ASX RELEASE

Ramsay Health Care

27 August 2020

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2020 Appendix 4E

In accordance with ASX Listing Rule 4.3A, I **enclose** the Preliminary Final Report (Appendix 4E) for Ramsay Health Care.

Yours sincerely

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The release of this announcement has been authorised by the Ramsay Health Care Board of Directors.

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RAMSAY HEALTH CARE LIMITED
ABN 57 001 288 768

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2020

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

		2020 $M [A] AASB16	2020 $M [B] AASB117	2019 $M [C] AASB117	% increase/ (decrease) [D] AASB117 to AASB16	% increase/ (decrease) [E] AASB117 to AASB117
Total revenue from contracts with customers and income from government grants (Core)	(1)	12,395.5	12,395.5	11,552.8	7.3%	7.3%
Profit before disposal of assets, finance costs, tax, depreciation, amortisation, rent and non-core items (Core EBITDAR)		2,009.7	2,009.7	2,161.0	(7.0 %)	(7.0%)
Profit before disposal of assets, finance costs, tax, depreciation, amortisation and non-core items (Core EBITDA)		1,843.9	1,357.9	1,592.1	15.8%	(14.7%)
Profit before finance costs, tax and non-core items (Core EBIT)		952.3	812.0	1,108.0	(14.1%)	(26.7%)
Core net profit after tax attributable to owners of the parent	(2), (3)	**336.9**	**387.7**	**590.9**	**(43.0%)**	**(34.4%)**
Non-core items after tax attributable to owners of the parent	(2)	(52.9)	(60.6)	(45.4)		
Net profit after tax for the period attributable to owners of the parent [F]		**284.0**	**327.1**	**545.5**	**(47.9%)**	**(40.0%)**

Earnings per share (cents per share)

Diluted Core EPS	(2),(3),(4)	**155.9c**	**180.2c**	**281.0c**	**(44.5%)**	**(35.9%)**
Diluted Statutory EPS		**130.5c**	**151.2c**	**258.9c**	**(49.6%)**	**(41.6%)**
Core EPS	(2),(3)	**156.4c**	**180.9c**	**282.7c**	**(44.7%)**	**(36.0%)**
Statutory EPS		**131.0c**	**151.7c**	**260.5c**	**(49.7%)**	**(41.8%)**

[A]: Results are prepared under AASB16 Leases – Refer to the Overview section of the Consolidated Financial Statements Page (20 to 23) for further information

[B]: Results are prepared under AASB117 Leases – Refer to the Overview section of the Consolidated Financial Statements Page (20 to 23) for further information

[C]: Includes Capio results from 7 November 2018 and is prepared under AASB117 Leases

[D]: Percentage change is calculated between the 2019 results prepared under AASB117 Leases and the 2020 results prepared under AASB16 Leases

[E]: Percentage change is calculated between the 2019 and 2020 results prepared under AASB117 Leases

[F]: Before deducting dividends payable to holders of Convertible Adjustable Rate Equity Securities (CARES)

1. Refer to Note 2(c) of the Consolidated Financial Statements for further information.
2. Refer to the Overview section d(i) and d(ii) of the Consolidated Financial Statements Page (24 to 26) for further information.
3. Core net profit after tax and diluted core earnings per share are before non-core items.
4. Diluted core earnings per share (Diluted Core EPS) calculation is based upon Core net profit after tax adjusted for Preference Dividends, using the weighted average number of ordinary shares adjusted for the effect of dilution.

1.2 EARNINGS PER SHARE

	2020 $M	2019 $M
Net profit after tax for the period attributable to the owners of the parent	284.0	545.5
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(11.3)	(12.8)
Profit used in calculating basic and diluted earnings per share (after CARES dividend)	272.7	532.7

	Number of Shares* m	m
Weighted average number of ordinary shares used in calculating basic earnings per share	208.1	204.5
Weighted average number of ordinary shares used in calculating diluted earnings per share	208.9	205.8

* the denominator for the purpose of calculating both basic and diluted earnings per share in 2019 has been adjusted to reflect the $1,500.0 million equity raise in the second half of FY20, at less than market value.

RAMSAY HEALTH CARE LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

1.3 DIVIDEND INFORMATION

Dividends – Ordinary Shares	Amount per security	Franked amount per security
Current year - Interim dividend - Final proposed dividend *	 62.5c 0.0c	 62.5c 0.0c
Total dividend	62.5c	62.5c
Previous corresponding period - Interim dividend - Final proposed dividend	 60.0c 91.5c	 60.0c 91.5c
Total dividend	151.5c	151.5c
Record date for determining entitlements to the dividend	*	
Date the current year dividend is payable	*	

Convertible Adjustable Rate Equity Securities ('CARES') Dividends	
Record date for determining entitlements to the CARES dividend	1 October 2020
Date the CARES dividend is payable	20 October 2020

* No current year final dividend has been declared.

CARES dividends will be franked at the rate of 30% (2019: 30%).

1.4 NET TANGIBLE ASSETS

Net tangible assets (NTA) per share at 30 June 2020 is negative $0.82 (June 2019 - negative: $6.42). Had the net tangible assets per share at 30 June 2020 been calculated using a balance sheet prepared under AASB117 Leases, on a preparation basis comparable with the June 2019 results, the amount would be $0.64.

1.5 DETAILS OF JOINT VENTURE ENTITY

The main 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	
	2020 $M	2019 $M	As at 30/06/2020	As at 30/06/2019
Equity accounted joint venture entity Ramsay Sime Darby Health Care Sdn Bhd	15.9	19.4	50%	50%
Total share of after tax profits of equity accounted investments	**15.9**	**19.4**		

1.6 COMMENTARY ON RESULTS

Commentary on results follows.

ASX ANNOUNCEMENT

27 August 2020

RAMSAY HEALTH CARE DEMONSTRATES RESILIENCE IN TIME OF CRISIS AND A STRONG BALANCE SHEET TO SUPPORT ITS GROWTH STRATEGY INTO THE FUTURE

Financial Highlights

- Statutory net profit after tax down 47.9% to $284.0 million (down 40.0% on a like for like basis[1])
- Core net profit after tax[2] (Core NPAT) down 43.0 % to $336.9 million (down 34.4% on a like for like basis[1])
- Core earnings per share[3] (Core EPS) down 44.5% to 155.9 cents (down 35.9% on a like for like basis[1])
- Group[4]:
  - Revenue up 7.3% to $12.4 billion
  - EBITDAR[5] down 7.0% to $2.0 billion
- Australia/Asia:
  - Australia Revenue down 2.2% to $5.1 billion
  - Australia EBITDAR[5] down 23.2% to $781.3 million
  - Equity accounted share of Asia joint venture net profits down 18.2% to $15.9 million
- United Kingdom:
  - Revenue down 4.9% to £494.8 million
  - EBITDAR[5] down 10.6% to £89.2 million
- Continental Europe[4]:
  - Revenue up 14.3% to €3.9 billion
  - EBITDAR[5] up 8.5% to €641.1 million
- Final dividend has not been declared. Interim dividend 62.5 cents fully franked, up 4.2% on the previous corresponding period.

Overview

Ramsay Health Care today reported statutory net profit after tax, attributable to members of the parent (after adjusting for net non-core items after tax) of $284.0 million, a decrease of 47.9% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 40.0% on the previous corresponding period.

Group Core Net Profit After Tax (Core NPAT) of $336.9 million, for the year ended 30 June 2020 decreased by 43.0% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 34.4% on the previous corresponding period.

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[1] The New Lease Accounting Standard (AASB16) was adopted on 1 July 2019 and comparatives have not been restated, as permitted under the transitional provisions in the standard. In order to make meaningful comparison of the results, commentary has been provided on a like for like basis under the Old Lease Accounting Standard (AASB117) for FY20 and FY19.
[2] Before net non-core items. It is our intention to no longer separate our profit between core and non-core going forward
[3] Core EPS is derived from core net profit after CARES dividends
[4] Ramsay Santé has consolidated the earnings of Capio since the acquisition date on 7 November 2018. As the final square up of the revenue guarantee will not be performed until March 2021 and the grant income recognised for Ramsay Santé is based on the current estimate at hand at the time of issuing the Ramsay Group financial statements, these estimates may be updated and produce a different outcome for the 31 December 2020 Ramsay Group half year results. Similarly, the Ramsay Santé accounts will not be issued until October 2020 and these estimates may be updated and produce a different outcome to the management accounts.
[5] EBITDAR is before non-core items

Overview continued

Core NPAT delivered Core EPS of 155.9 cents for the year, a decrease of 44.5% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 35.9% on the previous corresponding period.

As previously announced, the Company will not be paying a final dividend on ordinary shares for FY'20. The CARES dividend due for payment on 20 October 2020 will be paid.

Ramsay Health Care Managing Director Craig McNally said the business had been tracking well until the end of February 2020. "At our interim results we reaffirmed our FY'20 guidance of core EPS growth on a like for like basis of 2% to 4%. However, the extraordinary circumstances posed by the COVID-19 pandemic on the Company's operations around the world resulted in us withdrawing guidance in March 2020 and had a significant impact on the full year result.

"With the onset of the pandemic in March 2020, the sustainability of the business and ensuring that we protected the wellbeing of our patients, staff and doctors was overwhelmingly our primary focus. This was one of the most remarkable periods in my 33 years with the Company and I am extremely proud of our global teams and how they responded to the crisis – delivering for each other and delivering for our patients, all the while strengthening our culture of 'people caring for people'."

He said due to the pandemic, elective surgery restrictions were imposed in most regions from March 2020 creating a significant level of uncertainty. "Ramsay led industry discussions with all levels of government in our major regions – Australia, UK and France – to make our facilities available to the respective national efforts, and in return, we were successful in securing agreements with government in the form of a viability guarantee.

"Ramsay's hospitals around the globe continue to play a critical role in supporting governments, caring for patients and our communities and ensuring that our facilities are made available and remain fully staffed. I am pleased to report that no Ramsay employees were stood down because of the pandemic.

"This period has been filled with example after example of our hospitals, doctors and staff stepping up to care for thousands of COVID-19 patients and volunteering to work in aged care and public facilities.

"It has been an extremely challenging time for our staff and doctors as we have pivoted to support national efforts during this crisis. COVID-19 has impacted our financial result this year but, importantly, it has reinforced our role as a leading health care and hospital provider in our major regions.

"The period demonstrated what an incredible, and resilient, organisation Ramsay Health Care is. We have accomplished a lot over the period including an equity raising, and we are well positioned for the long term."

Segment Results

Australia

For the full year, revenue in Ramsay's Australian operations decreased by 2.2% and EBITDAR decreased by 23.2%. Mr McNally said before the pandemic Ramsay's Australian division was on track to meet full year targets but was significantly impacted by elective surgery restrictions during the last quarter.

"We entered partnership agreements with governments in New South Wales, Queensland, Victoria and Western Australia to maintain full capacity and make our facilities available to assist with the national COVID-19 response. In return, Ramsay received Net Recoverable Costs, as defined in these agreements, hence the business was broadly breakeven at the EBIT level for the four-month period between March and June 2020."

He said Joondalup Health Campus was one of the first facilities in the country to treat a large cohort of COVID-19 patients. "With very little notice and over one weekend, Joondalup took in 30 patients suffering with coronavirus from the Artania cruise ship and cared for these patients without any cross infection to staff, doctors or other patients demonstrating their amazing expertise and ability to manage in a crisis and receiving much praise from these patients".

He said most agreements were paused or ceased on 30 June 2020 as elective surgery restrictions eased. Ramsay's Australian hospitals experienced increased surgical demand from July as they started to ramp back up to full capacity.

"With the exception of Victoria, surgical activity so far in FY'21 has been above last year. However, volumes in medical specialties are recovering more slowly."

"We are also experiencing additional costs associated with increased PPE usage, more costly PPE on a per unit basis, social distancing requirements, staff costs involved in screening patients, staff and visitors, and increased cleaning regimes."

He said the rapid escalation of the crisis in Victoria demonstrated that it was too early to make any conclusive statements about the near term. "Elective surgery restrictions were reintroduced in Victoria in late July and we recommenced the agreement with the Victorian government on 23 July 2020.

"Through July and August, our hospitals in Victoria have been caring for COVID-19 patients and assisting public hospitals with urgent surgery work, while many of our staff are currently providing up to 60 shifts a day in aged care facilities.

"Despite the current situation, we are positive about the longer term. The relationships we have developed with governments has put us in a strong position to continue to support the public sector in dealing with the backlog of work into the future.

"We are also very proud of how our teams in Australia have delivered for our patients during this crisis. Our overall Net Promoter Score (NPS) for Q4 was 77.8 - the highest we have ever achieved. For the full year FY'20 our NPS was 75 (up from 73 in FY'19); and in an outstanding achievement, Ramsay Australia recorded zero sentinel events during the whole of FY'20.

In relation to brownfield developments, he said the Company remained committed to investment and in FY'20, Ramsay Australia completed 11 projects with a total investment of $255 million, consisting of 295 gross beds (net 222), 11 theatres and 85 consulting suites.

Towards the end of the financial year, two major projects were completed earlier than anticipated at North West in Brisbane and John Flynn on the Gold Coast. During FY'20, the Board approved a further $196 million in projects including 209 net beds, 7 theatres, 13 consulting suites and a new emergency department.

Continental Europe

Overall, for FY'20 Ramsay Santé's revenues were up 14.3% and EBITDAR was up 8.5%. For the first half of FY'20, Ramsay Santé's revenues were up 44.3% and EBITDAR was up 38% reflecting the consolidation of an extra four months of Capio earnings (Capio was acquired 7 November 2018). The second half of FY'20 was negatively impacted by COVID-19, with revenue down 5.3% and EBITDAR down 10.5%.

Mr McNally said: "Ramsay Santé was on track to meet full year targets before COVID-19 hit Europe and was recording strong activity to that point. However, our hospitals across the region were heavily impacted by the pandemic. June activity was better than expected both in France and the Nordics, contributing to a positive result in that month".

"Ramsay Santé received a revenue guarantee from the French government which applies from 1 March to 31 December 2020. Sweden also received government support during the period, specifically in relation to St Göran's Hospital.
"Notably, our facilities in France, Italy and Sweden have been at the forefront of the pandemic, caring for over 7,000 COVID-19 patients. Our staff travelled from all over France to assist at the frontline in the worst affected areas in Paris. We commend the efforts of these staff and doctors who worked tirelessly while supporting the families of the patients who died with coronavirus in our facilities during the period.

"In Sweden our Capio-Flow digital consultation platform in the Proximity Care business was well utilized during the crisis expanding almost threefold to over 33,000 consultations per month by June.

"Surgical activity in France and the Nordics has been ramping up since June, although it is now impacted by the summer vacation period. There remain concerns of a second wave in Europe and while our business has performed well at the start of this year, there are still many uncertainties and it is too early to make any predictions about FY'21.

"Ramsay Santé continues to make good progress on the integration of the Capio business. We expect to achieve identified synergies but the timing of the realization of these synergies has been impacted by the COVID-19 pandemic."

United Kingdom

On the back of a strong first half, Ramsay UK continued to perform well at the start of the third quarter. However, like other regions, Ramsay UK was heavily impacted by COVID-19 and elective surgery restrictions. For the full year, revenue was down 4.9% and EBITDAR was down 10.6% on the previous year.

Ramsay UK led the industry discussions on making hospitals available to the NHS and an agreement was reached with NHS England for the COVID-19 period where Ramsay received net cost recovery for its services, including operating costs, overheads, use of assets, rent and interest, less a deduction for any private revenue. As a result, the business was broadly break even at the EBIT level for March to June 2020.

Mr McNally said: "Most of Ramsay's UK facilities were made available to the national effort and we performed 13,000 urgent operations for the NHS by the end of June (33% of the independent sector). In addition, our staff volunteered to work in NHS ICU or palliative care wards during the crisis and we loaned ventilators to the NHS.

"Importantly, the crisis has seen many new services move into our hospitals and the engagement built with NHS Trusts has positioned Ramsay UK well for the future.

"Uncertainties still remain in relation to the pandemic in the UK and the duration of the current agreement with NHS England, which remains on foot. We are in negotiations with NHS England to extend and vary this agreement with a possible December 2020 end date."

Mr McNally went on to say that Ramsay UK would participate in the contract tender process recently launched by the NHS to identify operators to assist with reducing waiting lists over the next four years. More than 50,000 patients have now waited at least a year for treatment and waiting lists are predicted to hit 10 million by December 2020.

Asia

There were no restrictions imposed on elective surgery during the pandemic in either Malaysia or Indonesia, therefore there were no government viability guarantees put in place. However, movement control orders in these countries impacted patient volumes during the pandemic.

"Our hospitals in Asia contributed to the care of COVID-19 patients, treating hundreds of patients during the period," Mr McNally said.

"We are starting to see patient volumes in these regions gradually increase."

Balance Sheet Strength and Liquidity

During the second half of 2020 Ramsay Health Care undertook an equity raising of $1.5 billion. This action was taken to strengthen Ramsay's balance sheet and provide financial flexibility in order to navigate an uncertain operating environment.

Proceeds from the equity raising have been used to partially repay Ramsay Funding Group's revolving debt facilities, which remain available for redraw.

As a result of the equity raising, the Group Consolidated Leverage Ratio[6] has reduced from 3.1x at 30 June 2019 to 2.0x as at 30 June 2020.

The Group has available undrawn debt capacity and cash headroom of around A$3 billion (equivalent). The next scheduled debt maturity is not until October 2022.

[6] *Note: The Group Consolidated Leverage Ratio is presented on a pre AASB16 basis, consistent with the Ramsay Funding Group debt facility documents*

The equity raising puts Ramsay's balance sheet in a strong position to implement our strategic objectives, including continuing our brownfield developments and providing the ability to take advantage of other opportunities that may arise in the future.

Outlook

Mr McNally said FY'20 had been an extraordinary year and one that has highlighted the strength and depth of Ramsay Health Care.

"Our response during this pandemic has demonstrated what an incredible and sustainable organisation we are and one that is driven to do the right thing for our patients, staff and doctors.

"The agreements we achieved with governments around the world to play our part in national efforts, not only provided us with security in the short term, but also demonstrated the strength of the private sector.

"However, many uncertainties remain with respect to the ongoing impact of the pandemic. As a result, Ramsay is unable to provide financial guidance for FY'21.

"Notwithstanding the significant near-term uncertainties, over the longer term, strong industry fundamentals remain.

"In addition to the increased demand for healthcare generally created by ageing populations with increased incidence of chronic disease, there are also now longer public waiting lists in each of our markets. We expect to play an enhanced role in relieving pressure on public waiting lists into the future.

"Following our recent $1.5 billion equity raising, Ramsay is also committed to expanding our business both in Australia and overseas, in and out of hospital where there is a strategic fit and it meets our strict investment criteria. We have a strong balance sheet to support this growth strategy."

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The release of this announcement has been authorised by the Ramsay Health Care Board of Directors.

Attachment: Summary of Group Financial Performance.

Ramsay Health Care

Attachment: **Table 1**

Summary of Financial Performance (Based on new Lease Accounting Standard)

- FY20 prepared under the new Lease Accounting Standard (AASB16 Leases)
- FY19 prepared under the old Lease Accounting Standard (AASB117 Leases)

	Year Ended 30 June $ millions		
	FY2020	**FY2019**	
	Group (1) **(AASB16 Leases)**	**Group** (1) **(AASB117 Leases)**	**% Increase/ -(Decrease)**
Net Profit After Tax (NPAT)			
Operating revenue	**12,395.5**	**11,552.8**	**7.3%**
EBITDAR	2,009.7	2,161.0	(7.0%)
EBITDA	1,843.9	1,592.1	15.8%
EBIT	952.3	1,108.0	(14.1%)
Profit attributable to members of the parent			
Core NPAT (2)	**336.9**	**590.9**	**(43.0%)**
Net non-core items, net of tax (3)	(52.9)	(45.4)	
Statutory NPAT	284.0	545.5	(47.9%)
Earnings Per Share, (EPS) cents			
Core EPS (4)	**155.9**	**281.0**	**(44.5%)**
Statutory EPS	130.5	258.9	(49.6%)
Dividends Per Share, cents			
Interim dividend, fully franked	62.5	60.0	4.2%
Final dividend, fully franked	0	91.5	n/a
Full-year dividends, fully franked	62.5	151.5	(58.7%)

Notes

(1) The FY20 period results include the impact of AASB16 Leases, while the FY19 period results were prepared under the previous lease accounting requirements (AASB117 Leases). Refer to the Overview section of the Appendix 4E for further information.

(2) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Ramsay Santé is consolidated. The non-controlling interest's share of Ramsay Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent. Ramsay Santé has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(3) Refer to the Overview section of the Appendix 4E (d) (i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

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

Ramsay Health Care

Attachment: **Table 2**

Summary of Financial Performance (like for like based on old Lease Accounting Standard)

- FY20 and FY19 prepared on a like for like basis under the old Lease Accounting Standard (AASB117 Leases)

	Year Ended 30 June $ millions		
	FY2020	**FY2019**	
	Group (1) (AASB117 Leases)	**Group (1) (AASB117 Leases)**	**% Increase / - (Decrease)**
Net Profit After Tax (NPAT)			
Operating revenue	**12,395.5**	**11,552.8**	**7.3%**
EBITDAR	2,009.7	2,161.0	(7.0%)
EBITDA	1,357.9	1,592.1	(14.7%)
EBIT	812.0	1,108.0	(26.7%)
Profit attributable to members of the parent			
Core NPAT (2)	**387.7**	**590.9**	**(34.4%)**
Net non-core items, net of tax (3)	(60.6)	(45.4)	
Statutory NPAT	327.1	545.5	(40.0%)
Earnings Per Share, (EPS) cents			
Core EPS (4)	**180.2**	**281.0**	**(35.9%)**
Statutory EPS	151.2	258.9	(41.6%)
Dividends Per Share, cents			
Interim dividend, fully franked	62.5	60.0	4.2%
Final dividend, fully franked	0	91.5	n/a
Full-year dividends, fully franked	62.5	151.5	(58.7%)

Notes

(1) The FY20 period results and the FY19 period results have been prepared on a like for like basis under the previous lease accounting requirements (AASB117 Leases). Refer to the Overview section of the Appendix 4E for further information.

(2) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Ramsay Santé is consolidated. The non-controlling interest's share of Ramsay Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent. Ramsay Santé has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(3) Refer to the Overview section of the Appendix 4E (d) (i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

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

SECTION 2

FINANCIAL INFORMATION

FOR THE YEAR ENDED

30 JUNE 2020

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

RAMSAY HEALTH CARE LIMITED

AND CONTROLLED ENTITIES

A.B.N. 57 001 288 768

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $m	2019 $m
Revenue from contracts with customers	2a	12,160.3	11,552.8
Interest income		12.7	6.7
Other income - income from government grants	2b	235.2	-
Other income - income from the sale of development assets		2.1	29.9
Other income - net profit on disposal of non-current assets		11.2	6.6
Total revenue and other income		**12,421.5**	**11,596.0**
Employee benefit and contractor costs	Overview,3	(7,020.4)	(6,228.3)
Occupancy costs		(551.4)	(942.9)
Service costs		(315.0)	(323.4)
Medical consumables and supplies		(2,723.1)	(2,592.2)
Depreciation, amortisation and impairment	Overview, 3	(930.7)	(486.2)
Cost of development assets sold		(6.8)	(19.4)
Total expenses, excluding finance costs		**(11,547.4)**	**(10,592.4)**
Share of profit of joint venture	15a	16.1	19.1
Profit before tax and finance costs		**890.2**	**1,022.7**
Finance costs	Overview, 3	(424.0)	(175.9)
Profit before income tax		**466.2**	**846.8**
Income tax	14	(157.0)	(274.4)
Net profit for the year		**309.2**	**572.4**
Attributable to non-controlling interests		25.2	26.9
Attributable to owners of the parent		**284.0**	**545.5**
		309.2	**572.4**
Earnings per share (cents per share)			
Basic earnings per share (after CARES dividend)	5	131.0	260.5
Diluted earnings per share (after CARES dividend)	5	130.5	258.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes. The Directors note that the 2020 results include the impact of accounting for AASB16 Leases, whilst the 2019 results were prepared under the previous lease accounting standard requirements. Refer to the Overview section for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2020

	2020 $m	2019 $m
Net profit for the year	309.2	572.4
Items that will not be reclassified to net profit		
Actuarial (loss) on defined employee benefit obligation	(10.2)	(88.8)
Items that may be subsequently reclassified to net profit		
Cash flow hedges		
(Loss) taken to equity	(5.0)	(34.7)
Transferred to Income Statement	12.3	(2.7)
Net change in cost of hedging	1.4	(4.4)
Net (loss) on bank loan designated as a hedge of a net Investment	(26.3)	(28.0)
Foreign currency translation	20.9	59.6
Income tax relating to components of other comprehensive (expense)/income	(0.8)	29.3
Other comprehensive income for the year, net of tax	**(7.7)**	**(69.7)**
Total comprehensive income for the year	**301.5**	**502.7**
Attributable to non-controlling interests	27.3	(0.8)
Attributable to the owners of the parent	**274.2**	**503.5**
	301.5	**502.7**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	7a	1,503.7	745.5
Trade and other receivables	8a	1,916.9	1,589.5
Inventories	8b	411.0	344.8
Income tax receivable	14	14.6	19.3
Prepayments		175.4	177.0
Other current assets		39.2	26.5
		4,060.8	2,902.6
Assets classified as held for sale		-	16.6
Total current assets		**4,060.8**	**2,919.2**
Non-current assets			
Other financial assets		82.6	62.7
Investments in joint venture	15a	245.8	270.3
Property, plant and equipment	Overview,10	4,447.2	4,642.8
Right of use assets	Overview,11	4,477.9	-
Intangible assets	12	4,246.1	4,263.3
Deferred tax asset	Overview,14	409.1	390.5
Prepayments		11.1	11.3
Receivables	8a	78.1	79.7
Total non-current assets		**13,997.9**	**9,720.6**
TOTAL ASSETS		**18,058.7**	**12,639.8**
LIABILITIES			
Current liabilities			
Trade and other creditors	8c	3,203.5	2,374.7
Loans and borrowings	7b	32.3	34.0
Lease liabilities	Overview,7c	347.8	73.1
Derivative financial instruments	7d	6.2	18.6
Provisions	Overview,15b	133.7	183.2
Income tax payable	14	49.4	60.2
Total current liabilities		**3,772.9**	**2,743.8**
Non-current liabilities			
Loans and borrowings	7b	4,195.5	5,209.4
Lease liabilities	Overview,7c	4,941.4	278.1
Provisions	Overview,15b	390.0	775.9
Defined employee benefit obligation	15d	222.9	215.3
Derivative financial instruments	7d	45.1	43.8
Other creditors		24.3	16.5
Deferred tax liability	14	230.7	333.9
Total non-current liabilities		**10,049.9**	**6,872.9**
TOTAL LIABILITIES		**13,822.8**	**9,616.7**
NET ASSETS		**4,235.9**	**3,023.1**
EQUITY			
Issued capital	6	2,197.6	713.5
Treasury shares	6	(78.2)	(82.1)
Convertible Adjustable Rate Equity Securities (CARES)	6	252.2	252.2
Other reserves		(51.0)	(33.2)
Retained earnings	Overview	1,431.9	1,693.3
Parent interests		**3,752.5**	**2,543.7**
Non-controlling interests		**483.4**	**479.4**
TOTAL EQUITY		**4,235.9**	**3,023.1**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The Directors note that the 30 June 2020 balances include the impact of accounting for AASB16 Leases, whilst the 30 June 2019 balances were prepared under the previous lease accounting standard requirements. Refer to the Overview section for further information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued Capital (Note 6.1) $m	Treasury Shares (Note 6.2) $m	CARES (Note 6.3) $m	Other Reserves $m	Retained Earnings $m	Non-controlling interests $m	Total $m
As at 1 July 2018		**713.5**	**(76.8)**	**252.2**	**(26.2)**	**1,494.3**	**90.4**	**2,447.4**
AASB 9 Financial Instruments adjustment		-	-	-	-	(1.1)	-	(1.1)
As at 1 July 2018 - Restated		**713.5**	**(76.8)**	**252.2**	**(26.2)**	**1,493.2**	**90.4**	**2,446.3**
Total Comprehensive Income		-	-	-	(5.4)	508.9	(0.8)	**502.7**
Dividends paid		-	-	-	-	(308.8)	(12.5)	**(321.3)**
Shares purchased for executive performance share plan		-	(21.9)	-	-	-	-	**(21.9)**
Treasury shares vesting to employees		-	16.6	-	(16.6)	-	-	-
Share based payment expense for employees		-	-	-	15.0	-	-	**15.0**
Issue of share capital in subsidiaries to non-controlling interest		-	-	-	-	-	402.3	**402.3**
As at 30 June 2019		**713.5**	**(82.1)**	**252.2**	**(33.2)**	**1,693.3**	**479.4**	**3,023.1**
As at 1 July 2019		**713.5**	**(82.1)**	**252.2**	**(33.2)**	**1,693.3**	**479.4**	**3,023.1**
AASB 16 Leases adjustment	Overview	-	-	-	-	(218.9)	-	(218.9)
As at 1 July 2019 - Restated		**713.5**	**(82.1)**	**252.2**	**(33.2)**	**1,474.4**	**479.4**	**2,804.2**
Total Comprehensive Income		-	-	-	(5.8)	280.0	27.3	**301.5**
Dividends paid		-	-	-	-	(322.5)	(12.6)	**(335.1)**
Shares purchased for executive performance share plan		-	(9.8)	-	-	-	-	**(9.8)**
Treasury shares vesting to employees		-	13.7	-	(13.7)	-	-	**-**
Issue of share capital (net of transaction costs)		1,484.1	-	-	-	-	-	**1,484.1**
Share based payment expense for employees		-	-	-	1.3	-	-	**1.3**
Acquisition of subsidiary/non-controlling interest		-	-	-	0.4	-	(10.7)	**(10.3)**
As at 30 June 2020		**2,197.6**	**(78.2)**	**252.2**	**(51.0)**	**1,431.9**	**483.4**	**4,235.9**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers		12,433.8	11,253.2
Receipts of governments grants		235.2	-
Payments to suppliers and employees		(10,366.1)	(9,938.1)
Income tax paid		(203.4)	(253.0)
Finance costs		(418.8)	(158.8)
Net cash flows from operating activities	7a	**1,680.7**	**903.3**
Cash flows from investing activities			
Purchase of property, plant and equipment		(680.6)	(593.8)
Proceeds from sale of businesses and non – current assets		34.6	140.0
Interest and dividends received		47.3	9.0
Business combinations, net of cash received	9	(25.4)	(1,307.5)
Acquisition of investments and purchase of non-controlling interests		(31.9)	-
Net cash flows used in investing activities		**(656.0)**	**(1,752.3)**
Cash flows from financing activities			
Dividends paid to ordinary shareholders of the parent		(322.5)	(308.8)
Dividends paid to non-controlling interests		(12.6)	(12.5)
Repayment of lease principal (2019: Repayment of finance lease principal)	Overview	(323.8)	(80.2)
Purchase of ordinary shares		(9.8)	(21.9)
Proceeds from borrowings		1,182.2	2,758.6
Repayment of borrowings		(2,222.3)	(1,895.0)
Proceeds from share issue (net of transaction costs)		1,476.9	-
Proceeds from non-controlling interests for share issue		-	396.9
Costs of refinancing		-	(25.1)
Net cash flows (used in) / from financing activities		**(231.9)**	**812.0**
Net increase / (decrease) in cash and cash equivalents		792.8	(37.0)
Net foreign exchange differences on cash held		(34.6)	11.9
Cash and cash equivalents at beginning of year		745.5	770.6
Cash and cash equivalents at end of year	7a	**1,503.7**	**745.5**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. The Directors note that the 2020 year end results include the impact of accounting for AASB16 Lease, whilst the 2019 year end results were prepared under the previous lease accounting standard requirements. Refer to the Overview section for further information.

OVERVIEW

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

(a) Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for derivative financial instruments, listed investments, assets held for sale and the assets and liabilities recognised through business combinations which have been measured at fair value;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- where necessary, and as a result of a change in the classification of certain revenues and expenses during the current year, comparative amounts in the consolidated income statement, and associated notes have been reclassified for consistency with presentation in the current period;
- presents all values as rounded to the nearest hundred thousand dollars, unless otherwise stated under the option available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191;
- does not early adopt any Australian Accounting Standards and Interpretations issued or amended but are not yet effective.

(b) New and amended accounting standards and interpretations, effective 1 July 2019

The Group applied, for the first time, AASB16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatments. The nature and effect of these changes are disclosed below.

AASB16: Leases

Effective for Ramsay, from 1 July 2019, AASB16 Leases has replaced AASB117 Leases. AASB16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AABS16 substantially carries forward the lessor accounting in AASB117, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

(a) Transition Method and Practical Expedients Utilised

The Group adopted AASB16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, being 1 July 2019, and comparatives have not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position as at 1 July 2019.

AASB16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying AASB16 to leases previously classified as operating leases under AASB117:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right of use assets at the date of initial application for leases where the right of use asset was determined as if AASB16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB136 Impairment of Assets as at the date of initial application;
- Applied the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB16, the Group recognises right of use assets and lease liabilities for most leases. However, the Group has elected not to recognise right of use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2019

AASB16: Leases (continued)

On adoption of AASB16, the Group recognised right of use assets and lease liabilities in relation to leases of hospitals, office space, equipment and cars, which had previously been classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 4.94%.

The right of use assets were measured as follows:

- French and Nordic assets: Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- All other leases: the carrying value that would have resulted from AASB16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

The following table reconciles the minimum lease commitments disclosed in the Group's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	$m
Minimum operating lease commitment at 30 June 2019	4,809.1
Less: effect of discounting these leases using the incremental borrowing rate as at the date of initial application	(1,643.4)
Less: short term and low value leases not recognised under AASB16	(34.6)
Add: effect of extension options reasonably certain to be exercised	1,798.5
Discounted lease payments	4,929.6
Finance leases	351.2
Lease liabilities recognised at 1 July 2019	5,280.8

The impact of adopting AASB16 on the Statement of Financial Position (increase/(decrease)) as at 1 July 2019:

	AASB117 Leases $m	**Impact of Adoption of AASB16 $m**	**AASB16 Leases $m**
Prepayments – current	177.0	(25.1)	151.9
Investment in joint venture	270.3	(0.2)	270.1
Property, plant and equipment	4,642.8	(375.1)	4,267.7
Right of use assets	-	4,548.3	4,548.3
Deferred tax assets	390.5	59.6	450.1
Total Assets	5,480.6	4,207.5	9,688.1
Trade and other creditors – current	2,374.7	(1.6)	2,373.1
Lease liabilities	351.2	4,929.6	5,280.8
Provisions	959.2	(501.6)	457.6
Total Liabilities	3,685.1	4,426.4	8,111.5
Net Assets	1,795.5	(218.9)	1,576.6
Retained earnings	1,693.3	(218.9)	1,474.4
Total Equity	1,693.3	(218.9)	1,474.4

As at 1 July 2019,

- Right of use assets of $4,548.3 million were recognised and presented separately in the Statement of Financial Position. Lease assets of $368.3 million previously recognised under property, plant and equipment as leased assets under a finance lease, were reclassified and included as right of use assets. $6.8 million previously recognised as service concession assets were derecognised;

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2019

AASB16: Leases (continued)

- Additional lease liabilities of $4,929.6 million were recognised and presented separately in the Statement of Financial Position. Lease liabilities under AASB117 were previously recognised under loans and borrowings. These lease liabilities have been reclassified from loans and borrowings in both periods;
- Prepayments of $25.1 million and accruals of $1.6 million related to previous operating leases were recognised against the lease liability;
- Provisions, consisting of the deferred lease provision and the onerous contract provisions, of $501.6 million related to the previous operating leases were derecognised/recognised against the right of use asset respectively;
- Deferred tax assets increased by $59.6 million because of the deferred tax impact of the changes in assets and liabilities; and
- The net effect of these adjustments is a debit adjustment to retained earnings of $218.9 million.
- The adoption of this standard has resulted in a current ratio of less than one, primarily as a result of the current lease liabilities recognised.

The impact to the Statement of Financial Performance for the year ended 30 June 2020 is as follows:

	AASB 117 Leases $m	Impact of Adoption of AASB 16 $m	AASB16 Leases $m
Year ended 30 June 2020			
Revenue from contracts with customers	12,160.3	-	12,160.3
Interest income	12.7	-	12.7
Other income – income from government grants	235.2	-	235.2
Other income - income from the sale of development assets	2.1	-	2.1
Other income - net profit on disposal of non-current assets	11.2	-	11.2
Total revenue and other income	**12,421.5**	**-**	**12,421.5**
Employee benefit and contractor costs	(7,020.4)	-	(7,020.4)
Occupancy costs	(1,047.9)	496.5	(551.4)
Service costs	(315.0)	-	(315.0)
Medical consumables and supplies	(2,723.1)	-	(2,723.1)
Depreciation, amortisation and impairment	(585.0)	(345.7)	(930.7)
Cost of development assets sold	(6.8)	-	(6.8)
Total expenses, excluding finance costs	**(11,698.2)**	**150.8**	**(11,547.4)**
Share of profit of joint venture	16.1	-	16.1
Profit before tax and finance costs	**739.4**	**150.8**	**890.2**
Finance costs	(192.3)	(231.7)	(424.0)
Profit before income tax	**547.1**	**(80.9)**	**466.2**
Income tax	(177.7)	20.7	(157.0)
Net profit for the period	**369.4**	**(60.2)**	**309.2**
Attributable to non-controlling interests	42.3	(17.1)	25.2
Attributable to owners of the parent	**327.1**	**(43.1)**	**284.0**
	369.4	**(60.2)**	**309.2**

The impact to the Statement of Cash Flows increase/(decrease) for the year ended 30 June 2020 is as follows:

	$m
Net cash flows from operating activities	268.2
Net cash flows from financing activities	(268.2)

Statutory Basic Earnings per Share decreased by 20.7 cents for the year ended 30 June 2020 as a result of adoption of AASB16.

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2019

AASB16: Leases (continued)

(b) Significant Accounting Policies subsequent to Transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
- Leases of low value assets, being those with a cost of $50,000 or less; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the shorter of the useful life of the asset or the term of the lease. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

The Group applies the short term lease recognition exemption to its short term lease of equipment, being those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to lease of equipment that are considered of low value. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight line basis over the lease term.

The Group determines the lease terms as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the options to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB112. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments.

OVERVIEW (CONTINUED)

(b) New and amended accounting standards and interpretations, effective 1 July 2019

AASB Interpretation 23 Uncertainty over Income Tax Treatment (continued)

Since the Group operates in a complex multinational environment, each tax jurisdiction assessed whether the Interpretation had an impact on their own reported financial results.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

(c) Accounting Standards and Interpretations Issued But Not Yet Effective

New and amended standards and interpretations issued by the AASB that will apply for the first time in the next annual financial statement are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

(d) Non-AASB financial information

The Directors believe that the core profit (segment result) after tax, (core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items) and the core earnings per share measures, provides additional useful information which is used for internal segment reporting and therefore would be useful for shareholders, as these measures are used to ascertain the ongoing profitability of the underlying business. It is the Company's intention to no longer separate its profit between core and non-core going forward.

(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result)

	2020 $m* AASB16	2020 $m** AASB117	2019 $m** AASB117
Net profit after tax attributable to owners of the parent	**284.0**	**327.1**	**545.5**
Add/(less) non-core items:			
- Non-cash portion of rent expense relating to leased UK hospitals**	-	10.5	12.2
- Non-cash unfavourable lease contracts expense	-	-	9.3
- Amortisation - service concession assets	1.6	1.6	1.5
- Net (profit) on disposal of non-current assets	(11.2)	(11.2)	(6.6)
- Income from the sale of development assets	(2.1)	(2.1)	(29.9)
- Book value of development assets sold	6.8	6.8	19.4
- Impairment of non-current asset	37.5	37.5	0.6
- Acquisition, disposal, and development costs	10.4	10.4	44.4
- Restructuring – provision for personnel costs	7.0	7.0	16.5
- Restructuring – provision for service costs	24.8	24.8	21.9
- FD's unvested performance rights – accounting expense	-	-	2.6
Income tax on non-core items	(17.3)	(20.1)	(28.4)
Non-controlling interests in non-core items net of tax	(4.6)	(4.6)	(18.1)
	52.9	60.6	45.4
Core profit (segment result) after tax attributable to owners of the parent* **	**336.9**	**387.7**	**590.9**
Core earnings per share			
Core profit (segment result) after tax (above)	**336.9**	**387.7**	590.9
Less: CARES dividend	(11.3)	(11.3)	(12.8)
Core profit after tax used to calculate core earnings per share	325.6	376.4	578.1
- Diluted core earnings per share (after CARES dividend)	155.9c	180.2c	281.0c
- Basic core earnings per share (after CARES dividend)	156.4c	180.9c	282.7c
	m	**m**	**m**
Weighted average number of ordinary shares adjusted for effect of dilution	208.9	208.9	205.8
Weighted average number of ordinary shares	208.1	208.1	204.5

* *In accordance with AASB16 Leases*
** *In accordance with AASB117 Leases and AASB Interpretation 115 Operating Leases – Incentives*
*** *Core profit (segment result) after tax is a non-statutory profit measure and represents profit before non-core items*

OVERVIEW (CONTINUED)

(d) Non-AASB financial information (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 under AASB16 Leases and then reconciles to the results as if the accounts were prepared under AASB117 Leases. AASB117 was used for the accounting for leases in the prior year. The non-core items listed at (d)(i) are excluded from the relevant line items in the consolidated statutory Income Statement to ascertain the core (segment) consolidated Income Statement.

	Statutory consolidated Income Statement AASB16 $m	Non-core items as included at (d)(i) AASB16 $m	Core (segment) consolidated Income Statement AASB16 $m	Core (segment) consolidated Income Statement AASB117 Adjustments $m	Core (segment) consolidated Income Statement AASB117 $m
Year Ended 30 June 2020					
Revenue from contracts with customers	12,160.3	-	12,160.3	-	12,160.3
Interest income	12.7	-	12.7	-	12.7
Other income – income from government grants Interest income	235.2	-	235.2	-	235.2
Other income - income from the sale of development assets	2.1	(2.1)	-	-	-
Other income - net profit on disposal of non-current assets	11.2	(11.2)	-	-	-
Total revenue and other income	**12,421.5**	**(13.3)**	**12,408.2**	**-**	**12,408.2**
Employee benefit and contractor costs	(7,020.4)	7.0	(7,013.4)	-	(7,013.4)
Occupancy costs	(551.4)	-	(551.4)	(486.0)	(1,037.4)
Service costs	(315.0)	35.2	(279.8)	-	(279.8)
Medical consumables and supplies	(2,723.1)	-	(2,723.1)	-	(2,723.1)
Depreciation, amortisation and impairment	(930.7)	39.1	(891.6)	345.7	(545.9)
Cost of development assets sold	(6.8)	6.8	-	-	-
Total expenses, excluding finance costs	**(11,547.4)**	**88.1**	**(11,459.3)**	**(140.3)**	**(11,599.6)**
Share of profit of joint venture	16.1	-	16.1	-	16.1
Profit before tax and finance costs	**890.2**	**74.8**	**965.0**	**(140.3)**	**824.7**
Finance costs	(424.0)	-	(424.0)	231.7	(192.3)
Profit before income tax	**466.2**	**74.8**	**541.0**	**91.4**	**632.4**
Income tax	(157.0)	(17.3)	(174.3)	(23.5)	(197.8)
Net profit for the period	**309.2**	**57.5**	**366.7**	**67.9**	**434.6**
Attributable to non-controlling interests	25.2	4.6	29.8	17.1	46.9
Attributable to owners of the parent	**284.0**	**52.9**	**336.9**	**50.8**	**387.7**
	309.2	**57.5**	**366.7**	**67.9**	**434.6**

OVERVIEW (CONTINUED)

(d) Non-AASB financial information (continued)

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

	Statutory consolidated Income Statement $m	Non-core items as included at (d)(i) $m	Core (segment) consolidated Income Statement $m
For the year ended 30 June 2019			
Revenue from contracts with customers	11,552.8	-	11,552.8
Interest income	6.7	-	6.7
Other income – income from the sale of development assets	29.9	(29.9)	-
Other income - net profit on disposal of non-current assets	6.6	(6.6)	-
Total revenue and other income	**11,596.0**	**(36.5)**	**11,559.5**
Employee benefit and contractor costs	(6,228.3)	19.1	(6,209.2)
Occupancy costs	(942.9)	21.5	(921.4)
Service costs	(323.4)	66.3	(257.1)
Medical consumables and supplies	(2,592.2)	-	(2,592.2)
Depreciation, amortisation and impairment	(486.2)	2.1	(484.1)
Cost of development assets sold	(19.4)	19.4	-
Total expenses, excluding finance costs	**(10,592.4)**	**128.4**	**(10,464.0)**
Share of profit of joint venture	19.1	-	19.1
Profit before tax and finance costs	**1,022.7**	**91.9**	**1,114.6**
Finance costs	(175.9)	-	(175.9)
Profit before income tax	**846.8**	**91.9**	**938.7**
Income tax	(274.4)	(28.4)	(302.8)
Net profit for the year	**572.4**	**63.5**	**635.9**
Attributable to non-controlling interests	26.9	18.1	45.0
Attributable to owners of the parent	**545.5**	**45.4**	**590.9**
	572.4	**63.5**	**635.9**

(e) Basis of consolidation

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

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

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

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

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

OVERVIEW (CONTINUED)

(e) Basis of consolidation (continued)

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

(f) Significant accounting judgements, estimates and assumptions

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

- Recognition of revenue, refer note 2
- Recognition of land and buildings at fair value in a business combination, refer note 9;
- Estimation of useful lives of property, plant and equipment, right of use and intangible assets, refer note 10, note 11 and note 12;
- Impairment testing of goodwill, refer note 13;
- Impairment of property, plant and equipment, refer note 10;
- Income tax losses and deferred tax, refer note 14;
- Insurance provision, refer note 15b;
- Defined employee benefit obligations, refer note 15d; and
- Share based payment transactions, refer note 17.

(g) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

(h) 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

I. RESULTS FOR THE YEAR

1. SEGMENT INFORMATION

Identification of reportable segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) 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 four reportable operating segments being Asia Pacific, UK, France and Nordics.

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

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

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

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

	Asia Pacific $m	UK $m	France $m	Nordics $m	Total $m
Year Ended 30 June 2020					
Revenue					
Revenue from contracts with customers	5,068.0	929.5	4,352.7	1,810.1	12,160.3
Other income – income from government grants	-	-	235.2	-	235.2
Total revenue before intersegment revenue	5,068.0	929.5	4,587.9	1,810.1	12,395.5
Intersegment revenue	8.7	-	-	-	8.7
Total segment revenue	**5,076.7**	**929.5**	**4,587.9**	**1,810.1**	**12,404.2**
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) [1]	**797.1**	**167.1**	**877.0**	**168.5**	**2,009.7**
Rent [2]	(16.9)	(1.3)	(122.7)	(24.9)	(165.8)
Earnings before interest, tax, depreciation and amortisation (EBITDA) [3]	**780.2**	**165.8**	**754.3**	**143.6**	**1,843.9**
Depreciation and amortisation	(206.7)	(93.3)	(454.8)	(136.8)	(891.6)
Earnings before interest and tax (EBIT) [4]	**573.5**	**72.5**	**299.5**	**6.8**	**952.3**
Interest					(411.3)
Income tax expense					(174.3)
Segment (core) net profit after tax [5]					**366.7**
Attributable to non-controlling interest					(29.8)
Segment (core) net profit after tax, attributable to owners of the parent [6]					**336.9**
Non-core items net of tax after non-controlling interest					(52.9)
Net profit attributable to owners of the parent					**284.0**

1 "EBITDAR" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation, rent and non-core items.
2 Rent includes rental costs of short term or low value assets together with any related rent costs, including rent related taxes that could not be capitalised as part of lease liabilities.
3 "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
4 "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
5 "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
6 "Segment (core) net profit after tax attributable to owners of the parent" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	Asia Pacific $m	UK $m	France $m	Nordics $m	Total $m
Year ended 30 June 2019					
Revenue					
Revenue from contracts with customers	5,182.5	942.8	4,281.0	1,146.5	11,552.8
Total revenue before intersegment revenue	5,182.5	942.8	4,281.0	1,146.5	11,552.8
Intersegment revenue	3.7	-	-	-	3.7
Total segment revenue	5,186.2	942.8	4,281.0	1,146.5	11,556.5
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) [1]	**1,036.2**	**180.9**	**820.8**	**123.1**	**2,161.0**
Rent [2]	(66.4)	(91.2)	(344.3)	(67.0)	(568.9)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[3]	**969.8**	**89.7**	**476.5**	**56.1**	**1,592.1**
Depreciation and amortisation	(171.4)	(42.2)	(231.9)	(38.6)	(484.1)
Earnings before interest and tax (EBIT)[4]	**798.4**	**47.5**	**244.6**	**17.5**	**1,108.0**
Interest					(169.3)
Income tax expense					(302.8)
Segment (core) net profit after tax [5]					**635.9**
Attributable to non-controlling interest					(45.0)
Segment (core) net profit after tax, attributable to owners of the parent [6]					**590.9**
Non-core items net of tax after non-controlling interest					(45.4)
Net profit attributable to owners of the parent					**545.5**

1 "EBITDAR" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation, rent and non-core items.
2 Rent includes rent on operating leases accounted for under AASB 117.
3 "EBITDA" is a non-statutory profit measure and represents profit before interest, tax, depreciation, amortisation and non-core items.
4 "EBIT" is a non-statutory profit measure and represents profit before interest, tax and non-core items.
5 "Segment (core) net profit after tax" is a non-statutory profit measure and represents profit before non-core items.
6 "Segment (core) net profit after tax attributable to owners of the parent" is a non-statutory profit measure and represents profit before non-core items that are attributable to the owners of the parent.

	Asia Pacific $m	UK $m	France $m	Nordics $m	Adjustments & Eliminations* $m	Total $m
As at 30 June 2020						
Assets & liabilities						
Segment assets	6,500.8	2,716.0	10,602.9	1,866.9	(3,627.9)	18,058.7
Segment liabilities	(2,139.5)	(2,272.8)	(8,573.7)	(836.8)	-	(13,822.8)
As at 30 June 2019						
Assets & liabilities						
Segment assets	5,562.9	2,033.5	5,692.1	904.0	(1,552.7)	12,639.8
Segment liabilities	(2,581.1)	(1,395.7)	(4,673.2)	(966.7)	-	(9,616.7)

*Adjustments and eliminations consist of unallocated goodwill (in 2019 only), investments in subsidiaries, intercompany and receivables/payables, most of which are eliminated on consolidation.

I. RESULTS FOR THE YEAR (CONTINUED)

1. SEGMENT INFORMATION (CONTINUED)

	2020 $m	2019 $m
(i) Segment revenue reconciliation to Income Statement		
Total segment revenue	12,404.2	11,556.5
Inter segment sales elimination	(8.7)	(3.7)
Interest income	12.7	6.7
Other income – net profit on disposal of non-current assets	11.2	6.6
Other income – income from the sale of development assets	2.1	29.9
Total revenue and other income	12,421.5	11,596.0

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

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

2a. REVENUE

	2020 $m	2019 $m
Revenue from patients	11,778.9	11,327.0
Revenue from governments under COVID 19 support contracts	189.6	-
Rental income	37.9	40.0
Income from ancillary services	153.9	185.8
Revenue from contracts with customers	**12,160.3**	**11,552.8**

Revenue is recognised and measured at the amount of the consideration received or receivable to the extent that the performance obligations under contracts have been satisfied 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.

Revenue from governments under COVID 19 support contracts
During the period, specific contracts were entered into with various government bodies under which Ramsay made available its facilities and services, including equipment and staff, to assist with the respective government's response to the COVID 19 pandemic. Each of the revenue agreements are specific to each government body as follows:

Australia – agreements with the state governments of NSW, WA, Queensland and Victoria commenced from either 31 March or 1 April 2020 (each a **State**). In return for the commitment to maintain full workforce capacity at the facilities, Ramsay has received, and recognised as revenue, the net recoverable costs (being recoverable costs less any revenue generated from operations, calculated on an accruals basis (revenue amounts)) for these services. Recoverable costs include direct operating costs, service costs, corporate overhead costs (to the extent related to the provision of service), depreciation associated with pre-existing capital which is owned and depreciation associated with amortisation of leases. Interest and debt servicing costs are excluded. The agreements will end on various dates, depending on each States requirements. These end dates will (in most cases) be 20 or 30 days after the State gives notice but not before; in the case of the State of Victoria, the temporary restrictions imposed on private hospitals performing category 3 and non-urgent category 2 surgeries have been lifted; in the case of the State of Queensland, the State determines that activation of the Australian Health Sector Emergency Response Plan for Novel Coronavirus 2019 has ceased; and, in the case of NSW, the date notified by the Commonwealth government as being the last date covered by the private hospital financial viability payment under the National Partnership Agreement.

Recoverable costs and revenue amounts are aggregated quarterly with each quarter considered separately with the first quarterly period ended 30 June 2020. Where the revenue amounts exceed recoverable costs the payment for that quarter is deemed to be zero.

Victoria and Queensland include a "Pause and Restart" mechanism whereby the State can put the agreement on pause allowing the Operator to return to normal operations and relieves the State of any payment obligations during the pause while allowing the State to restart the contract to provide COVID 19 pandemic support when necessary. The Queensland State government has agreed to Ramsay's request to put the agreement on hold from 1 July 2020. While the Victorian agreement was paused from 30 June 2020, it was restarted with effect from 23 July 2020. The NSW agreement does not have a Pause and Restart mechanism.

I. RESULTS FOR THE YEAR (CONTINUED)

2. REVENUE (CONTINUED)

The agreement with the state government of WA was terminated with effect from 30 June 2020. However, it includes a right for the WA Department of Health to direct Ramsay for a 12 month period from 30 June 2020 to sign a new agreement on the same terms as the original agreement. This right can be exercised if the Department or the Commonwealth government reasonably form the view that this is necessary to ensure that the public and private health sectors can respond successfully to the COVID 19 pandemic.

UK – an agreement with NHS England, commenced on 23 March 2020, to make the Ramsay UK facilities and services available to the NHS England and its patients. Ramsay receives, and recognises as revenue, the net cost of services provided, including operating costs, overheads, use of assets, rent and interest less a deduction for revenue earned through the provision of private, urgent elective care to patients. The term of the agreement was initially for a minimum of 14 weeks from 23 March 2020 and is currently on a rolling basis, which is terminable by the NHS England on one month's notice.

Future events could cause the assumptions on which these revenue accruals are based to change, which could affect the future results of the Group. As the revenue recognised by the Group in accordance with the contracts is variable, revenue has been recognised only to the extent that it is highly probable that a significant revenue reversal of the cumulative amount of revenue will not occur when the uncertainty associated with the variable consideration is resolved.

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 control of the development asset is transferred to the customer.

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

2b. OTHER INCOME - INCOME FROM GOVERNMENT GRANTS

	2020 $m	2019 $m
Other income – income from government grants	235.2	-

Income from Government Grants
Government grants are recognised when there is reasonable assurance that the grant will be received and all the attached conditions will be complied with. Grants are accounted for on a gross basis in revenue and expenses, by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is recognised as other income.

Ramsay Santé is a beneficiary of the French government decree, issued on 7 May 2020, which provides a guarantee of revenue from 1 March 2020 to 31 December 2020, equal to 10/12th of the 2019 calendar year revenue from the government, with some small indexation factor. Should the actual billings over this March to December period fall below the guaranteed revenue, then Ramsay Santé is entitled to the shortfall. In line with the requirements, under the guarantee, these estimates, payments and final square ups are completed on a site by site basis.

As the final square up of the revenue guarantee will not be performed until March 2021 and the grant income recognised for Ramsay Santé is based on the current estimate at hand at the time of issuing the Ramsay Group financial statements, these estimates may be updated and produce a different outcome for the 31 December 2020 Ramsay Group half year results. Similarly, the Ramsay Santé accounts will not be issued until October 2020 and these estimates may be updated and produce a different outcome to the management accounts.

The estimated grant income accrual earned under this guarantee, for the period 1 March 2020 to 30 June 2020, takes into consideration the forecast of revenue billings for the period 1 July 2020 to 31 December 2020. The key assumptions made in this estimation of the billings for the July 2020 to December 2020 period are:

- estimate of hospital activity under current restrictions;
- estimate of the timing of when hospital operations will return to pre-COVID 19 activity levels; and
- estimate of whether there will be an initial increase in activity when restrictions end.

I. RESULTS FOR THE YEAR (CONTINUED)

2c. REVENUE FROM CONTRACTS WITH CUSTOMERS AND INCOME FROM GOVERNMENT GRANTS

	Note	2020 $m	2019 $m
Revenue from contracts with customers	2a	12,160.3	11,552.8
Other income – income from government grants	2b	235.2	-
Revenue from contracts with customers and income from government grants		**12,395.5**	**11,552.8**

3. EXPENSES

	2020 $m	2019 $m
(a) Depreciation		
Depreciation - Plant and equipment	292.4	315.4
Depreciation - Buildings	148.2	143.3
Depreciation - Right of use asset – Property	339.6	-
Depreciation - Right of use asset – Plant and equipment	61.7	-
Total depreciation	841.9	458.7
(b) Amortisation		
Amortisation - Service concession assets	18.1	16.9
Amortisation - Development cost	33.2	10.0
Total amortisation	51.3	26.9
(c) Impairment		
Impairment - Plant and equipment	4.8	0.3
Impairment – Land and buildings	11.2	0.3
Impairment - Right of use asset – Property	20.8	-
Impairment – Intangible assets	0.7	-
Total impairment	37.5	0.6
(d) Property rental costs		
Expense relating to short term leases (included in occupancy costs)	3.4	
Expense relating to leases of low value assets (included in occupancy costs)	3.5	
Variable lease payments (included in occupancy costs)	0.5	

The above should be read in conjunction with the note 7c. The Directors note that the 2020 results include the impact of accounting for AASB 16 Leases, whilst the 2019 results were prepared under the previous lease accounting standard requirements.

	2020 $m	2019 $m
(e) Employee benefit and contractor costs		
Wages and salaries	5,800.9	5,076.9
Workers' compensation	10.4	20.2
Superannuation	187.1	197.0
Termination benefits	28.4	28.0
Social charges and contributions on wages and salaries	776.4	718.8
Other employment	223.8	176.5
Share-based payments (expenses arising from transactions accounted for as equity-settled share-based payment transactions)	(6.6)	10.9
	7,020.4	6,228.3
(f) Finance costs		
Interest expense	91.3	170.0
Finance charges – Lease liability*	336.3	7.6
	427.6	177.6
Finance cost - unwinding of discount and effect of changes in discount rates on deferred consideration	0.4	0.5
Finance costs capitalised	(4.0)	(2.2)
	424.0	175.9

* Finance charges in relation to lease liabilities in the comparative year, 30 June 2019 only include leases classified as finance leases under AASB 117 Leases. Refer to the Overview section for further information regarding the additional lease liability balances taken on with the implementation of AASB 16 Leases.

(g) Finance Costs - Recognition and Measurement

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

I. RESULTS FOR THE YEAR (CONTINUED)

4. DIVIDENDS

	Parent 2020 $m	Parent 2019 $m
(a) Dividend on ordinary shares paid during the year:		
(i) Interim dividend paid		
Franked dividends – ordinary		
(62.5 cents per share) (2019: 60.0 cents per share)	126.3	121.2
(ii) Previous year final dividend paid		
Franked dividends – ordinary		
(91.5 cents per share) (2019: 86.5 cents per share)	184.9	174.8
	311.2	296.0
(b) Dividend proposed and not recognised as a liability:		
Current year final dividend proposed		
Franked dividends – ordinary		
(0.0 cents per share *) (2019: 91.5 cents per share)	-	184.9
(c) Dividends declared and paid during the year on CARES:		
Current year interim and previous year final dividend paid		
Franked dividends - CARES	11.3	12.8
(d) Dividends proposed and not recognised as a liability on CARES:		
Final dividend proposed		
Franked dividends - CARES	4.6	6.0

* No current year final dividend has been declared.

(e) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2019: 30%)	704.2	646.2
- franking credits that will arise from the payment of income tax payable as at the end of the financial year **	9.5	17.0
	713.7	663.2
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	(2.0)	(81.8)
	711.7	581.4

** 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% (2019: 30%). $4.6 million (2019: $190.9 million) of the proposed dividends will be franked at the rate of 30% (2019: 30%).

5. EARNINGS PER SHARE

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

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

I. RESULTS FOR THE YEAR (CONTINUED)

5. EARNINGS PER SHARE (CONTINUED)

	2020 $m	2019 $m
Net profit for the year attributable to the owners of the parent	284.0	545.5
Less: dividend paid on Convertible Adjustable Rate Equity Securities (CARES)	(11.3)	(12.8)
Profit used in calculating basic and diluted (after CARES dividend) earnings per share	272.7	532.7

	2020 Number of Shares (m)	2019 Number of Shares (m)*
Weighted average number of ordinary shares used in calculating basic earnings per share	208.1	204.5
Effect of dilution – share rights not yet vested (a)	0.8	1.3
Weighted average number of ordinary shares adjusted for the effect of dilution	208.9	205.8

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

* The denominator for the purpose of calculating both basic and diluted earnings per share in 2019 has been adjusted to reflect the $1,500.0 million equity raise in the second half of FY20, at less than market value.

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.

	2020 Cents per Share	2019 Cents per Share
Earnings per share		
- basic (after CARES dividend) for the year	131.0	260.5
- diluted (after CARES dividend) for the year	130.5	258.9

II. CAPITAL – FINANCING

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING

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

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

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

During 2020, dividends of $322.5 million (2019: $308.8 million) were paid. For the year ended 30 June 2020 fully franked ordinary dividends of 62.5c (2019: 151.5c) per share were declared (Interim dividend of 62.5c. No current year final dividend is proposed).

The group monitors its capital structure primarily by reference to its Group Consolidated Leverage Ratio** whereby debt levels are assessed relative to the cash operating profits (*EBITDA) of the Group that are used to service debt. This ratio is calculated as Net Debt/EBITDA and is 2.0 times for the year ended 30 June 2020 (2019: 3.1 times) calculated on a pre AASB16 basis. **

The Group has committed senior debt funding to October 2022 (please refer to Note 7e 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

II. CAPITAL – FINANCING (CONTINUED)

HOW THE GROUP MANAGES ITS CAPITAL – FINANCING (CONTINUED)

During April 2020, due to the potential adverse impact of COVID 19 on earnings, Ramsay Health Care obtained covenant waivers and agreed to certain modifications to the Ramsay Group's finance documents with the Ramsay Group's financiers. The wholly owned Subsidiaries of the Group are not and have not been in breach of any of the financial and other undertakings of the Senior Debt Facility Agreement.

During the second half of FY20, Ramsay Health Care also undertook an equity raising of $1,500.0 million. This action was taken to strengthen Ramsay's balance sheet and provide financial flexibility in order to navigate an uncertain operating environment and increase financial flexibility.

Proceeds from the equity raising have been used to partially repay Ramsay Funding Group's revolving debt facilities, which remain available for redraw.

As a result of the equity raising, the Group Consolidated Leverage Ratio** has reduced from 3.1x at 30 June 2019 to 2.0x as at 30 June 2020.

*Note: *EBITDA is Earnings before Interest, Tax, Depreciation and Amortisation.*
***The Group Consolidated Leverage Ratio is presented on a pre AASB16 basis, consistent with the Ramsay Funding Group debt facility documents*

Details of Capital – Financing are as follows:	Note	2020 $m	2019 $m
Equity	6	4,235.9	3,023.1
Net Debt *	7	8,064.6	4,911.5
		12,300.5	7,934.6

* Net debt increased by $4,929.6 million due to the implementation of AASB 16 Leases. Refer to the Overview section for further information regarding the additional lease liability balances taken on at 1 July 2019.

6. EQUITY

	Note	2020 $m	2019 $m
Issued capital	6.1	2,197.6	713.5
Treasury shares	6.2	(78.2)	(82.1)
Convertible Adjustable Rate Equity Securities (CARES)	6.3	252.2	252.2
Other reserves		(51.0)	(33.2)
Retained earnings		1,431.9	1,693.3
Non-controlling interests		483.4	479.4
		4,235.9	3,023.1

6.1 Issued Capital

(a) Issued and paid up capital	2020 Number (m)	2020 $m	2019 Number (m)	2019 $m
At 1 July	202.1	713.5	202.1	713.5
Shares issued – Share Placement (net of transaction costs)	21.4	1,183.3	-	-
Shares issued – Share Purchase Plan	5.4	300.8	-	-
At 30 June	228.9	2,197.6	202.1	713.5

(b) Terms and conditions of issued capital

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

(c) Recognition and Measurement

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

6.2 Treasury Shares	2020 $m	2019 $m
1.2 million ordinary shares (30 June 2019: 1.3 million)	78.2	82.1

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

II. CAPITAL – FINANCING (CONTINUED)

6. EQUITY (CONTINUED)

6.3 Convertible Adjustable Rate Equity Securities (CARES)

	2020 $m	2019 $m
(a) Issued and paid up capital		
2.6 million CARES shares fully paid (30 June 2019: 2.6 million CARES shares fully paid)	252.2	252.2

(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.

II. CAPITAL – FINANCING (CONTINUED)

7. NET DEBT

	Note	2020 $m	2019 $m
Cash assets	7a	1,503.7	745.5
Loans and borrowings - current	7b	(32.3)	(34.0)
Lease liabilities – current	7c	(347.8)	(73.1)
Loans and borrowings - non-current	7b	(4,195.5)	(5,209.4)
Lease liabilities – non-current	7c	(4,941.4)	(278.1)
Derivative net assets / (liabilities) - debt related	7d	(51.3)	(62.4)
		(8,064.6)	(4,911.5)

7a. CASH AND CASH EQUIVALENTS

	2020 $m	2019 $m
Cash at bank and on hand	1,503.7	745.5

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

(i) Recognition and Measurement
Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and on 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.

(ii) Reconciliation to Statement of cash flows

	2020	2019
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	1,503.7	745.5

(iii) Reconciliation of net profit after tax to net cash flows from operations

	2020	2019
Net profit after tax for the year	309.2	572.4
Adjustments for:		
Share of profit of joint venture	(16.1)	(19.1)
Depreciation, amortisation and impairment	930.7	486.2
Interest received	(12.7)	(6.7)
Share based payments expense	(6.6)	10.9
Net (profit) / loss on disposal of non-current assets	(11.2)	(6.6)
Changes in assets & liabilities		
Deferred tax	(39.1)	(14.5)
Receivables	(268.1)	(299.6)
Other assets	5.6	115.9
Creditors, accruals and other liabilities	929.6	178.9
Provisions	(57.2)	(130.9)
Inventory	(84.0)	(19.6)
Tax provisions	0.6	36.0
Net cash from operating activities	1,680.7	903.3

II. CAPITAL – FINANCING (CONTINUED)

7a. CASH AND CASH EQUIVALENTS (CONTINUED)

(iv) Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2019 $m	AASB16 Adjustment $m	Restated Balance at 1 July 2019 $m	Cash Flows $m	Foreign Exchange movement $m	New Leases $m	Other $m	Balance as at 30 June 2020 $m
Loans- Current	34.0	-	34.0	(1.7)	-	-	-	32.3
Loans- Non Current	5,209.4	-	5,209.4	(1,038.4)	16.7	-	7.8	4,195.5
Lease Liabilities	351.2	4,929.6	5,280.8	(323.8)	0.3	319.9	12.0	5,289.2
Total liabilities from financing activities	5,594.6	4,929.6	10,524.2	(1,363.9)	17.0	319.9	19.8	9,517.0

	Balance at 1 July 2018 $m	Cash Flows $m	Foreign Exchange movement $m	New Leases $m	Business Combinations $m	Sale of Facilities $m	Other $m	Balance as at 30 June 2019 $m
Loans- Current	32.0	(211.9)	(8.0)	-	221.9	-	-	34.0
Loans- Non Current	3,622.3	1,075.5	88.3	-	423.3	-	-	5,209.4
Lease Liabilities	297.9	(80.2)	11.0	52.3	89.9	(19.7)	-	351.2
Total liabilities from financing activities	3,952.2	783.4	91.3	52.3	735.1	(19.7)	-	5,594.6

(v) Disclosure of financing facilities

Refer to Note 7e.

7b. LOANS AND BORROWINGS

	2020 $m	2019 $m
Current		
Secured liabilities:		
- Bank loan	32.3	34.0
Non-current		
Secured liabilities:		
- Bank loan	2,809.1	2,883.0
Unsecured liabilities:		
- Bank and financial institution loans	1,386.4	2,326.4
	4,195.5	5,209.4
Total	4,227.8	5,243.4

Further information on bank loans is set out in Note 7e.

(i) Fair values

The fair values of the Group's interest bearing loans and borrowings are determined by using the discounted cash flow method with discount rates that reflect market 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 0.093% to 0.102% (2019: 1.21% to 1.22%) for Australia, 0.090% to 0.141% (2019: 0.722% to 0.774%) for UK and -0.510% to -0.422% (2019: -0.388% to -0.345%) for France respectively.

II. CAPITAL – FINANCING (CONTINUED)

7b. LOANS AND BORROWINGS (CONTINUED)

(i) 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.

	2020		2019	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Bank loans	4,227.8	4,657.9	5,243.4	5,365.4

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

(ii) Interest rate, foreign exchange & liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 16.

(iii) Assets pledged as security

The carrying amounts of assets pledged as security for loans and borrowings are set out in the following table:

	2020 $m	2019 $m
Fixed and floating charge		
Fixed assets	-	85.0
Investment holdings in subsidiaries	3,667.2	2,010.7
Total non-current assets pledged as security	3,667.2	2,095.7

(iv) Defaults & breaches

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

In April 2020, lenders to the Ramsay Funding Group provided consent to amend or waive key banking covenants tests, in connection with the funding agreements (FA) and the Common Term Deed Poll (CTDP), for the next two semi-annual covenant testing points up to and including the 31 December 2020 testing date.

This waiver is given on the condition that the Company does not declare a dividend in relation to its ordinary shares (it being agreed that CARES and CARES 2 are not ordinary shares and that this condition does not therefore apply in respect of or seek to restrict the declaration or payment of dividends in respect of CARES or CARES 2) during the period up to 31 December 2020.

(v) Subsequent Measurement

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

7c. LEASE LIABILITIES

The Group has lease contracts for hospitals, office space and various items of other equipment and vehicles used in its operations. Leases of hospitals and office space can have lease terms between 5 and 99 years, while vehicles and other equipment generally have lease terms between 5 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets as disclosed above. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extensions and termination options and variable lease payments, which are discussed below.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short term lease' and 'lease of low value assets' recognition exemptions for these leases.

II. CAPITAL – FINANCING (CONTINUED)

7c. LEASE LIABILITIES (CONTINUED)

	$m
At 1 July 2019	351.2
Adjustment on adoption of AASB16	4,929.6
Restated 1 July 2019	**5,280.8**
Additions	319.9
Disposals or terminations	(9.4)
Payments	(660.1)
Accretion of interest	336.3
Reassessment of lease terms	21.4
Exchange differences	0.3
At 30 June 2020	5,289.2

	2020 $m	2019 $m
Current lease liabilities	347.8	73.1
Non-current lease liabilities	4,941.4	278.1
Total lease liabilities	5,289.2	351.2

Lease liabilities in the comparative year, 30 June 2019 only include leases classified as finance leases under AASB 117 Leases. Refer to the Overview section for further information regarding the additional lease liability balances taken on with the implementation of AASB 16 Leases.

(i) Assets pledged as security

The carrying amounts of assets pledged as security for lease liabilities are set out in the following table:

	2020 $m	2019 $m
Leased assets pledged as security	351.6	412.6

(ii) Cash outflows

The Group had total cash outflows for leases of approximately $667.5 million in 2020 - the principal portion of lease payments totalled $323.8 million, interest payments totalled $336.3 million and other payments relating to low-value assets, short term and variable lease payments totalled approximately $7.4 million (included in payments to suppliers and employees).

7d. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 $m	2019 $m
Current liabilities		
Interest rate derivative contracts – cash flow hedges	(6.2)	(18.6)
Non - current liabilities		
Interest rate derivative contracts – cash flow hedges	(45.1)	(43.8)

(i) Instruments used by the Group

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

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 0.1532% (2019: 1.357%). Interest bearing loans in GBP of the Group currently bear an average variable interest rate of 0.1316% (2019: 0.7738%). Interest bearing loans in Euro of the Group currently bear an average variable interest rate of -0.2335% (2019: -0.2913%).

II. CAPITAL - FINANCING (CONTINUED)

7d. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Instruments used by the Group (continued)

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 57% (2019: 60%) of the principal outstanding.

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

(ii) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 16.

(iii) Credit risk

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

(iv) Recognition and Measurement

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

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

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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

(a) 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 predominantly interest rate swap contracts as hedges of its exposure to fluctuations in interest rates. There is an economic relationship between the hedged item and the hedging instrument as the term of the interest rate swap matches the terms of the variable rate loan (that is, notional amount, maturity, base rate, payment and reset dates).

II. CAPITAL – FINANCING (CONTINUED)

7d. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Recognition and Measurement (continued)

(a) Cash flow hedges (continued)

The Group only designates the intrinsic value of the interest rate option contracts as hedging instruments. The time value of the interest rate option contracts are recognised in Other Comprehensive Income and accumulated in a separate component of equity under the cost of Hedging Reserve. These deferred costs of hedging are recognised in the profit or loss on a systematic basis over the tenor of the interest rate option contracts.

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 Other Comprehensive Income 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.

The ineffectiveness recognised in the profit or loss was immaterial.

(b) 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 Other Comprehensive Income, 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 Other Comprehensive Income is transferred to the Income Statement.

Subsequent Measurement

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

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

(v) Fair Value of Derivative Financial Instruments

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

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

Recognition and Measurement

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

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

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

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

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

II. CAPITAL – FINANCING (CONTINUED)

7d. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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 the relevant notes.

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

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

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

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

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

	2020 $m	2019 $m
0-1 years	3,048.7	610.3
1-2 years	1,254.1	3,154.5
2-3 years	-	1,350.0
3-5 years	923.9	210.0
Over 5 years	-	810.0
	5,226.7	6,134.8

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.

Hedge of net investments in foreign operations

Included in bank loans at 30 June 2020 is a GBP borrowing of £120 million (2019: £244.1 million) 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 Other Comprehensive Income 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 $15.8million (2019: net loss $5.8 million) was recognised in Other Comprehensive Income during the year.

Included in bank loans at 30 June 2020 is a Euro borrowing of €478.7 million (2019: €478.7 million) 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 Other Comprehensive Income to offset any gains or losses on translation of the net investment in the French subsidiary. A net loss on the bank loan designated as a hedge of the net investment in a subsidiary of $10.5 million (2019: net loss $22.2 million) was recognised in Other Comprehensive Income during the year.

II. CAPITAL – FINANCING (CONTINUED)

7e. BORROWINGS

	Note	Maturity	2020 $m	2019 $m
Current interest-bearing loans and borrowings				
€ Bi-lateral Facilities	(v)	Up to Dec 2028	32.3	34.0
Total current interest-bearing loans and borrowings			**32.3**	**34.0**
Non-current interest-bearing loans and borrowings				
A$ 800,000,000 Syndicated Facility Loan	(i)	Dec 2023	-	721.0
A$ 350,000,000 Syndicated Facility Loan	(i)	Nov 2022	-	-
A$ 325,000,000 Bi-lateral Term Loan	(ii)	Oct 2024	320.8	319.0
£ 395,000,000 Syndicated Facility Loan	(i)	Nov 2022	289.3	515.6
€ 225,000,000 Syndicated Facility Loan	(i)	Nov 2022	288.0	284.9
€ 300,000,000 Syndicated Facility Loan	(i)	Oct 2024	488.4	486.0
€ 800,000,000 Term Loan	(iii)	Oct 2022	1,275.2	1,325.0
€ 750,000,000 Term Loan	(iii)	Oct 2024	1,220.9	1,215.0
€ 100,000,000 Revolving Facility Loan	(iv)	Oct 2022	-	-
€ 75,000,000 Capex/acquisition Facility Loan	(iii)	Oct 2022	65.1	64.8
€ Bi-lateral Facilities	(v)	Up to Dec 2028	247.8	278.1
Total non-current interest-bearing loans and borrowings			**4,195.5**	**5,209.4**
Total interest-bearing loans and borrowings			**4,227.8**	**5,243.4**

(a) Ramsay and its wholly owned subsidiaries

Ramsay Funding Group's syndicated debt facility agreements and bi lateral debt facilities remain unchanged. The covenant package, group guarantees and other common terms and conditions in respect of the debt facilities is governed under the Common Terms Deed Poll (CTDP) which Ramsay executed in November 2016.

(i) Syndicated revolving bank debt facility.
(ii) Bi-lateral term loan facility and repayable in full on maturity.

(b) Ramsay Santé and controlled entities

Ramsay Santé and controlled entities' senior debt facility agreements and bi lateral debt facilities remain unchanged. The lenders to these debt facilities only have recourse to Ramsay Santé and certain Ramsay Santé controlled entities. The debt facilities are secured by first ranking pledges over certain material companies of Ramsay Santé, granted only by Ramsay Santé and certain Ramsay Santé controlled entities. Guarantees have also been provided and are provided only by Ramsay Santé controlled entities.

(iii) Syndicated term loan facilities repayable in full on maturity.
(iv) Syndicated revolving bank debt facility
(v) Euro bi-lateral facilities are secured by a first charge over certain Ramsay Santé and controlled entities' land and buildings.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING

HOW THE GROUP MANAGES ITS OVERALL FINANCIAL POSITION

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

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

	Note	2020 $m	2019 $m
Working Capital	8	(875.6)	(440.4)
Property, plant and equipment	10	4,447.2	4,642.8
Right of use assets	11	4,477.9	-
Intangible assets	12	4,246.1	4,263.3
Current and deferred tax assets/(liabilities)	14	143.6	15.7
Other assets/(liabilities)		(138.7)	(546.8)
		12,300.5	7,934.6

8. WORKING CAPITAL

	Note	2020 $m	2019 $m
Trade and other receivables (current)	8a	1,916.9	1,589.5
Inventories	8b	411.0	344.8
Trade and other creditors	8c	(3,203.5)	(2,374.7)
		(875.6)	(440.4)

Consistent with prior years, Ramsay actively manages the collection of debtor receipts and creditor and employee payments. This often results in a negative working capital metric. Any surplus or deficit in the working capital is managed through efficient use of the revolving debt facilities and cash balances. Refer to Note 7 for further information on the debt facilities and cash balances.

8a. TRADE AND OTHER RECEIVABLES

	2020 $m	2019 $m
Current		
Trade and other receivables	1,978.6	1,632.9
Allowances for impairment loss	(61.7)	(43.4)
	1,916.9	1,589.5
Non-current		
Rental property bonds and guarantees receivable	52.0	61.8
Other	26.1	17.9
	78.1	79.7
Total	1,995.0	1,669.2

(i) Allowances for impairment loss

An allowance for expected credit loss (ECL) is recognised based on the difference between the contractual cash flows and the expected cash flows. The Group has applied a simplified approach in calculating ECLs by establishing a provision matrix for forward-looking factors specific to the debtors and the economic environment.

Movements in the provision for impairment loss were as follows:

	2020 $m	2019 $m
At 1 July	**(43.4)**	**(47.0)**
AASB 9 Financial Instruments adjustment	-	(1.1)
At 1 July - restated	**(43.4)**	**(48.1)**
Charge for the year	(43.2)	(17.5)
Foreign exchange translation	(2.1)	(0.6)
Amounts written off	27.0	22.8
At 30 June	**(61.7)**	**(43.4)**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8a. TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Ageing analysis

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

	Total $m	Neither past due nor impaired $m	0-30 Days PDNI* $m	31-60 Days PDNI* $m	61-90 Days PDNI* $m	91+ Days PDNI* $m	Considered impaired $m
2020	2,056.7	990.0	245.3	238.5	211.9	309.3	61.7
2019	1,712.6	1,208.7	203.4	110.6	88.5	58.0	43.4

**PDNI – Past due not impaired*

Receivables past due but not considered impaired are: $1,005.0 million (2019: $460.5 million). 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 20.

(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 carrying 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 carrying value of these receivables. The majority of the non-current receivables are assessed as low risk.

(vi) Foreign exchange & interest rate risk
Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 16.

8b. INVENTORIES

	2020 $m	2019 $m
Amount of medical supplies to be consumed in providing future patient services – at cost	365.2	293.8
Development assets to be sold that are currently under construction – at cost	45.8	51.0
	411.0	344.8

(i) Inventory expense
Medical supplies recognised as an expense for the year ended 30 June 2020 totalled $2,723.1 million (2019: $2,592.2 million) 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 2020 totalled $6.8 million (2019:$ 19.4 million) for the Group. This expense has been included in Cost of development assets sold in the Income Statement.

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

8c. TRADE AND OTHER CREDITORS

	2020 $m	2019 $m
Trade payables	1,148.6	1,035.3
Sundry creditors and accrued expenses	505.5	473.2
Employee and Director entitlements	993.6	865.9
Other creditors	555.8	0.3
	3,203.5	2,374.7

(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 16.

9. BUSINESS COMBINATIONS

Business Combinations – 2020

Ramsay has recognised amounts for business combinations in the financial statements for the year ended 30 June 2020 which have been determined on a provisional basis only. These businesses are within the healthcare sector.

	$m
Assets	16.2
Liabilities	(10.4)
Fair value of identifiable net assets	5.8
Goodwill arising	19.6
Business combination date fair value of consideration transferred	25.4
Direct costs relating to the business combination included within service costs	-
The cash outflow as a result of the business combination is as follows:	
Cash Paid	(25.4)
Net consolidated cash outflow	(25.4)

Capio - 2019

On the 7 November 2018, 17 November 2018 and 12 June 2019, Ramsay Santé (formerly Ramsay Générale de Santé) acquired a total of 100% of the share capital of Capio. Ramsay Santé has recognised the fair values of the identifiable assets and liabilities of Capio as outlined in the table below. The purchase price accounting has now been finalised. In the final purchase price accounting of the Capio acquisition, Ramsay Santé has reassessed the existence and fair value of unfavourable contracts at the time of acquisition. This has led to the recognition of provisions for a further $100.4 million, together with other immaterial changes to fair values of other assets and liabilities, from first disclosure following acquisition. These adjustments have increased the goodwill arising on acquisition by $87.8 million.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Capio 2019 (Continued)

	$m
Cash	10.0
Accounts Receivable	180.5
Inventory	44.7
Corporate tax receivable	14.3
Other assets	217.8
Property, plant and equipment	316.2
Intangible assets	383.9
Deferred income tax asset	57.3
Creditors and accruals	(536.5)
Interest-bearing liabilities	(735.1)
Provisions and other liabilities	(294.3)
Fair value of identifiable net liabilities	**(341.2)**
Non-controlling interest	(3.3)
Goodwill arising on acquisition	1,587.9
	1,243.4
Business combination date fair value of consideration transferred	
Cash paid	(1,243.4)
Total cash paid	**(1,243.4)**
Direct costs relating to the business combination – included within service costs	28.5
The cash outflow as a result of the business combination is as follows:	
Net cash acquired	10.0
Cash paid	(1,243.4)
Net consolidated cash outflow	**(1,233.4)**

The goodwill of $1,587.9 million comprises the value of synergies expected to be achieved as a result of combining Capio with the rest of the Group, as well as intangible assets that do not qualify for separate recognition. The acquisition provides a number of strategic benefits consistent with Ramsay's growth strategy. None of the goodwill recognised is expected to be deductible for income tax purposes. The goodwill balance represents goodwill attributable to Ramsay Santé.

The Group has elected to measure the non-controlling interests in the acquiree at their fair value. The non-controlling interests in the acquiree at the time of the business combination represents other non-controlling interests within the Capio group.

The fair value of the acquired receivables amounts to $180.5 million. The gross contractual amount receivable is $196.1 million.

The revenue of Capio from acquisition to 30 June 2019 was $1,756.4 million and the profit before tax for this period was not significant to the Group.

If Capio had been acquired at the beginning of the financial year, on 1 July 2018, the total revenue and other income for the Group would have been $12,380.3 million for the year ended 30 June 2019 and the profit before income tax from continuing operations for the Group would not have been significantly different to the Group profit before tax as reported.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

9. BUSINESS COMBINATIONS (CONTINUED)

Other Business Combinations – 2019

Ramsay recognised amounts for business combinations in the financial statements for the year ended 30 June 2019 which are as follows:

	$m
Assets	67.5
Liabilities	(29.5)
Fair value of identifiable net assets	38.0
Goodwill arising	43.6
Non-controlling interest	(0.4)
Business combination date fair value of consideration transferred	81.2
Direct costs relating to the business combination included within service costs	3.8
The cash outflow as a result of the business combination is as follows:	
Net cash acquired	7.1
Cash Paid	(81.2)
Net consolidated cash outflow	(74.1)

These businesses are within the healthcare sector. The purchase price accounting has now been finalised. There was not a material difference in the provisional fair values initially recognised.

(i) Recognition and Measurement

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

In accounting for a business combination, the Group 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 business combination 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 business combination date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of AASB 9, 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.

(ii) Key Estimates and Assumptions

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $m	Plant & Equipment $m	Assets Under Construction $m	Total $m
30 June 2020				
Cost	**3,820.0**	**2,583.8**	**487.4**	**6,891.2**
Accumulated depreciation and impairment	(813.0)	(1,631.0)	-	(2,444.0)
	3,007.0	**952.8**	**487.4**	**4,447.2**
Movement:				
At 1 July 2019	**3,169.0**	**1,112.0**	**361.8**	**4,642.8**
Transfer to right of use asset	(219.6)	(148.7)	**-**	(368.3)
Restated 1 July 2019	**2,949.4**	**963.3**	**361.8**	**4,274.5**
Additions	90.9	215.2	327.2	633.3
Transferred from assets under construction	117.0	81.4	(198.4)	-
Business combination	13.6	-	-	13.6
Depreciation	(148.2)	(292.4)	-	(440.6)
Impairment	(11.2)	(4.8)	-	(16.0)
Disposals	(6.9)	(2.5)	(0.7)	(10.1)
Exchange differences	2.4	(7.4)	(2.5)	(7.5)
At 30 June 2020	**3,007.0**	**952.8**	**487.4**	**4,447.2**
30 June 2019				
Cost	**3,992.0**	**2,685.5**	**361.8**	**7,039.3**
Accumulated depreciation and impairment	(823.0)	(1,573.5)	**-**	(2,396.5)
	3,169.0	**1,112.0**	**361.8**	**4,642.8**
Movement:				
At 1 July 2018	**2,866.7**	**887.1**	**359.3**	**4,113.1**
Additions	117.9	280.5	244.8	643.2
Transferred from assets under construction	176.5	95.1	(271.6)	-
Business combination	186.2	158.7	27.4	372.3
Depreciation	(143.3)	(315.4)	-	(458.7)
Impairment	(0.3)	(0.3)	-	(0.6)
Disposals	(69.5)	(8.2)	-	(77.7)
Assets reclassified as held for sale	(3.5)	-	-	(3.5)
Exchange differences	38.3	14.5	1.9	54.7
At 30 June 2019	**3,169.0**	**1,112.0**	**361.8**	**4,642.8**
1 July 2018				
Cost	3,595.9	2,379.9	359.3	6,335.1
Accumulated depreciation and impairment	(729.2)	(1,492.8)	-	(2,222.0)
	2,866.7	**887.1**	**359.3**	**4,113.1**

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Recognition and Measurement

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

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

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

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

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

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

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

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

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

(b) 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 the Income Statement in the year the asset is derecognised.

(ii) Key Estimates and Assumptions

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

11. RIGHT OF USE ASSETS

The right of use assets have arisen upon adoption of AASB16 Leases from 1 July 2019. Refer to the Overview note for further information.

	Leased property $m	Leased plant & equipment $m	Total $m
30 June 2020			
Cost	5,445.2	338.3	5,783.5
Accumulated depreciation	(1,173.4)	(132.2)	(1,305.6)
	4,271.8	**206.1**	**4,477.9**
Movement:			
At 1 July 2019	-	-	-
Adjustment on adoption of AASB16	4,130.6	49.4	4,180.0
Transfer from property, plant and equipment (Note 10)	219.6	148.7	368.3
Restated 1 July 2019	**4,350.2**	**198.1**	**4,548.3**
Additions	251.4	68.5	319.9
Depreciation	(339.6)	(61.7)	(401.3)
Impairment	(20.8)	-	(20.8)
Reassessment of lease terms	21.4	-	21.4
Disposals or terminations	(5.0)	(0.5)	(5.5)
Exchange differences	14.2	1.7	15.9
At 30 June 2020	**4,271.8**	**206.1**	**4,477.9**
30 June 2019			
Cost	-	-	-
Accumulated depreciation	-	-	-
	-	-	-

Leased assets, where pledged, are used as security for the related lease liabilities. Refer note 7c.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

12. INTANGIBLE ASSETS

	Goodwill $m	Service Concession Assets $m	Other^ $m	Total $m
30 June 2020				
Cost	**3,783.4**	**216.0**	**460.1**	**4,459.5**
Accumulated depreciation	-	(85.4)	(128.0)	(213.4)
	3,783.4	**130.6**	**332.1**	**4,246.1**
Movement:				
At 1 July 2019	**3,767.0**	**154.0**	**342.3**	**4,263.3**
Adjustment on adoption of AASB16	-	(6.8)	-	(6.8)
Revised 1 July 2019 opening balance	**3,767.0**	**147.2**	**342.3**	**4,256.5**
Additions	-	3.1	27.6	30.7
Amortisation	-	(18.1)	(33.2)	(51.3)
Disposals	(1.2)	-	(5.5)	(6.7)
Business combination	19.6	-	-	19.6
Impairment	-	-	(0.7)	(0.7)
Exchange differences	(2.0)	(1.6)	1.6	(2.0)
At 30 June 2020	**3,783.4**	**130.6**	**332.1**	**4,246.1**
30 June 2019				
Cost	**3,767.0**	**219.2**	**436.5**	**4,422.7**
Accumulated depreciation	**-**	(65.2)	(94.2)	(159.4)
	3,767.0	**154.0**	**342.3**	**4,263.3**
Movement:				
At 1 July 2019	**2,152.0**	**61.6**	**48.9**	**2,262.5**
Additions	-	0.4	42.7	43.1
Amortisation	-	(16.9)	(10.0)	(26.9)
Disposals	(98.6)	-	(23.4)	(122.0)
Business combination	1,631.5	105.8	278.4	2,015.7
Exchange differences	82.1	3.1	5.7	90.9
At 30 June 2019	**3,767.0**	**154.0**	**342.3**	**4,263.3**
1 July 2018				
Cost	2,152.0	109.7	132.7	2,394.4
Accumulated depreciation	-	(48.1)	(83.8)	(131.9)
	2,152.0	**61.6**	**48.9**	**2,262.5**

^ Mainly brands and internally generated software costs

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

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

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

12. INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill – Recognition and Measurement (continued)

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

(ii) Intangible assets – Recognition and Measurement

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

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

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

	Service Concession Assets	Brands	Software costs
Useful lives	Finite	Indefinite	Finite
Amortisation method used	Amortised over the period of the lease	Not applicable	Amortised over the period of expected future benefit from the related project on a straight line basis
Internally generated or acquired	Acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.	Annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.	When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

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

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

13. IMPAIRMENT TESTING OF GOODWILL

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

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

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

	Australia $m	UK $m	France $m	Nordic $m	Unallocated* $m	Total $m
2020	1,181.7	272.7	1,280.9	1,048.1	-	**3,783.4**
2019	1,181.7	275.5	770.8	-	1,539.0	**3,767.0**

* As at 30 June 2020, all of the unallocated goodwill arising from the acquisition of Capio had been allocated to cash-generating units.

(ii) Key Estimates and Assumptions

The recoverable amount of the Australian business, the UK business, the French business and the Nordics business has been determined based on a value in use calculation using cash flow projections as at 30 June 2020 based on financial estimates approved by senior management and the Board of Directors covering the following financial year. In determining the 2021 (year 1) cash flow projections and subsequent year growth factors, management has factored in the performance of the Group in the current year, including the period impacted by the COVID 19 pandemic. This has resulted in lower year 1 margins across the Cash Generating Units (CGUs) due to factoring in patient volume downturn, associated government health viability contracts and government grants, and the increased cost of service as a result of heightened personal protective equipment use and staffing levels. As COVID 19 is only expected to have a short term impact on the business, Management currently forecasts that the Group volume and cost profiles will return to pre-COVID 19 levels by 30 June 2021 for all CGUs. A growth factor is then applied to the following 4 years through to the end of the value in use models. Key assumptions used in the value in use calculations are as follows:

	Australia %	UK %	France %	Nordics %
Terminal value (Year 5+)				
2020	3.3	1.9	1.0	2.0
2019	3.5	1.9	1.0	N/A
Pre-tax discount rate				
2020	10.3	8.2	7.7	7.2
2019	10.0	7.6	7.9	N/A

Key inputs in value in use calculations are:

- Tax rates have been estimated at 30% for Australian operations, and 19% - 34.4% for overseas operations consistent with the current local tax legislation.
- Discount rates – discount rates reflect management’s estimate of the time value and the risks specific to each of the cash generating units that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the unit.
- Growth rate estimates – they are based on management’s internal estimates of long term growth rates for each of the cash generating units.

Management has performed sensitivity testing by CGU and on the aggregated CGUs based on assessing the effect of changes in hospital occupancy rates, health fund rates, wage increases, revenue growth rates and discount rates. COVID 19 is only expected to have a short term impact on the business and therefore the impact on the value in use for each CGU is minimal.

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14. TAXES

	2020 $m	2019 $m
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Continuing operations:		
Current income tax		
Current income tax charge	193.1	281.1
Deferred income tax		
Relating to origination and reversal of temporary differences	(36.7)	12.8
Adjustments in respect of deferred income tax of previous years	0.6	(19.5)
Income tax expense reported in the Income Statement	157.0	274.4

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

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

	2020 $m	2019 $m
Accounting profit before tax	466.2	846.8
At the Parent Entity's statutory income tax rate of 30% (2019: 30%)	139.8	254.0
Expenditure not allowable for income tax purposes	13.7	22.4
Amounts not assessable for income tax purposes	(39.1)	(8.5)
Impact of changes in foreign tax rates on deferred tax balances	(2.6)	-
Other French income tax expense	44.4	12.8
Foreign tax rate adjustment due to differences in rates between Australia and Other Countries	6.4	0.4
Other	(5.6)	(6.7)
	157.0	274.4
Income tax expense reported in the consolidated Income Statement	157.0	274.4

(c) Recognised tax assets and liabilities

	2020 $m Current income tax	2020 $m Deferred income tax	2019 $m Current income tax	2019 $m Deferred income tax
Opening balance	(40.9)	56.6	(24.0)	(34.6)
Adjustment on adoption of AASB 16 Leases	-	59.6	-	-
Restated opening balance	(40.9)	116.2	(24.0)	(34.6)
(Charged)/ credited to income	(193.1)	36.1	(281.1)	6.7
Credited to equity	-	11.5	-	34.1
Payments	198.1	-	252.6	-
Exchange differences	1.1	12.3	3.1	(3.3)
Acquisition and disposal of subsidiary	-	2.3	8.5	53.7
Closing balance	(34.8)	178.4	(40.9)	56.6

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14. TAXES (CONTINUED)

(c) Recognised tax assets and liabilities (continued)

	Statement of Financial Position 2020 $m	2019 $m
Amounts recognised in the Statement of Financial Position for Deferred Income Tax at 30 June:		
(i) Deferred tax liabilities		
Inventory	(17.1)	(16.1)
Recognition of revenue	(15.4)	(16.3)
Depreciable assets	(123.6)	(175.0)
Other provisions and lease liabilities	(128.1)	(195.6)
Gross deferred tax liabilities	(284.2)	(403.0)
Set-off of deferred tax assets	53.5	69.1
Net deferred tax liabilities	(230.7)	(333.9)
(ii) Deferred tax assets		
Employee provisions	168.3	154.5
Other provisions and lease liabilities	268.5	270.5
Unearned income	6.9	2.8
Losses	7.3	14.8
Derivatives	11.6	17.0
Gross deferred tax assets	462.6	459.6
Set-off of deferred tax liabilities	(53.5)	(69.1)
Net deferred tax assets	409.1	390.5

(d) Tax consolidation

Ramsay Health Care Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective 1 July 2003. Ramsay Health Care Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax funding and sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries using a group allocation method 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 subsequently charged to the subsidiary. 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 $10.5 million (2019: increased by $30.9 million). This is included in the summarised information relating to Ramsay Health Care Limited. Refer to Note 24.

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14. TAXES (CONTINUED)

(e) Income Tax - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

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

(f) Other taxes – Recognition and Measurement

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

14. TAXES (CONTINUED)

(g) Key Estimates and Assumptions

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

(h) Tax losses

At 30 June 2020, there is $0.7 million (2019: $3.2 million) of capital losses carried forward for which a deferred tax asset has not been recognised. As it is not probable they will be used in the foreseeable future, they have not been recognised.

15a. INVESTMENT IN JOINT VENTURE

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

	2020 $m	2019 $m
Investment in joint venture at beginning of period	270.3	241.5
AASB 16 adjustment	(0.2)	-
Share of profit of joint venture	16.1	19.1
Dividend paid	(35.0)	-
Foreign currency translation and other equity movements	(5.4)	9.7
	245.8	270.3

Recognition and Measurement

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

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

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

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

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

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

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

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

15b. PROVISIONS

	2020 $m	2019 $m
Current		
Restructuring provision	16.0	2.1
Unfavourable contracts	10.8	113.5
Insurance provision	13.7	12.7
Legal and compliance provision	38.7	23.1
Deferred lease provision	-	1.1
Other provisions	54.5	30.7
	133.7	183.2
Non-current		
Non-current employee and Director entitlements	41.3	37.1
Deferred lease provision	-	293.2
Unfavourable contracts	67.8	215.4
Insurance provision	74.2	85.5
Restructuring provision	51.6	101.0
Legal and compliance provision	148.8	20.3
Other provisions	6.3	23.4
	390.0	775.9
Total	523.7	959.1

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

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

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

(ii) Movements in provisions

	Deferred lease $m	Restructuring $m	Insurance $m	Unfavourable contracts $m	Legal and compliance $m	Other provisions $m	Total $m
At 1 July 2019	294.3	103.1	98.2	328.9	43.4	54.1	922.0
Adjustment on adoption of AASB 16 Leases	(294.3)	-	-	(207.3)	-	-	(501.6)
Restated 1 July 2019	-	103.1	98.2	121.6	43.4	54.1	420.4
Arising during the year	-	11.9	4.3	-	161.2	17.6	195.0
Utilised during the year	-	(42.6)	(8.7)	(44.2)	(10.1)	(9.0)	(114.6)
Exchange differences	-	(5.3)	(5.9)	-	(7.1)	(3.3)	(21.6)
Unused amounts reversed	-	0.5	-	1.2	0.1	1.4	3.2
Discount rate adjustment	-	-	-	-	-	-	-
At 30 June 2020	-	67.6	87.9	78.6	187.5	60.8	482.4
Current 2020	-	16.0	13.7	10.8	38.7	54.5	133.7
Non-current 2020	-	51.6	74.2	67.8	148.8	6.3	348.7
	-	67.6	87.9	78.6	187.5	60.8	482.4
Current 2019	1.1	2.1	12.7	113.5	23.1	30.7	183.2
Non-current 2019	293.2	101.0	85.5	215.4	20.3	23.4	738.8
	294.3	103.1	98.2	328.9	43.4	54.1	922.0

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

15b. PROVISIONS (CONTINUED)

(iii) Nature and timing of provisions

Restructuring provision

The restructuring provision primarily relates to:

- the restructuring of the Group subsequent to acquisitions. Provisions are made in the year the restructuring plans are drawn up and announced to employees; and
- restructuring of entities with the Group, announced prior to acquisition.

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 deductibles arising under the Medical Malpractice Insurance policy, including potential uninsured and 'Incurred but not Reported' claims.

(i) Key Estimates and Assumptions
This provision is actuarially assessed at each reporting period using a probability of sufficiency between 80% - 95% based on differing exposures to risk. The greatest uncertainty in estimating the provision is the costs that will ultimately be incurred which is estimated using historical claims, market information and other actuarial assessments. Included in the insurance provision is an amount for claiming handling expenses at between 5%-10% of the estimated Ramsay claim cost.

Employee leave benefits

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

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

Deferred lease provision

The deferred lease provision was recognised in accordance with AASB117 *Leases* for contracts where there was a fixed, not variable annual increase written into the lease, requiring the lease costs to be straight lined over the lease term. The provision represents the excess of rent expensed over the rent paid. Deferred lease provisions have been written back on adoption of AASB 16 Leases. Refer to the Overview section for further information.

Unfavourable contracts

This provision consists of VAT and other taxes payable on impaired right of use assets for certain leases.

Legal and compliance provision

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

15c. SUPERANNUATION COMMITMENTS

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

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

15d. DEFINED EMPLOYEE BENEFIT OBLIGATION

The Group has a defined employee benefit obligation in France as required to be paid under local legislation. There is also a defined benefit obligation in the Nordics.

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

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Net (liability) included in the Statement of Financial Position					
Present value of defined benefit obligation	(418.4)	(389.9)	(85.7)	(80.2)	(75.6)
Fair value of plans assets	195.5	174.6	5.3	5.0	5.0
Net (liability) - non-current	(222.9)	(215.3)	(80.4)	(75.2)	(70.6)

	2020 $m	2019 $m
Net expense for the defined employee benefit obligation (Note 3) (recognised in superannuation expenses)	24.5	12.7

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

	2020 $m	2019 $m
Opening defined benefit obligation	389.9	85.7
Acquisition balances	-	196.0
Current service cost	18.9	9.4
Interest cost	9.0	3.3
Benefits paid	(10.5)	(10.7)
Actuarial losses on obligation	11.6	96.4
Exchange differences on foreign plans	(0.5)	9.8
Closing defined benefit obligation	418.4	389.9

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

Opening fair value of plans assets	174.6	5.2
Acquisition balances	-	151.5
Expected return	3.4	1.9
Contributions by employer	19.6	2.9
Benefits paid	(3.2)	-
Actuarial gains	1.4	8.1
Exchange differences on foreign plans	(0.3)	5.0
Fair value of plans assets	195.5	174.6
Actuarial return on plan assets	(3.4)	(1.9)

Plan assets are invested as follows:

	2020 (%)	2019 (%)
Equities	21.6	24.0
Bonds	49.9	48.8
Property	9.4	12.9
Other	19.1	14.3

The Group expects to contribute $ nil to its defined benefit obligations in 2021.

	2020 $m	2019 $m
Actuarial losses recognised in the Statement of Comprehensive Income	10.2	88.3
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	102.6	92.4

III. ASSETS AND LIABILITIES OPERATING AND INVESTING (CONTINUED)

15d. DEFINED EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

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

	2020 (%)	2019 (%)
Discount rate	1.1 to 1.6	1.3 to 2.3
Future salary increases	1.0 to 2.9	1.9 to 2.3
Future pension increases	1.0 to 2.9	1.0 to 2.9

(i) Recognition and Measurement

The Group has defined employee benefit obligations in the Nordics and in France, arising from local legislative requirements.

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

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

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

(ii) Key Estimates and Assumptions

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

IV. RISK MANAGEMENT

16. FINANCIAL RISK MANAGEMENT

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

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

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.

IV. RISK MANAGEMENT (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) 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 7e.

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:

	2020 $m	2019 $m
Financial Assets		
Cash and cash equivalents	1,503.7	745.5
Financial Liabilities		
Bank Loans	(1,815.0)	(2,092.2)
Net exposure	(311.3)	(1,346.7)

Interest rate derivatives contracts are outlined in Note 7d, with a net negative fair value of $51.3 million (2019: negative $62.4 million) 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 2020, after taking into account the effect of interest rate swaps and options is approximately 57% (2019: 60%) of the Group's borrowings are at a fixed rate of interest.

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

Interest rate sensitivity

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

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2020 $m	2019 $m	2020 $m	2019 $m
AUD				
+45 basis points (2019: +95 basis points)	-*	(1.7)	1.4	11.1
-45 basis points (2019: -95 basis points)	-*	1.7	(1.0)	(11.4)
GBP				
+55 basis points (2019: +80 basis points)	(0.1)	(0.8)	1.0	3.8
-55 basis points (2019: -80 basis points)	0.3	0.8	(0.9)	(3.5)
EUR				
+40 basis points (2019: +45 basis points)	(4.8)	(5.4)	11.8	23.3
-40 basis points (2019: -45 basis points)	4.8	5.4	(12.0)	(21.3)

* There would be no significant impact on net profit as unhedged interest rate exposures are not significant.

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 change in sensitivity in 2020, comparing to 2019, is due to the decreased interest rate volatility in 2020.

IV. RISK MANAGEMENT (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign currency risk

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

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

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

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

Foreign currency sensitivity

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

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2020 $m	2019 $m	2020 $m	2019 $m
British Pound (GBP)				
+20% (2019: +20%)	(0.2)	- *	(32.8)	(29.1)
-20% (2019: -20%)	0.3	- *	48.9	43.3
Euro (EUR)				
+20% (2019: +15%)	(0.1)	- *	(8.8)	(4.5)
-20% (2019: -15%)	0.1	- *	12.8	6.0
Malaysian Ringgit (MYR)				
+20% (2019: +17%)	- *	- *	(38.6)	(39.1)
-20% (2019: -17%)	- *	- *	56.4	55.1

* There would be no significant impact on net profit as unhedged foreign currency exposures are not significant. (2019: unhedged foreign currency exposures were insignificant.)

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.

IV. RISK MANAGEMENT (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments and other financial 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 based on expected credit loss where the Group measures the impairment using a lifetime expected loss allowance for all trade receivables. 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 APRA, 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 Governments. Management has also put in place procedures to constantly monitor the exposures in order to manage its credit risk.

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.

(iv) 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.

IV. RISK MANAGEMENT (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (continued)

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

	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	> 5 years $m	Total $m
Year ended 30 June 2020					
Trade and other liabilities	(3,187.1)	-	-	-	(3,187.1)
Loans and borrowings	(30.5)	(106.1)	(4,382.6)	(126.8)	(4,646.0)
Lease liabilities	(119.7)	(359.1)	(1,703.6)	(5,207.2)	(7,389.6)
Financial derivatives	(2.7)	(4.6)	(44.8)	-	(52.1)
	(3,340.0)	(469.8)	(6,131.0)	(5,334.0)	(15,274.8)
Year ended 30 June 2019					
Trade and other liabilities	(2,347.4)	-	-	-	(2,347.4)
Loans and borrowings	(34.2)	(117.0)	(3,984.5)	(1,721.8)	(5,857.5)
Lease liabilities *	(19.5)	(58.4)	(188.5)	(108.3)	(374.7)
Financial derivatives	(4.5)	(15.8)	(42.0)	(1.5)	(63.8)
	(2,405.6)	(191.2)	(4,215.0)	(1,831.6)	(8,643.4)

* *Lease liabilities in the comparative year 30 June 2019 only includes leases classified as finance leases under AASB 117 Leases*

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.

	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	> 5 years $m	Total $m
Year ended 30 June 2020					
Inflows	0.3	2.0	1.4	-	3.7
Outflows	(3.0)	(6.6)	(46.2)	-	(55.8)
Net	(2.7)	(4.6)	(44.8)	-	(52.1)
Discounted at the applicable interbank rates	(1.6)	(4.6)	(45.1)	-	(51.3)
Year ended 30 June 2019					
Inflows	3.0	7.9	20.8	0.2	31.9
Outflows	(7.5)	(23.7)	(62.8)	(1.7)	(95.7)
Net	(4.5)	(15.8)	(42.0)	(1.5)	(63.8)
Discounted at the applicable interbank rates	(2.8)	(15.7)	(42.1)	(1.7)	(62.3)

Collateral

The Group has pledged part of its longer term deposits in order to fulfil the collateral requirements for the secured funding agreement (fiducie-sûreté). At 30 June 2020 and 2019, respectively, the fair values of the term deposits pledged were $12.1 million and $18.3 million respectively. The counterparties have an obligation to return the securities to the Group. There are no significant terms and conditions associated with the use of collateral.

V. OTHER INFORMATION

17. SHARE BASED PAYMENT PLANS

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:

	2020		2019	
	Number of Rights	Weighted Average Fair Value	Number of Rights	Weighted Average Fair Value
Balance at beginning of year	1,685,969		1,632,924	
- granted	263,096	$52.59	419,711	$42.54
- vested	(201,620)	$69.32	(246,854)	$61.96
- forfeited	(469,899)	$53.46	(119,812)	$58.57
Balance at end of year	1,277,546		1,685,969	
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 2020:

Number of Rights	Grant Date	Vesting Date [1]	Weighted Average Fair Value [2]
254,633	13-Nov-16	30-Aug-19	$50.95
152,291	10-Nov-17	28-Aug-20	$32.61
205,331	10-Nov-17	28-Aug-20	$63.00
199,444	17-Nov-18	31-Aug-21	$33.86
219,441	17-Nov-18	31-Aug-21	$51.22
109,971	15-Nov-19	31-Aug-22	$33.36
136,435	15-Nov-19	31-Aug-22	$68.62
1,277,546			

[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

(i) Key Estimates and Assumptions

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

The fair value of share rights with TSR performance conditions are estimated on the date of grant using a Monte Carlo model. The fair value of share rights with non-market performance conditions are estimated at the date of grant using the Black Scholes Option Pricing model. The following weighted average assumptions were used for grants made on 10 November 2016, 17 November 2017, 15 November 2018 and 15 November 2019:

	Granted 15-Nov-19	Granted 17-Nov-18	Granted 10-Nov-17	Granted 13-Nov-16
Dividend yield	2.31%	2.88%	2.27%	1.85%
Expected volatility	22.5%	22.5%	22.5%	22.5%
Historical volatility	21.6%	22.5%	21.7%	22.0%
Risk-free interest rate	0.75%	2.11%	1.93%	1.76%
Effective life of incentive right	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.

V. OTHER INFORMATION (CONTINUED)

17. SHARE BASED PAYMENT PLANS (CONTINUED)

(ii) Recognition and Measurement

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

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

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

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

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

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

- The extent to which the vesting period has expired and
- The number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date.

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

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

18. EXPENDITURE COMMITMENTS

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 and is in effect until 15 September 2020, at which time it will be transferred back to the State of Victoria. Under this agreement Ramsay Health Care Australia Pty Limited takes full operator risk.

19. SUBSEQUENT EVENTS

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

V. OTHER INFORMATION (CONTINUED)

20. RELATED PARTY TRANSACTIONS

Transactions with Directors of Ramsay Health Care Limited and the Group

At 30 June 2020 costs of $ Nil (2019: $16,320) were accrued for expenditures incurred on behalf of Paul Ramsay Holdings Pty Limited that had not yet been invoiced.

21. AUDITORS' REMUNERATION

	2020 $	2019 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	2,311,672	2,077,282
- Fees for assurance services that are required by legislation to be provided by the auditor	-	-
- Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	48,350	55,848
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	555,842	723,474
Assurance related	165,301	475,665
	3,081,165	3,332,269
Amounts received or due and receivable by overseas member firms of Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	3,552,735	4,933,775
- Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance	679,274	729,400
Total fees to overseas member firms of Ernst & Young (Australia)	4,232,009	5,663,175
	7,313,174	8,995,444
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
- Audit or review of the financial report	1,950,577	1,763,648

V. OTHER INFORMATION (CONTINUED)

22. INFORMATION RELATING TO SUBSIDIARIES

Name	Country of Incorporation	% Equity Interest 2020	2019
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 Health Care Ventures Pty Limited	Australia	100%	-
Ramsay Finance Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Holdings Pty Limited ^	Australia	100%	100%
Ramsay Aged Care Properties Pty Limited ^	Australia	100%	100%
RHC Ancillary Services Pty Limited ^	Australia	100%	100%
Linear Medical Pty Limited ^	Australia	100%	100%
Newco Enterprises Pty Limited ^	Australia	100%	100%
Sydney & Central Coast Linen Services Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Holdings Pty Limited ^	Australia	100%	100%
Benchmark Healthcare Pty Limited ^	Australia	100%	100%
AHH Holdings Health Care Pty Limited ^	Australia	100%	100%
AH Holdings Health Care Pty Limited ^	Australia	100%	100%
Ramsay Centauri Pty Limited ^	Australia	100%	100%
Alpha Healthcare Pty Limited ^	Australia	100%	100%
Ramsay Health Care Australia Pty Limited ^	Australia	100%	100%
Donvale Private Hospital Pty Limited ^	Australia	100%	100%
The Benchmark Hospital Group Pty Limited ^	Australia	100%	100%
Dandenong Valley Private Hospital Pty Limited ^	Australia	100%	100%
Benchmark – Surrey Pty Limited ^	Australia	100%	100%
Benchmark – Peninsula Pty Limited ^	Australia	100%	100%
Benchmark – Donvale Pty Limited ^	Australia	100%	100%
Benchmark – Windermere Pty Limited ^	Australia	100%	100%
Benchmark – Beleura Pty Limited ^	Australia	100%	100%
Beleura Properties Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Australia Pty Limited ^	Australia	100%	100%
Affinity Health Finance Australia Pty Limited ^	Australia	100%	100%
Affinity Health Pty Limited ^	Australia	100%	100%
Affinity Health Foundation Pty Limited ^	Australia	100%	100%
Affinity Health Holdings Indonesia Pty Limited ^	Australia	100%	100%
Hospitals of Australia Pty Limited ^	Australia	100%	100%
Glenferrie Private Hospital Pty Limited^	Australia	100%	100%
Relkban Pty Limited ^	Australia	100%	100%
Relkmet Pty Limited ^	Australia	100%	100%
Votraint No. 664 Pty Limited ^	Australia	100%	100%
Votraint No. 665 Pty Limited ^	Australia	100%	100%
Australian Medical Enterprises Pty Limited ^	Australia	100%	100%
AME Hospitals Pty Limited ^	Australia	100%	100%
Victoria House Holdings Pty Limited ^	Australia	100%	100%
C&P Hospitals Holdings Pty Limited ^	Australia	100%	100%
HCoA Hospital Holdings (Australia) Pty Limited ^	Australia	100%	100%
AME Properties Pty Limited ^	Australia	100%	100%
AME Superannuation Pty Limited ^	Australia	100%	100%
Attadale Hospital Property Pty Limited ^	Australia	100%	100%
Glengarry Hospital Property Pty Limited ^	Australia	100%	100%
Hadassah Pty Limited ^	Australia	100%	100%
Rannes Pty Limited ^	Australia	100%	100%
Hallcraft Pty Limited ^	Australia	100%	100%
Jamison Private Hospital Property Pty Limited ^	Australia	100%	100%
Affinity Health (FP) Pty Limited ^	Australia	100%	100%
Armidale Hospital Pty Limited ^	Australia	100%	100%
Caboolture Hospital Pty Limited ^	Australia	100%	100%
Joondalup Hospital Pty Limited ^	Australia	100%	100%
Joondalup Health Campus Finance Limited^	Australia	100%	100%
Logan Hospital Pty Limited ^	Australia	100%	100%
Noosa Privatised Hospital Pty Limited ^	Australia	100%	100%
AMNL Pty Limited ^	Australia	100%	100%
Mayne Properties Pty Limited ^	Australia	100%	100%
Port Macquarie Hospital Pty Limited ^	Australia	100%	100%
HCoA Operations (Australia) Pty Limited ^	Australia	100%	100%
Hospital Corporation Australia Pty Limited ^	Australia	100%	100%
Dabuvu Pty Limited ^	Australia	100%	100%
NBH Hold Co. Pty Limited	Australia	100%	100%
NBH Operator Pty Limited	Australia	100%	100%
HOAIF Pty Limited	Australia	100%	100%

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

V. OTHER INFORMATION (CONTINUED)

22. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

Name	Country of Incorporation	% Equity Interest 2020	2019
HCA Management Pty Limited ^	Australia	100%	100%
Malahini Pty Limited ^	Australia	100%	100%
Tilemo Pty Limited ^	Australia	100%	100%
Hospital Affiliates of Australia Pty Limited ^	Australia	100%	100%
C.R.P.H Pty Limited ^	Australia	100%	100%
Hospital Developments Pty Limited ^	Australia	100%	100%
P.M.P.H Pty Limited ^	Australia	100%	100%
Pruinosa Pty Limited ^	Australia	100%	100%
Australian Hospital Care Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Allamanda) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Latrobe) Pty Limited ^	Australia	100%	100%
Australian Hospital Care 1988 Pty Limited ^	Australia	100%	100%
AHC Foundation Pty Limited ^	Australia	100%	100%
AHC Tilbox Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Masada) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Investments Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MPH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (MSH) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (Pindara) Pty Limited ^	Australia	100%	100%
Australian Hospital Care (The Avenue) Pty Limited ^	Australia	100%	100%
Australian Hospital Care Retirement Plan Pty Limited ^	Australia	100%	100%
eHealth Technologies Pty Limited ^	Australia	100%	100%
Health Technologies Pty Limited ^	Australia	100%	100%
Rehabilitation Holdings Pty Limited ^	Australia	100%	100%
Bowral Management Company Pty Limited ^	Australia	100%	100%
Simpak Services Pty Limited ^	Australia	100%	100%
APL Hospital Holdings Pty Limited ^	Australia	100%	100%
Alpha Pacific Hospitals Pty Limited ^	Australia	100%	100%
Health Care Corporation Pty Limited ^	Australia	100%	100%
Alpha Westmead Private Hospital Pty Limited ^	Australia	100%	100%
Illawarra Private Hospital Holdings Pty Limited ^	Australia	100%	100%
Northern Private Hospital Pty Limited ^	Australia	100%	100%
Westmead Medical Supplies Pty Limited ^	Australia	100%	100%
Herglen Pty Limited ^	Australia	100%	100%
Mt Wilga Pty Limited ^	Australia	100%	100%
Sibdeal Pty Limited ^	Australia	100%	100%
Workright Pty Limited ^	Australia	100%	100%
Adelaide Clinic Holdings Pty Limited ^	Australia	100%	100%
eHospital Pty Limited ^	Australia	100%	100%
New Farm Hospitals Pty Limited ^	Australia	100%	100%
North Shore Private Hospital Pty Limited ^	Australia	100%	100%
Phiroan Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Asia Pacific) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (South Australia) Pty Limited ^	Australia	100%	100%
Ramsay Health Care (Victoria) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (QLD) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (VIC) Pty Limited ^	Australia	100%	100%
Ramsay Health Care Services (WA) Pty Limited ^	Australia	100%	100%
Ramsay Pharmacy Retail Services Pty Limited^	Australia	100%	100%
Ramsay International Holding Company Pty Limited	Australia	100%	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%
Ramsay UK Properties Limited	UK	100%	100%
Linear Healthcare UK Limited	UK	100%	100%
Independent British Healthcare (Doncaster) Limited	UK	100%	100%
Ramsay Diagnostics Limited	UK	100%	100%
Ramsay Health Care UK Operations Limited	UK	100%	100%
Independent Medical (Group) Limited	UK	100%	100%
Exeter Medical Limited	UK	100%	100%
Ramsay Health Care (UK) No.1 Limited	UK	100%	100%
Ramsay Health Care Leasing UK Limited	Guernsey	100%	100%
Ramsay Santé SA*	France	52.5%	52.5%
Capio AB	Sweden	52.5%	52.5%

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

* *Ramsay Santé SA (formerly Ramsay Générale de Santé SA) owns a number of subsidiaries, none of which are individually material to the Group*

V. OTHER INFORMATION (CONTINUED)

23. CLOSED GROUP

Entities subject to instrument

Pursuant to Instrument 2016/785, relief has been granted to the entities in the table of subsidiaries in Note 22, (identified by ^) from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Instrument, these entities entered into a Deed of Cross Guarantee on 22 June 2006 or have subsequently been added as parties to the Deed of Gross Guarantee by way of Assumption Deeds dated 24 April 2008, 27 May 2010, 24 June 2011, 20 October 2015, 17 December 2015 and 14 May 2019. 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 wholly owned Australian 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	
	2020	2019
Consolidated Income Statement	$m	$m
Profit from operations before income tax	428.1	737.3
Income tax expense	(128.5)	(211.0)
Net profit for the year	299.6	526.3
Retained earnings at the beginning of the year	1,557.1	1,339.8
AASB 16 Leases adjustment	(67.2)	-
Retained earnings adjustments for additions of entities into the class order	-	(0.2)
Dividends provided for or paid	(322.5)	(308.8)
Retained earnings at the end of the year	**1,467.0**	**1,557.1**
Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	564.7	103.6
Trade and other receivables	618.4	684.2
Inventories	160.0	145.2
Prepayments	31.7	24.0
Other current assets	9.9	13.0
Assets held for sale	-	16.6
Total Current Assets	**1,384.7**	**986.6**
Non-current Assets		
Other financial assets	648.8	634.3
Investments in joint ventures	245.8	270.3
Property, plant and equipment	2,381.6	2,249.0
Right of use assets	347.2	-
Goodwill and Intangible assets	1,073.8	1,081.7
Deferred tax asset	185.3	123.5
Prepayments	11.1	11.3
Non-current receivables	205.2	202.6
Total Non-current Assets	**5,098.8**	**4,572.7**
TOTAL ASSETS	**6,483.5**	**5,559.3**
LIABILITIES		
Current Liabilities		
Trade and other creditors	990.9	917.0
Interest-bearing loans and borrowings	-	0.1
Lease liability	16.6	-
Provisions	41.3	24.8
Derivative financial instruments	4.6	10.0
Income tax payable	6.9	44.8
Total Current Liabilities	**1,060.3**	**996.7**

V. OTHER INFORMATION (CONTINUED)

23. CLOSED GROUP (CONTINUED)

	Closed Group 2020 $m	Closed Group 2019 $m
Non-current Liabilities		
Interest-bearing loans and borrowings	536.5	1,481.5
Lease liability	450.0	-
Provisions	129.3	139.2
Derivative financial instruments	9.6	14.6
Total Non-current Liabilities	1,125.4	1,635.3
TOTAL LIABILITIES	2,185.7	2,632.0
NET ASSETS	4,297.8	2,927.3
EQUITY		
Issued capital	2,197.6	713.5
Treasury shares	(78.2)	(82.0)
Convertible Adjustable Rate Equity Securities (CARES)	252.2	252.2
Retained earnings	1,467.0	1,557.1
Other reserves	459.2	486.5
TOTAL EQUITY	**4,297.8**	**2,927.3**

24. PARENT ENTITY INFORMATION

	2020 $m	2019 $m
Information relating to Ramsay Health Care Limited		
Current assets	2,652.5	1,265.3
Total assets	2,806.7	1,410.7
Current liabilities	(3.3)	(47.7)
Total liabilities	(3.3)	(47.7)
Issued capital	(2,197.6)	(713.5)
Other equity	(605.8)	(649.5)
Total shareholders' equity	(2,803.4)	(1,363.0)
Net profit for the year after tax	279.8	399.9

As a condition of the Instrument (set out in Note 23), 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.

V. OTHER INFORMATION (CONTINUED)

25. MATERIAL PARTLY- OWNED SUBSIDIARIES

Ramsay Santé (formerly Ramsay Générale de Santé) has a material non-controlling interest (NCI): This entity represents the French and Nordic segments for management and segment reporting.

Financial information in relation to the NCI is provided below:

(i) Proportion of equity interest and voting rights held by non- controlling interests

Refer to Note 22 which discloses the equity interest held by the Ramsay Group. The remaining equity interest is held by the non-controlling interest.

Voting rights for Ramsay Santé at 30 June 2020 are 52.1% (2019: 52.9%). The remaining interest is held by the non-controlling interest.

(ii) Accumulated balances of non-controlling interests

Refer to the Consolidated Statement of Changes in Equity

(iii) Profit allocated to non-controlling interests

Refer to the Consolidated Income Statement

(iv) Summarised Statement of Profit or Loss and Statement of Financial Position for 2020 and 2019

Refer to Note 1. The French and Nordic segments consist only of this subsidiary that has a material non-controlling interest.

(v) Summarised cash flow information

	2020 $m	2019 $m
Operating	988.1	245.8
Investing	(306.3)	(1,459.6)
Financing	(408.4)	1,311.6
Net increase in cash and cash equivalents	273.4	97.8

SECTION 3

STATUS OF AUDIT

FOR THE YEAR ENDED

30 JUNE 2020

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.