386,913)**	**(939,021)**	**(1,325,934)**
Net Book Value			
At 30 June 2014	1,775,120	369,717	2,144,837
At 30 June 2013	1,605,792	364,335	1,970,127

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2014 is $48,667,000 (2013: $42,148,000).

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

18. GOODWILL AND INTANGIBLE ASSETS

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

	Goodwill $000	Service Concession Assets $000	Development Costs ^ $000	Total $000
Cost				
At 1 July 2012	**838,151**	**42,084**	**35,399**	**915,634**
Additions	-	1,254	4,182	5,436
Disposals	-	(1,116)	(131)	(1,247)
Acquisition of a subsidiary	66,597	42,000	79	108,676
Transfer to assets held for resale	(17,082)	(5,640)	(523)	(23,245)
Exchange Differences	31,397	334	678	32,409
At 30 June 2013	**919,063**	**78,916**	**39,684**	**1,037,663**
Additions	-	5,927	7,234	13,161
Disposals	-	(706)	(1,583)	(2,289)
Acquisition of a subsidiary	171,687	-	1,037	172,724
Exchange Differences	11,637	-	16	11,653
At 30 June 2014	**1,102,387**	**84,137**	**46,388**	**1,232,912**
Amortisation and Impairment				
At 1 July 2012	**-**	**(15,051)**	**(29,940)**	**(44,991)**
Amortisation charge for the year	-	(2,834)	(3,441)	(6,275)
Disposals	-	705	125	830
Exchange Differences	-	2	(568)	(566)
At 30 June 2013	**-**	**(17,178)**	**(33,824)**	**(51,002)**
Amortisation charge for the year	-	(5,271)	(3,614)	(8,885)
Disposals	-	447	1,578	2,025
Exchange Differences	-	-	(41)	(41)
At 30 June 2014	**-**	**(22,002)**	**(35,901)**	**(57,903)**
Net Book Value				
At 30 June 2014	1,102,387	62,135	10,487	1,175,009
At 30 June 2013	919,063	61,738	5,860	986,661

^ Internally generated, including software costs

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

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

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

19. IMPAIRMENT TESTING OF GOODWILL

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

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

- Australia;
- United Kingdom; and
- France

Australia

The recoverable amount of the Australian business has been determined based on a value in use calculation using cash flow projections as at 30 June 2014 based on financial budgets approved by senior management covering a five-year period. The budgets are calculated using an approved budget for 2015 with a 5% extrapolated growth factor for the next 5 years. Cash flows beyond the five year period are extrapolated using a 3% growth factor (2013: 3%).

The pre tax discount rate applied to cash flow projections is 13.1% (2013: 13.7%). The post tax discount rate is 9.6% (2013: 10.2%).

United Kingdom

The recoverable amount of the United Kingdom business is also determined based on a value in use calculation using cash flow projections as at 30 June 2014 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 8.3% (2013: 10.1%). The post tax discount rate applied to cash flow projections is 7.6% (2013: 8.5%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 2% (2013: 2%).

France

The recoverable amount of the French business is also determined based on a value in use calculation using cash flow projections as at 30 June 2014 based on financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to cash flow projections is 7.7% (2013: 6.3%). The post tax discount rate applied to cash flow projections is 6.3% (2013: 5.7%).

The long-term growth rate used to extrapolate the cash flows of the overseas business beyond the five-year period is 1% (2013: 1%).

19. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

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

The carrying amounts of goodwill allocated to the Australian business, to the UK business and the French business, are significant in comparison with the total carrying amounts of goodwill.

	Australia		UK		France		Total	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Carrying amount of goodwill	559,287	559,287	221,974	203,750	321,126	156,026	1,102,387	919,063

(iii) Key assumptions used in value in use calculations for the goodwill for 30 June 2014 and 30 June 2013

- 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 21% - 33% for overseas operations consistent with the current local tax legislation.

- Discount rates – discount rates reflect management's estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.

- Growth rate estimates – they are based on management's internal estimates of long term growth rates for each of the cash generating units.

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

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

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

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

20. TRADE & OTHER PAYABLES

	2014 $000	2013 $000
Trade payables	339,314	252,668
Sundry creditors and accrued expenses	274,836	214,958
Employee and Director entitlements	217,493	173,470
Other payables	1,830	2,901
	833,473	643,997

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

(ii) Interest rate, foreign exchange & liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk exposure are set out in Note 3.

21. PROVISIONS

	2014 $000	2013 $000
Current		
Restructuring provision	7,766	6,841
Unfavourable contracts	5,312	4,876
Insurance provision	18,228	22,550
Other provisions	8,791	4,572
	40,097	38,839
Non-current		
Non-current employee and Director entitlements	133,528	121,790
Deferred lease provision	209,652	173,112
Unfavourable contracts	10,196	14,903
Insurance provision	111,306	113,212
Other provisions	20,087	8,000
	484,769	431,017
Total	524,866	469,856

21. PROVISIONS (CONTINUED)

(a) Movements in provisions

	Deferred lease $000	Restructuring $000	Insurance $000	Unfavourable contracts $000	Other provision $000	Total $000
At 1 July 2013	173,112	6,841	135,762	19,779	12,572	348,066
Arising during the year	22,910	1,385	12,922	-	3,582	40,799
Acquisition/disposal of subsidiary	-	-	29	-	17,884	17,913
Utilised during the year	(2,677)	(460)	(5,368)	(5,811)	(963)	(15,279)
Exchange differences	16,307	-	236	1,540	(317)	17,766
Unused amounts reversed	-	-	(14,047)	-	(3,880)	(17,927)
Discount rate adjustment	-	-	-	-	-	-
At 30 June 2014	209,652	7,766	129,534	15,508	28,878	391,338
Current 2014	-	7,766	18,228	5,312	8,791	40,097
Non-current 2014	209,652	-	111,306	10,196	20,087	351,241
	209,652	7,766	129,534	15,508	28,878	391,338
Current 2013	-	6,841	22,550	4,876	4,572	38,839
Non-current 2013	173,112	-	113,212	14,903	8,000	309,227
	173,112	6,841	135,762	19,779	12,572	348,066

(b) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

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

Insurance provision

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

Deferred lease provision

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

Unfavourable contracts

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

22. INTEREST BEARING LOANS AND BORROWINGS

		2014 $000	2013 $000
Current			
Secured liabilities:			
- Loans - bondholders	(i)	3,709	3,424
- Lease liabilities	(ii)	3,826	3,691
- Bank loan	(iii)	11,804	11,578
Unsecured liabilities:			
- Deferred consideration	(v)	14,868	-
		34,207	18,693
Non-current			
Secured liabilities:			
- Loans – bondholders	(i)	13,270	16,979
- Lease liabilities	(ii)	13,960	16,157
- Bank loan	(iii)	71,125	79,577
- Loan - subordinated bonds	(iv)	58,472	53,110
Unsecured liabilities:			
- Deferred consideration	(v)	46,347	-
- Other loan	(vi)	50,735	-
- Bank loan	(iii)	1,079,799	1,076,253
		1,333,708	1,242,076
Total		1,367,915	1,260,769

(i) Loan - bondholders. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge over the assets of the entity issuing the bonds, principally the receivable from the Government.
(ii) Lease liabilities are effectively secured by the leased asset. Further information is set out in Note 26.
(iii) Further information on bank loans is set out in Note 30.
(iv) Loans - subordinated bonds. Further information is set out in Note 30.
(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 9.
(vi) Other loan. This is a loan received from the Ramsay Santé outside equity interest to fund their share of the Medipsy acquisition. Further information is set out in Note 30.

(a) 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 2.71% to 2.74% (2013: 2.82% to 3.69%) for Australia, 0.49% to 0.55% (2013: 0.49% to 0.69%) for UK and 0.21% to 0.29% (2013: 0.18% to 0.66%) for France respectively.

22. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Fair values (continued)

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.

	2014		2013	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank loans	1,162,728	1,182,938	1,167,408	1,181,440
Lease liabilities	17,786	20,974	19,848	24,383
Bondholders	16,979	18,638	20,403	22,793
Subordinated bonds	58,472	68,010	53,110	64,563
Deferred consideration	61,215	64,035	-	-
Outside equity interest loan	50,735	59,003	-	-
	1,367,915	1,413,598	1,260,769	1,293,179

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

(b) Interest rate, foreign exchange & liquidity risk

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

(c) Assets pledged as security

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

	2014 $000	2013 $000
Finance lease		
Leased assets	48,667	42,148
Fixed and floating charge		
Receivables	15,162	18,725
Bank loan	143,598	135,130
Total non-current assets pledged as security	207,427	196,003

(d) Defaults & breaches

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

23. ISSUED CAPITAL, RETAINED EARNINGS AND RESERVES

	2014 $000	2013 $000
23.1 Ordinary Shares		
(a) Issued and paid up capital		
202,081,252 ordinary shares fully paid (30 June 2013: 202,081,252 ordinary shares fully paid)	713,523	713,523

(b) Terms & conditions of issued capital

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

23.2 Cash Flow Hedges Reserve

Nature & Purpose
This reserve records movements in the fair value of the cash flow hedges in relation to the interest rate swaps that are determined to be effectively hedged. The credit, to equity during the year to 30 June 2014 represents an increase in forecast long term interest rates.

23.3 Share Based Payment Reserve

Nature & Purpose
This reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their compensation. Refer to Note 25 for further details of these plans.

23.4 Vested Employee Equity

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

23.5 Convertible Adjustable Rate Equity Securities (CARES)

	2014 $000	2013 $000
(a) Issued & paid up capital		
2,600,000 CARES shares fully paid (30 June 2013: 2,600,000 CARES shares fully paid)	252,165	252,165

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

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

(b) Terms and conditions of CARES

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

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

23.6 Treasury Shares

	2014 $000	2013 $000
1,407,253 ordinary shares (30 June 2013: 2,246,158)	50,330	49,684

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

23.7 Capital Management

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

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

Refer to Note 23.5 for further information on the existing CARES (number of securities: 2,600,000).

During 2014, dividends of $166,469,164 (2013: $143,829,852) were paid. For the year ended 30 June 2014 fully franked ordinary dividends of 85.0c (2013: 70.5c) per share were declared (Interim dividend of 34.0c, Final dividend of 51.0c). These dividends represented a payout ratio of approximately 51.9% of Core Earnings per Share of 163.9c. Management's target for dividends for 2015 - 2018, 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 1.6 times for the year ended 30 June 2014 (2013: 1.6 times).

The Group has committed senior debt funding until July 2017 and May 2019 (please refer to Note 30 for further information in relation to these borrowings). As such, these subsidiaries have to comply with various financial and other undertakings in particular the following customary financial undertakings:

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

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $000	2013 $000
Non - current assets		
Interest rate derivative contracts – cash flow hedges	536	2,270
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(8,997)	(12,869)
Forward exchange contracts – cash flow hedges	(1,240)	-
	(10,237)	(12,869)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(3,999)	(7,296)
Forward exchange contracts – cash flow hedges	(2,203)	-
	(6,202)	(7,296)

(a) Instruments used by the Group

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

(i) Interest rate swaps 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 2.72% (2013: 2.85%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.55% (2013: of 0.51%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of 0.21% (2013: 0.22%).

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 65% (2013: 67%) of the principal outstanding.

Foreign exchanged 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 $2,411,000 (2013: nil) was included in other comprehensive income in respect of these contracts.

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.

Fair value

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

	2014 $000	2013 $000
Financial assets		
Derivative instruments – interest rate swaps	536	2,270
Financial liabilities		
Derivative instruments – interest rate swaps	(12,996)	(20,165)
Forward exchange contracts – cash flow hedges	(3,443)	-
	(16,439)	(20,165)

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.

Information on valuation techniques is set out in Note 2 (ac)

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Instruments used by the Group (continued)

Transfer between categories

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

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

	2014 $000	2013 $000
0-1 years	315,958	259,958
1-2 years	236,794	279,917
2-3 years	332,793	272,018
3-5 years	29,040	321,632
	914,585	1,133,525

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

Movement in interest rate swaps cash flow hedge reserve:

	2014 $000	2013 $000
Opening balance	(12,499)	(20,249)
Transferred to interest expense	8,223	9,424
Taken to equity	(6,229)	1,653
Related income tax	(633)	(3,327)
Closing balance	(11,138)	(12,499)
Attributable to non-controlling interest	(224)	(244)
Attributable to owners of the parent	(10,914)	(12,255)
	(11,138)	(12,499)
Gain on cash flow hedge ineffectiveness recognised immediately in the Income Statement	-	(67)

(ii) Hedge of net investments in foreign operations

Included in bank loans at 30 June 2014 is a GBP borrowing of £117,000,000 (2013: £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 loss on the bank loan designated as a hedge of the net investment in a subsidiary of $17,427,000 (2013: net loss $15,202,000) was recognised in equity during the year.

Included in bank loans at 30 June 2014 is a Euro borrowing of €80,000,000 (2013: Nil) 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 gain on the bank loan designated as a hedge of the net investment in a subsidiary of $5,196,000 (2013: nil) was recognised in equity during the year.

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

(b) Interest rate risk

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

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

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

25. SHARE BASED PAYMENT PLANS

25.1 Recognised share-based payment expenses

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

	2014 $000	2013 $000
Expense arising from equity-settled share based payment transactions	37,941	11,227
Total expense arising from share-based payment transactions (Note 5 (e))	37,941	11,227

25.2 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:

	2014		2013	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,917,000	$16.23	1,568,000	$13.19
- granted	716,000	$31.12	696,000	$19.34
- vested	(565,000)	$12.79	(347,000)	$ 8.72
Balance at end of year	2,068,000		1,917,000	
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 2014:

Number of Rights	Grant Date	Vesting Date [(1)]	Weighted Average Fair Value [(2)]
297,834	17-Nov-11	29-Aug-14	$13.86
343,166	17-Nov-11	29-Aug-14	$17.51
5,000	22-May-12	29-Aug-14	$18.14
10,000	22-May-12	29-Aug-14	$19.92
317,834	15-Nov-12	28-Aug-15	$15.80
368,166	15-Nov-12	28-Aug-15	$22.04
3,334	25-Jun-13	28-Aug-15	$31.51
6,666	25-Jun-13	28-Aug-15	$32.96
327,837	14-Nov-13	31-Aug-16	$25.08
388,163	14-Nov-13	31-Aug-16	$36.22
2,068,000			

[(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

25. SHARE BASED PAYMENT PLANS (CONTINUED)

25.2 Executive performance rights plan (equity) (continued)

Fair values of performance rights (equity)

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 17 November 2011, 22 May 2012, 15 November 2012, 25 June 2013 and 14 November 2013.

	Granted 14-Nov-13	Granted 25-Jun-13	Granted 15-Nov-12	Granted 22-May-12	Granted 17-Nov-11
Dividend yield	2.08%	2.25%	2.82%	3.10%	3.13%
Expected volatility	22.5%	20.0%	22.5%	23.0%	25.0%
Historical volatility	22.3%	20.0%	22.5%	25.0%	25.0%
Risk-free interest rate	3.0%	2.5% - 2.8%	2.5%	2.4% - 2.5%	3.3% - 3.4%
Effective life of incentive right	3 years	3 years	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.

25.3 Retention rights to receive ordinary shares

On 1 July 2008, Mr Rex received equity-based retention rights to receive 600,000 ordinary shares pursuant to an Executive Service Agreement with the Company. These rights which were subject to Mr Rex continuing in employment as Managing Director fully vested on 1 July 2013.

Number of Rights	Grant Date	Fully Vested	Weighted Average Fair Value
600,000	1 Jul 2008	1 Jul 2013	$8.84[1]

(1) Fair Value at grant date.

26. EXPENDITURE COMMITMENTS

	Note	2014 $000	2013 $000
(a) Finance leases & hire purchase commitments – Group as lessee			
- Within one year		4,900	4,508
- After one year but not more than five years		12,600	14,345
- After more than five years		3,919	5,574
Total minimum lease payments		21,419	24,427
- Less: future finance charges		(3,633)	(4,579)
- Present value of minimum lease payments		17,786	19,848
Total lease liability accrued for:			
Current			
- Finance leases	22	3,826	3,691
Non-current			
- Finance leases	22	13,960	16,157
		17,786	19,848

The Group has finance leases and hire purchase contracts for various items of medical equipment, fittings, buildings and other equipment. The leases have lease terms of between one year and eight years and the average discount rate implicit in the leases is between 2.5% to 7.4% (2013: 4.0% to 7.4%). The security over finance leases is disclosed in Note 22.

(b) Lease expenditure commitments – Group as lessee

	Note	2014 $000	2013 $000
Operating leases (non-cancellable):			
Minimum lease payments			
- Within one year		138,595	114,176
- After one year but not more than five years		516,848	426,413
- After more than five years		2,323,893	2,173,888
Aggregate lease expenditure contracted for at reporting date		2,979,336	2,714,477
Amounts provided for:			
- deferred lease - non- current	21	209,652	173,112
- unfavourable contract - current	21	5,312	4,876
- non-current	21	10,196	14,903
		225,160	192,891
Amounts not provided for:			
- rental commitments		2,754,176	2,521,586
Aggregate lease expenditure contracted for at reporting date		2,979,336	2,714,477

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

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

Ramsay Health Care Australia Pty Limited 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.

27. SUPERANNUATION COMMITMENTS

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

28. DEFINED EMPLOYEE BENEFIT OBLIGATION

The Group has a defined employee benefit obligation in France as required to be paid under local legislation. The defined benefit plans in the UK closed in 2012 and were paid out in 2013.

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

	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(21,204)	(10,833)	(23,773)	(23,378)	(18,423)
Fair value of plans assets	-	-	5,631	4,537	4,098
Net (liability) - non-current	(21,204)	(10,833)	(18,142)	(18,841)	(14,325)

	Defined Employee Benefit Obligation	
	2014 $000	2013 $000
Net benefit expense (Note 5) (recognised in superannuation expenses)	1,556	2,503

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

	Defined Employee Benefit Obligation	
	2014 $000	2013 $000
Opening defined benefit obligation	10,833	23,773
Acquisition balances	9,042	3,368
Current service cost	1,116	1,674
Interest cost	440	829
Benefits paid	(980)	(9,579)
Actuarial losses on obligation	1,166	1,481
Transfer to liabilities held for sale	-	(12,389)
Exchange differences on foreign plans	(413)	1,676
Closing defined benefit obligation	21,204	10,833

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

Opening fair value of plans assets	-	5,631
Expected return	-	-
Contributions by employer	-	-
Benefits paid	-	(5,602)
Actuarial losses	-	-
Exchange differences on foreign plans	-	(29)
Fair value of plans assets	-	-
Actuarial return on plan assets	-	-

28. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

The Group expects to contribute $ nil to its defined benefit obligations in 2015.

	Defined Employee Benefit Obligation 2014 $000	2013 $000
Actuarial losses recognised in the Statement of Comprehensive Income	1,166	1,481
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	6,915	5,749

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

	Defined Employee Benefit Obligation 2014 (%)	2013 (%)
Discount rate	2.5	2.9 - 6.5
Future salary increases	2.5	2.5 - 10.0

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

29. AUDITORS' REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	1,581,000	1,606,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	755,000	1,010,000
Assurance related	3,000	19,000
Other	830,000	59,000
	3,169,000	2,694,000
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- An audit for review of the financial report of the entity and any other entity in the consolidated group	911,000	820,000
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	128,000	184,000
Due diligence services	-	288,000
Other	12,000	15,000
	4,220,000	4,001,000

30. BORROWINGS

Terms & Conditions

(i) Senior Debt Facility

On 10 November 2011 Ramsay and its wholly owned subsidiaries (except certain dormant subsidiaries) executed a Syndicated Facility Agreement (**SFA**). The SFA was amended on 9 December 2013 to extend its term and update pricing. The SFA was further amended on 11 June 2014 to facilitate the funding of the acquisition of Generale de Sante and entry into the related Syndicated Facility Agreement - 365 Day Facility (refer item (iii) below).

The current SFA consists of:

- a three year revolving facility - with total commitments of $400,000,000, £86,666,667 and €100,000,000; and
- a five year revolving facility - with total commitments of $800,000,000, £93,333,333 and €298,504,000. As a result of the June 2014 amendment, a portion of the Sterling commitment was reduced with a corresponding increase in the amount of the Euro commitment.

The total amounts drawn down under the SFA as at 30 June 2014 was $750,000,000, £127,000,000 and €80,000,000 (30 June 2013: $845,000,000, £145,000,000 and € nil).

The three year revolving facility matures in July 2017 and the five year revolving facility matures in May 2019.

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 $10,000,000 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 2014 the total outstanding was $10,996,149 (2013: $10,996,149) and £3,550,968 (2013: £3,550,968).

(iii) 365 Day Facility

On 11 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 is to provide additional funding in connection with the acquisition of Generale de Sante.

The 365 Day Facility is on terms broadly consistent with the SFA (refer item (i) above) other than:

- Facility Limit: €275,000,000 (revolving);
- Term: 365 days (which may be extended for either (i) further periods of 365 days or (ii) to May 2019, the current maturity date for the five year facility under the SFA, in each case with the consent of the lenders;
- Pricing: consistent with the nature of the 365 Day Facility; and
- Purpose: initially the purpose is limited to funding the acquisition of Generale de Sante and related fees and transaction costs.

The 365 Day Facility is, like the SFA, unsecured with negative pledges and guarantees given by Ramsay's wholly owned subsidiaries (excluding dormant subsidiaries).

As at 30 June 2014 no amounts have been drawn down under the 365 Day Facility Agreement.

(iv) Ramsay Santé Bank Loan

Ramsay Santé and its controlled entities executed a club facility agreement on 6 September 2010 and this facility is provided by five major French banks. This club facility provides €40 million worth of core debt facilities, €40 million worth of debt facilities to fund future acquisitions and/or expansionary capital expenditure and €5 million revolving working capital debt facility. The total amounts drawn under the club facility as at 30 June 2014 was €56,901,250 (2013: €65,030,000) and the undrawn commitment (after the mandatory repayments and cancellations totaling €23,098,750) was €5,000,000 (2013: €5,000,000).

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

30. BORROWINGS (CONTINUED)

(v) Ramsay Santé Outside Equity Interest Subordinated Bonds

Ramsay Santé issued to its shareholders a securitised loan in the form of bonds on 15 December 2005, 14 June 2007, 23 July 2009 and 2 October 2009.

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

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

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

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

The Ramsay Group's share of the subordinated bonds is eliminated on consolidation resulting in the Statement of Financial Position only reflecting the outside equity interest's share. As at 30 June 2014, Predica, the outside equity interest held €26,477,000 (2013: €26,477,000) worth of bonds and the interest accrued in respect of these bonds was €13,788,010 (2013: €10,805,307).

(vi) Ramsay Santé Outside Equity Interest Loans

In December 2013 Ramsay Santé shareholders provided the company with loans. The monies from these loans were used to fund the acquisition of Medipsy. These loans have no set maturity date.

These loans accrue interest at a rate of 2.9% per annum, capitalised annually. The interest is payable at the time of the repayment of the loans.

The Ramsay Group's share of these loans is eliminated on consolidation resulting in the Statement of Financial Position only reflecting the outside equity interest's share. As at 30 June 2014, Predica, the outside equity interest had provided loans totalling €34,387,000 (2013: nil) and the interest accrued in respect of these loans was €549,000 (2013: nil).

(vii) Other Interest Bearing Loans

At 30 June 2014 a loan to bondholders of $16,979,393 (2013: $20,402,913) was outstanding. This loan arose as a result of the securitisation of the Joondalup leases between Joondalup Hospital Pty Limited and Joondalup Health Campus Finance Limited. This loan is carried at the principal amount less any repayments. It is secured by a fixed and floating charge, being the receivable from the Government (refer note 13).

31. 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 has a licence from the economic entity to occupy office space at a commercial arms-length licence fee. In addition, any expenditure incurred on behalf of Paul Ramsay Holdings Pty Limited is charged at arm's length basis. Total amount outstanding at 30 June 2014 is nil (2013: nil).

During the year costs of $100,139 (2013: $53,633) were charged to and an amount of $75,211 (2013: $68,810) was received from Paul Ramsay Holdings Pty Limited for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited.

During the year costs of $33,736 (2013: $47,214) were charged by and an amount of $956 (2013: $47,214) was paid to Paul Ramsay Holdings Pty Limited for services rendered to the Group.

At 30 June 2014 costs of nil (2013: $19,128) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited, that had not yet been invoiced.

32. 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.

33. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest 2014	2013
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%
Outcome Medical Pty Limited	Australia	70%	70%
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%
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	98%	98%
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*

33. INFORMATION RELATING TO SUBSIDIARIES (continued)

Name	Country of Incorporation	% Equity Interest 2014	2013
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 1998 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 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%	57%
SAS Medipsy *	France	57%	-

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

34. 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 33, (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 and 24 June 2011. The effect of the deed is that Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Ramsay Health Care Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

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

	Closed Group	
	2014	**2013**
Consolidated Income Statement	**$000**	**$000**
Profit from operations before income tax	403,558	351,925
Income tax expense	(115,912)	(104,871)
Net profit for the year	287,646	247,054
Retained earnings at the beginning of the year	590,485	486,795
Dividends provided for or paid	(166,172)	(143,364)
Retained earnings at the end of the year	711,959	590,485
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	69,862	181,254
Trade receivables	419,535	380,832
Inventories	96,007	88,235
Other current assets	20,521	12,058
	605,925	662,379
Assets classified as held for sale	-	10,546
Total Current Assets	605,925	672,925
Non-current Assets		
Other financial assets	411,830	411,853
Investments in joint ventures	192,815	-
Goodwill and intangibles	630,174	636,641
Deferred tax asset	78,932	66,219
Property, plant and equipment	1,701,893	1,632,974
Derivative financial instruments	536	2,270
Other non-current assets	26,868	16,183
Total Non-current Assets	3,043,048	2,766,140
TOTAL ASSETS	3,648,973	3,439,065
LIABILITIES		
Current Liabilities		
Trade and other payables	628,673	495,683
Interest-bearing loans and borrowings	14,870	-
Provisions	22,355	26,005
Derivative financial instruments	9,795	12,403
Income tax payable	11,188	36,367
Total Current Liabilities	686,881	570,458
Non-current Liabilities		
Interest-bearing loans and borrowings	1,001,536	1,037,670
Provisions	263,034	244,124
Derivative financial instruments	5,386	6,912
Total Non-current Liabilities	1,269,956	1,288,706
TOTAL LIABILITIES	1,956,837	1,859,164
NET ASSETS	1,692,136	1,579,901

34. CLOSED GROUP (continued)

	Closed Group	
	2014	2013
EQUITY	$000	$000
Issued capital	713,523	713,523
Treasury shares	(50,330)	(49,684)
Convertible Adjustable Rate Equity Securities (CARES)	252,165	252,165
Retained earnings	711,959	590,485
Other reserves	64,819	73,412
TOTAL EQUITY	**1,692,136**	**1,579,901**

35. PARENT ENTITY INFORMATION

	2014	2013
Information relating to Ramsay Health Care Limited	$000	$000
Current assets	1,111,505	1,132,888
Total assets	1,253,345	1,276,730
Current liabilities	(14,699)	(40,183)
Total liabilities	(14,699)	(40,183)
Issued capital	(713,523)	(713,523)
Other equity	(525,122)	(523,024)
Total shareholders' equity	(1,238,645)	(1,236,547)
Net profit for the year after tax	149,522	141,138

As a condition of the class order (set out in Note 34), Ramsay Health Care Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. Refer to Note 34 for further information.

SECTION 3

STATUS OF AUDIT

FOR THE YEAR ENDED 30 JUNE 2014

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.